

Notice of Meeting and Agenda

10.00 am Monday, 4th November, 2019

Dunedin Room - City Chambers

1. Order of Business

- 1.1 Including any notices of motion and any other items of business submitted as urgent for consideration at the meeting.

2. Declaration of Interests

- 2.1 Members should declare any financial and non-financial interests they have in the items of business for consideration, identifying the relevant agenda item and the nature of their interest.

3. Minutes

- 3.1 Minute of the Lothian Valuation Joint Board of 2 September 2019 – submitted for approval as a correct record 5 - 8

4. Reports

- 4.1 Assessor's Progress Report to the Joint Board – report by the Assessor and Electoral Registration Officer 9 - 14

4.2	Business Strategy 2020-21 to 2022-23 – report by the Assessor and Electoral Registration Officer	15 - 20
4.3	Update on Non-Domestic Rates Reform – report by the Assessor and Electoral Registration Officer	21 - 28
4.4	Period 6 Financial Statement 2019-20 – report by the Treasurer	29 - 32
4.5	Mid Term Review Treasury Management Strategy – report by the Treasurer	33 - 34

Andrew Kerr

Chief Executive

Membership

The City of Edinburgh Council (9)

Councillor Gavin Corbett

Councillor Phil Doggart

Councillor Karen Doran

Councillor David Key (Convener)

Councillor George Gordon

Councillor Gillian Gloyer

Councillor Ricky Henderson

Councillor Jason Rust

Councillor Norman Work

Midlothian Council (2)

Councillor Kieran Munro

Councillor Margot Russell

West Lothian Council (3)

Councillor Dave King

Councillor Andrew McGuire (Vice-Convener)

Councillor Damian Timson

East Lothian Council (2)

Councillor Jeremy Findlay

Councillor Jim Goodfellow

Notes:

- (1) If you have any questions about the agenda or meeting arrangements, please contact Lesley Birrell | Committee Services | Strategy and Communications | Chief Executive | City of Edinburgh Council | Business Centre 2:1 | Waverley Court | 4 East Market Street | Edinburgh | EH8 8BG | tel 0131 529 4240 | email lesley.birrell@edinburgh.gov.uk
- (2) A copy of the agenda and papers for this meeting will be available for inspection prior to the meeting at the Main Reception Office, City Chambers, High Street, Edinburgh.
- (3) The agenda, minutes and public reports for this meeting can be viewed online by going to www.edinburgh.gov.uk/meetings .



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FIELD_TITLE

Lothian Valuation Joint Board

Edinburgh, 2 September 2019

Present:

City of Edinburgh Council – Councillors Key (Convener), Corbett, Gordon, Gloyer, Mowat (substituting for Councillor Daggart) and Work.

East Lothian Council – Councillor Findlay.

West Lothian Council – Councillor Timson.

1 Minute

Decision

To approve the minute of the Lothian Valuation Joint Board of 17 June 2019 as a correct record.

2 2018/19 Annual Audit Report to Members of Lothian Valuation Joint Board and the Controller of Audit

The External Auditor's report on the audit of the Joint Board's 2018-19 financial statements was presented. The report set out relevant matters arising from the audit which required to be reported under International Standard on Auditing (UK and Ireland) 260 (ISA 260).

An update was provided on the recommendations from the previous year's audit.

Decision

To note the annual audit report.

(Reference – report by the External Auditor, submitted).

3 Audited Annual Accounts for the Year Ended 31 March 2019

The Board's audited accounts for the year ended 31 March 2019 were submitted. There were no significant issues identified during the course of the audit which provided for an unqualified opinion on the accounts.

Decision

1) To note the annual audited accounts for 2018/19.

2) To authorise the annual audited accounts for 2018/19 for signature.

(Reference – report by the Treasurer, submitted).

4 Period 4 Financial Statement 2019/20

Information was submitted of the projected revenue budget outturn position to 31st March 2020 based on the position at the period ending 31 July 2019.

The forecast variance was an underspend of £0.089m. With the exception of employee costs, all other budget headings had been forecast on budget as it was relatively early in the year to predict otherwise and there were no known material budget variances at this stage.

Decision

- 1) To note the projected outturn position for 2019-20.
- 2) To note that a further 2019-20 budget update would be presented to the November Board meeting.

(Reference – report by the Treasurer, submitted).

5 Assessor's Progress Report to the Joint Board

The Assessor presented an update on the service overview and priorities, current issues and the future direction of the Joint Board.

The 2019 annual canvass had commenced in early July with first reminders issued during August and final reminders scheduled for early September. At this stage the return rate for household enquiry forms was 57.6% compared with 59.45% in 2018 and 52.63% in 2017.

Service priorities over the next three months included:

- Electoral engagement strategy
- Continuation of other engagement activities
- Individual Electoral Registration
- The Scottish Elections (Franchise and Representation Bill)
- Council tax
- 2017 revaluation appeal disposal
- Maintenance of the Valuation Roll
- Governance and Risk
- Budget 2019/20 and Business Strategy 2020/2023

Decision

- 1) To note the updates.

Lothian Valuation Joint Board
2 September 2019

- 2) To agree that future reports include data on categories of properties deleted from the Council Tax List and changed to the Non-Domestic Rates Valuation Roll.

(Reference – report by the Assessor and Electoral Registration Officer, submitted).

6 Update on Non-Domestic Rates Reform

An update was provided on progress being made at both a national and local level in respect of Non-Domestic Rates Reform.

Internal Audit had carried out an audit on the current state of readiness in connection with implementation of NDR Reform arising from the Barclay Review. The report indicated an overall amber rating.

Details were provided of management actions in response to each of the audit findings.

Decision

To note the update.

(Reference – report by the Assessor and ERO, submitted)

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ASSESSOR'S PROGRESS REPORT TO THE LOTHIAN VALUATION JOINT BOARD

4th November 2019

1.0 PURPOSE OF REPORT

To advise and update members on service overview, performance and priorities.

2.0 ELECTORAL REGISTRATION

2.1 2019 Annual Household Canvass

The 2019 Household canvass is currently ongoing and shall conclude in advance of the Register publication date of 1 December 2019.

The table below shows the ER Annual Household Enquiry Form return rates at as 11/10/19

Council Area	Initial HEFs issued	HEFs returned	%
City of Edinburgh	248,074	176,431	71.12%
Midlothian	41,254	31,746	76.95%
West Lothian	80,739	59,926	74.22%
East Lothian	48,835	37,910	77.63%
Totals	418,902	306,013	73.05%

At this stage the current prediction is for similar return rate to the 2018 canvass where a rate of 75% was achieved.

Of the returns received by 11 October, 147,444 were in paper format and 158,569 were received via all other channels including web, text, phone and returns from door to door visits.

Return of canvass forms can give rise to the issue of Invitation to Register forms (ITR). During this year's canvass we have posted 29,656 ITR's, emailed an additional 10,956, followed up with 33,431 1st and 2nd paper reminders, and 1,128 email reminders.

The current Absent Vote list stands at 121,380 which is slightly down from the 1 December 2018 position of 121,991.

2.2 ER Canvass Reform – Update

Preparations are continuing in advance of the reforms to the 2020 annual household canvass. The Representation of the People (Annual Canvass) (Amendment) Regulations have been drafted and are expected to come in to force at the end of this year. These regulations will allow a test of the national data matching exercise (Electoral Register data to DWP data) to commence in early 2020.

As part of the preparation for these changes we are undertaking a test of local data sets to help identify their data quality and currency in relation the information contained in the electoral register.

Each of our four constituent authorities have provided council tax data which will be used to check against electoral register data as at the start of the 2019 canvass and then again at conclusion of the canvass. The effectiveness of the local data shall be assessed in terms of an improved match rate between pre and post canvass data. We will shortly evaluate the results of this test and these outcomes will help inform our overall strategy for the matching process.

We have also undertaken some initial cost modelling work to try to identify the level of cost savings that could be made however this modelling exercise will be further and more accurately informed following the national data matching exercise in early 2020.

IER funding allocation from the Cabinet Office for 2019/2020 is £228k. As CO funding will cease next year the focus is on the development of the new canvass approach and the options it offers, so as to remove this additional funding overhead from 2020 onwards.

2.3 Elector Engagement

During the annual household canvass period elector engagement activities have placed additional emphasis on promoting the importance of returning the Household Enquiry Form, using face-to-face events as well as social media, TV and radio advertising.

Additionally, the reporting period has coincided with the commencement of the University year. With over 60,000 students attending Edinburgh and Lothian based higher education institutions this poses a significant challenge for electoral administrators. The Engagement Officer has worked in partnership with members of Student's Associations in order to promote student voter registration.

Noted below are some of the recent activities undertaken by the Engagement Officer;

- Attendance at Edinburgh MELA Festival to allow people to return Household Enquiry Forms and check if they are registered;
- Voter registration drop-in sessions held at each of the 4 City of Edinburgh Locality Offices;
- Voter registration drop-in sessions held in various locations in East Lothian, Midlothian and West Lothian;
- Social media messaging through the @ERO_LothianVJB and constituent council's twitter feeds and TV & radio advertising to encourage return of Household Enquiry Form;
- Email issued to occupiers in low return areas to prompt return of Household Enquiry Form;
- Voter registration stalls at each of the 4 Universities Freshers' Fairs to register new students and promote voter registration;
- Posters displayed at Halls of Residences and advertising placed in Student's Association information publications promoting the online registration process;
- Attendance at Citizenship Ceremonies to register newly qualified electors and assist in the return of Household Enquiry Forms if necessary;
- Over 8,500 ITR's issued to new Council Tax Payers using Data Mining program.

2.4 Service Priorities

- Continue contingency planning for major electoral event(s)
- Conclude the annual household canvass, process all returned information as necessary and publish the revised Electoral register on 1 December 2019.
- Continue processing all applications received, such as ITR registration forms, absent vote applications etc.
- Continue doorstep activity in respect of outstanding ITR's
- Carry out absent vote signature refresh (January – February)
- Continue with, and further develop, elector engagement activities
- Continue to assess and model the impact of the proposed new canvass reform programme

3.0 COUNCIL TAX

The maintenance of the Council Tax List is a constant activity and the table below indicates the number of new inserts, by Council area, made to the List during the period 1st April to 20th October 2019. In addition the level of performance achieved is also shown.

Band	Edinburgh	Midlothian	West Lothian	East Lothian	Total
A	30	4	10	1	45
B	166	9	123	24	322
C	286	59	120	72	537
D	448	38	107	130	723
E	374	34	143	75	626
F	120	105	133	118	476
G	164	82	30	164	440
H	57	1	2	5	65
Total	1,645	332	668	589	3,234

The level of performance in relation to the associated key performance indicators are shown below. These indicators are for the period 1st April 2019 until the 30th September 2019 and based on the 2,954 inserts between these two dates.

KPI	Less than 3 months	3 to 6 months	Greater than 6 months
Actual	93.20%	5.01%	1.79%

At the current time we have 99 outstanding council tax appeals. The majority will be resolved without the need for a formal citation and those remaining will likely be cited for hearing towards the end of the year.

The use of external field devices for the collection of house data has now been successfully deployed and this approach is in use for all new house estates. The second phase that shall allow the remote update to core systems is now in the testing phase. If testing goes as expected a full release is anticipated by the end of November.

4.0 NON-DOMESTIC RATING

4.1 2017 Revaluation Appeals

The continuing disposal of NDR appeals lodged following the 2017 revaluation remains a major focus. To date 8,875 revaluation appeals have been disposed of along with 857 running roll appeals, with a further 1,229 revaluation and 228 running roll appeals under citation by the end of the year. This shall mean that the end of year position shall be that of the 13,007 revaluation appeals lodged, 10,104 shall have been dealt with leaving 2,904 (22.3%) for disposal during 2020.

A draft 2020 timetable for disposal has been compiled with an anticipated finish date of October 2020, allowing some time for continuations before the statutory end date of 31st December 2020. The concentration so far has been on large class subjects such as shops, offices, industrials and licensed subjects. There are still a number of appeals relating to

these bulk class properties outstanding however moving forward the emphasis will move towards more specialised subjects.

The table below provides more information on revaluation appeal disposal.

1 st April 2017 to 23 rd October 2019	Total Appeals Received (2017 RV)	Total Appeals Closed	% of RV Appeals Closed	Number of Appeals Withdrawn or Dismissed	% of Appeals Withdrawn	Number of Appeals Adjusted	% of Appeals Adjusted
Edinburgh	8,343	6,642	79.6%	4,635	69.7%	2,007	30.3%
Midlothian	1,059	701	66.2%	463	66.0%	238	34.0%
West Lothian	2,499	1,674	67.0%	1,216	72.6%	458	27.4%
East Lothian	1,107	628	56.7%	484	77.1%	144	22.9%
Total	13,008	9,645	74.1%	6,798	70.4%	2,847	29.6%

4.2 2019 Running Roll

The maintenance of the Valuation Roll is an essential annual activity. This ensures the Roll itself and entries it contains remain current by the insertion and deletion of entries, and amendment to reflect property splits and mergers, and the impact of physical alterations of material consequence.

The table below provides an indication of the number and types of changes made to the Roll since 1st April 2019.

	Shops	Offices/ Car Spaces	Industrial	Licensed	Self- Catering	Premises Under Reconstruction	Other Subjects
Edinburgh	76	365	100	27	250	78	204
Midlothian	3	15	29	4	8	5	40
West Lothian	12	52	101	2	11	22	87
East Lothian	10	22	18	3	31	5	73
Total	101	454	248	36	300	110	404

There were also 1,300 name changes processed along with the issue of 3,831 commercial rental evidence forms of which 1,509 were subsequently returned.

In addition the performance associated with the principal maintenance activities is shown.

	< 3 months	3 – 6 months	> 6 months	Total
01/04/19 – 30/09/19	82.23%	11.86%	5.91%	1,593
01/04/18 – 30/09/18	72.41%	23.28%	4.21%	1,591

The maintenance of the Roll is a resource hungry activity and competes with appeal disposal in terms of workforce allocation. During 2019/20 a number of initiatives are under way in order to alleviate some of this pressure while maintaining/improving performance.

Altered work practices have been put in place where the emphasis has changed from being reactive to proactive with regard to certain amendments to the valuation roll that occur on a regular basis. These changes allow for the better use of resources and current indications suggest, improved performance.

5.0 FINANCIAL STATEMENT

5.1 Budget 2019/20 Projected Outturn

The Treasurer's report indicates a projected budget outturn of £17k overspend. The start of year projection of circa £160k overspend is being minimised as a result of following budgetary and vacancy control.

The Board shall require to consider the options available at financial year end should the year end position remain at the projected overspend position.

5.2 Business Strategy 2020/23

The Board has been provided with an update on the Business Strategy elsewhere on the agenda. Work shall continue over the coming months to provide further detail on the actions being taken to meet the various challenges outlined.

An external facing meeting of the Governance Group was held on the 24th September at which the 3 year budget projection and the various options for mitigating the financial impact over this period were discussed including the development of the proposed Business Strategy. It was agreed that a further meeting of the group would be advisable to monitor progress in this regard. Accordingly a meeting of the Governance Group has been scheduled for the 3rd December 2019. An update report shall be presented to the Board at its next meeting on the 3rd February 2020.

6.0 RECOMMENDATION

The Board is requested to note the contents of this report.

Graeme Strachan
ASSESSOR & ERO



BUSINESS STRATEGY 2020/21 – 2022/23

4th November 2019

1.0 INTRODUCTION

- 1.1 The purpose of the report is to provide an update on the development of a 3 year Business Strategy.
- 1.2 The requirement to develop a Business Strategy stems from,
 - A projected year end budget over spend for the financial year 2019/20.
 - An identified projected funding gap for coming years
 - The ongoing expectation that a level of longer term financial sustainability should be established
 - The need to meet the demands of legislative changes on service delivery
- 1.3 The funding gap has resulted from the requirement to fund annual pay awards, annual increments, and other unavoidable inflationary pressures set against an anticipated flat-cash budget settlement.
- 1.4 One of the key outcomes of the Business Strategy is the creation of a 3 year budget forecast that shall illuminate potential funding shortfalls allowing mitigation options to be considered by the Board.

2.0 BACKGROUND

- 2.1 The organisation commenced a Transformation Programme during 2017/18. One of its outcomes was the introduction of a revised organisational structure resulting in an annual reduction of £271k (4.4%) and a reduced budget of £5.847m.
- 2.2 In addition a programme of modernisation, digitalisation, process and cultural review was commenced and remains ongoing.
- 2.3 This ongoing activity, known as Transformation Programme Phase 2, is the vehicle that provides the opportunity to reconsider resource requirements, in the short and medium

term, identifying opportunities to mitigate against the projected funding gap while at the same time identifying the necessary process changes and modernisation required to meet the demands of ongoing service delivery and the introduction of legislative changes.

3.0 LVJB BUSINESS STRATEGY 2020/21 TO 2022/23

- 3.1 The Business Strategy is a key element of the Transformation Programme Phase 2 and represents an overarching framework that encapsulates the principle challenges that are faced during 2020 to 2023. See attached appendix.
- 3.2 It shall indicate the high level project based approach that is being taken, and provide clarity and detail on how each challenge is being dealt with and the required outcomes.
- 3.3 The Strategy is comprised of 5 key challenges,
 - Responding to the ongoing fiscal constraint by identifying efficiencies and savings
 - Ensuring the organisation is able to deliver the changes required under the NDR Reform agenda
 - Ensuring the organisation is able to deliver changes to the electoral registration annual household canvass process
 - Ensuring the organisation can continue to deliver all business as usual services throughout this period of challenge and change
 - To continue and accelerate the process of Transformation involving modernisation, process review and cultural change
- 3.4 While these challenges are quite distinct in nature they are very much inter-related and co-dependant, with the outcome on one supporting the outcome of others.
- 3.5 For each of these challenges a separate project enabled approach is under construction with an associated timetable.
- 3.6 For a number of the challenges work, through the ongoing Transformation Programme and specific projects aimed to deliver on NDR and ER Canvass Reform, is currently under way. This shall be incorporated into and reflected in the overarching Business Strategy.
- 3.7 The Business Strategy and the required progress shall come under control and scrutiny from the Governance Group assisted by the existing Project Board monitoring and review process.

4.0 BUDGET 2020/2023

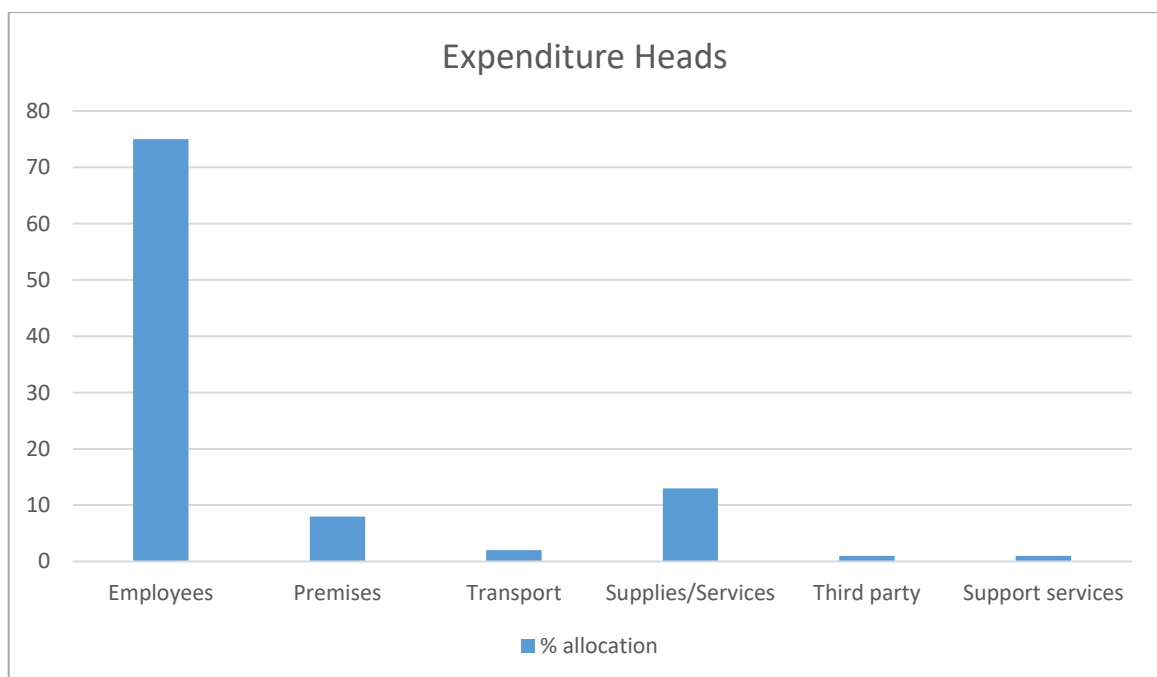
4.1 It is anticipated that the Board shall receive a flat cash settlement from constituent councils over the period of the Business Strategy.

4.2 Due to inescapable budget pressures in the form of annual pay awards, annual increments, and other annual unavoidable inflationary pressures, a funding gap shall result

4.3 The figures below provide an estimate of the projected funding gap,

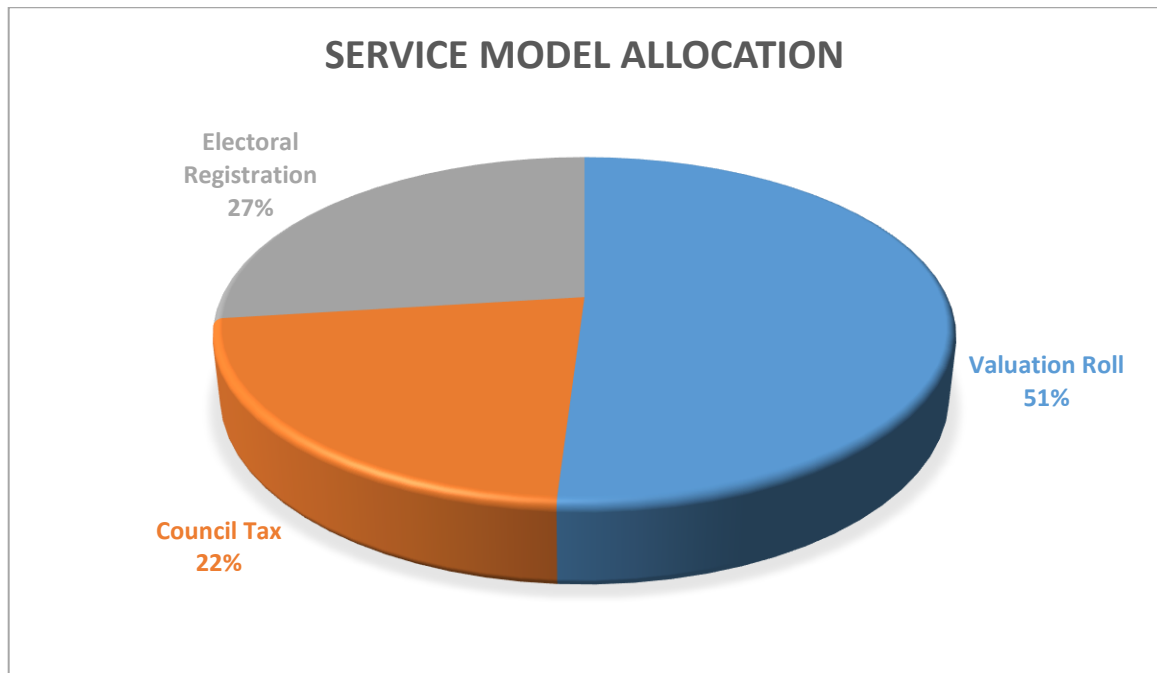
2020/2021 Budget shortfall	£371,931
2021/2022 Budget Shortfall	£609,131
2022/2023 Budget Shortfall	£827,064

4.4 The table below provides an indication of current annual budget allocation to the main heads of expenditure.



4.5 Employee costs currently constitute 75% of annual budget expenditure with all other individual heads of expenditure each accounting for 12% or less of the total annual budget.

- 4.6 The following chart provides an indication of the allocation of annual budget expenditure to each of the three service delivery functions.



- 4.7 It is clear that to achieve budget savings of the magnitude required efficiencies are required from current employee cost levels.

5.0 PROGRESS UPDATE

- 5.1 Due to the timescales within which the Business Strategy is required to operate, the need to forecast the Year 1 impact as soon as possible, and enable consideration to be given to the budget process for 2020/2021 a numbers of actions have commenced.
- 5.2 The Trade Union have been provided with Business Strategy Terms of Reference and a specific schedule of consultative meetings has been agreed.
- 5.3 Communication sessions have been provided to all staff where all the challenges facing the Board, including the fiscal challenges, have been discussed.
- 5.4 All staff have been invited to consider the Board's Policy on Voluntary Early Retiral and this process remains ongoing.

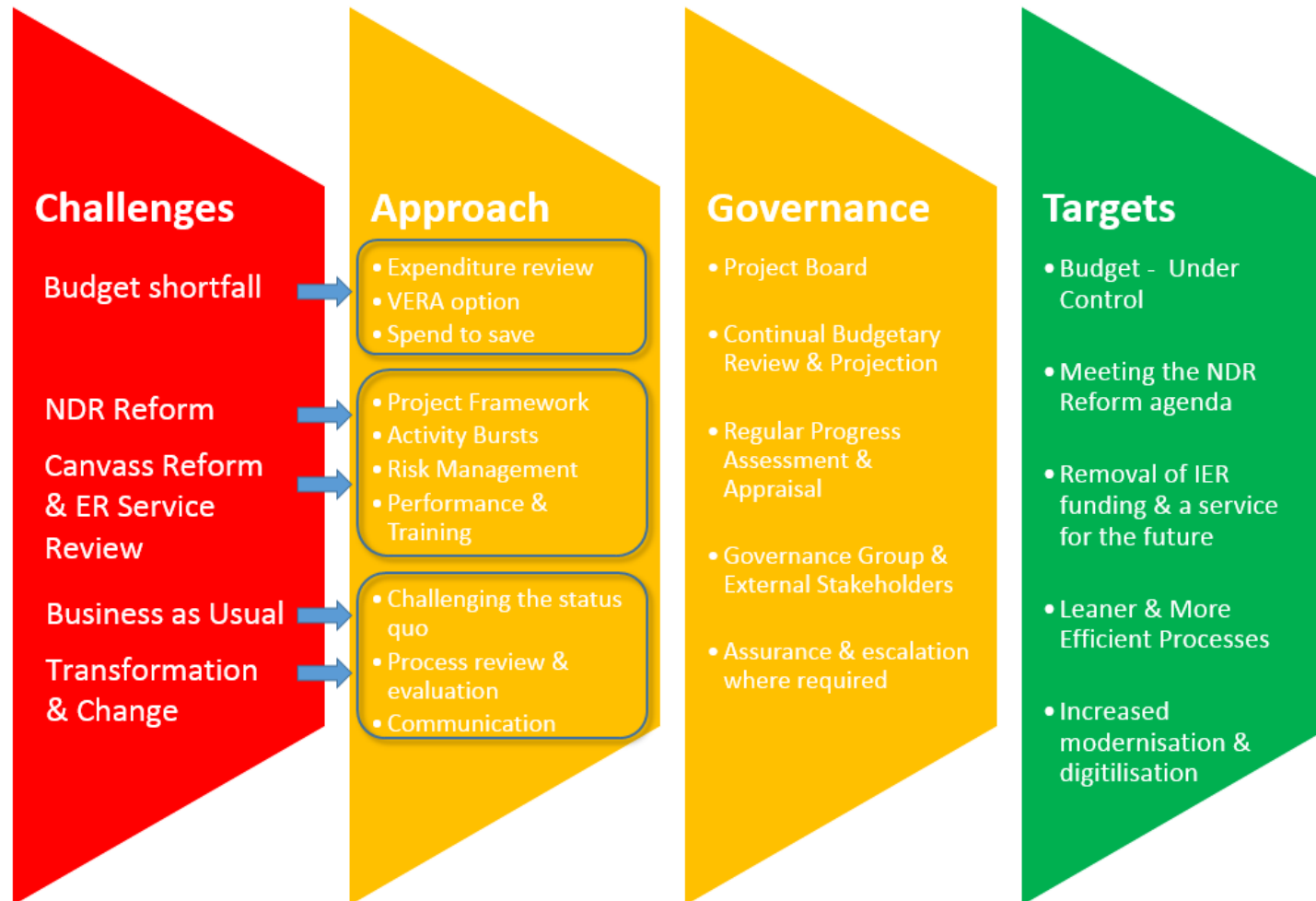
6.0 RECOMMENDATION

- 6.1 The Board is asked to note the contents of this report.

- 6.2 The Board should note that an update report outlining Business Strategy progress shall be provided as a standing agenda item for future Board meetings.

Graeme Strachan
ASSESSOR & ERO

LVJB 2020-23 Strategic Framework - Meeting Financial & Reform Challenge





UPDATE ON NON DOMESTIC RATES REFORM

1.0 INTRODUCTION

The report provides an update on the progress being made, at a national and local level, in respect of the implementation of NDR Reform.

2.0 LEGISLATION

- 2.1 The Local Government and Communities Committee have concluded their Stage 1 investigations into the draft NDR Reform (Scotland) Bill, having received evidence, both written and oral, from a wide range of stakeholders.

The Stage 1 report is available at:

https://www.parliament.scot/S5_Local_Gov/Inquiries/20191003_NDR_Stage_1_Report.pdf

- 2.2 The Committee have at this stage indicated that it supports the general principles of the Bill.
- 2.3 Following debate in Parliament of the Stage 1 report the Committee shall now move to consider amendments to the draft Bill during November 2019 as part of the Stage 2 process.
- 2.4 The Bill remains on schedule for enactment on 1st April 2020.
- 2.5 The Scottish Government's NDR Team continue to consider the detailed requirements of the proposed new proposal/appeal process that shall underpin a number of the key aspects of the Reform Bill.
- 2.6 A final report from the Barclay Advisory Implementation Group Appeal Sub-Group has been published and is available here. <https://www.gov.scot/ISBN/9781839602412/>
- 2.7 Draft regulations providing detail on the proposal/appeal process are anticipated by the end of the year with a consultation period to conclude prior to summer 2020.

3.0 NDR REFORM IMPLEMENTATION

- 3.1 Progress with organisational projects aimed at securing delivery of the NDR reform package is in accordance with individual project timetables.
- 3.2 The projects are subject to monthly review by the Project Board and the Project Governance Group.
- 3.3 The individual projects are;
- A Basic Rates Evaluator system to support the creation of rateable values within the 3 year revaluation cycle.
 - A Revaluation Management System to support the administrative processes required to simultaneously maintain and update the Valuation Roll while preparing the Revaluation Roll.
 - The development of in-field devices linked to back office systems allowing the better use of employee resources.
 - The development of a Training Framework which, amongst other aspects, supports and assists the successful progression of trainee posts allowing qualification in the shortest time available.
 - A Performance Framework that reviews and identifies key changes in current internal processes allowing better use of employee resources.
 - Early project definition is underway to support the new proposal/appeal framework and new powers to issue civil penalties for non-return of information. Progress with both these projects is subject to further clarity surrounding necessary legislation.
 - A longer term Engagement project linked to national initiatives aimed at increasing ratepayer understanding and awareness of the NDR system.
- 3.4 Where possible ICT development and innovation is being used as the vehicle to deliver on aspects of the NDR Reform agenda.

4.0 BUSINESS STRATEGY 2020/23 & NDR REFORM

- 4.1 The Business Strategy 2020/23 identifies the NDR Reform agenda as one of the key challenges faced by the organisation.
- 4.2 The individual projects noted above form part of the overarching Strategy Framework aimed at consolidating the identified challenges and providing the necessary outcomes for each.
- 4.3 Current expenditure arising from the NDR Reform agenda has been limited to two staff comprising an ICT Analyst and an ICT Network Technician. No further recruitment is anticipated during 2019/20.

- 4.4 The exact nature and extent of any future recruitment appropriate to support the delivery of the NDR Reform agenda shall form part of considerations within the overall context of the Business Strategy.

5.0 NDR REFORM RISK REGISTER

- 5.1 The attached NDR Reform Risk Register provides an update position on identified key risks.

6.0 RECOMMENDATION

- 6.1 The Board is asked to note the contents of this update report.

Graeme Strachan
ASSESSOR & ERO

Att: NDR Reform Risk Register

NDR REFORM RISK REGISTER

ID	Description	Category	Pre - Mitigation	Mitigation & Control	Post - Mitigation	Allocation	Further Action	Responsibility	Action Date
1	Annual Reduction in Core Funding	Finances		The Business Strategy 2020/23 identifies the key challenges facing the organisation including the requirement to satisfy the NDR Reform agenda while managing the required budgetary control.		G Strachan		G Strachan	Feb 2020
2	Failure to identify risks within Barclay Roadmap process	Project Board		Roadmap versioning aims to reflect the emerging picture of the full requirements including the associated national timetable. Risks are assessed and mitigated as part of this process		G Strachan	Continue to monitor draft Bill progress and development of supporting regulations. Develop key revaluation and associated appeal disposal timetables for 2022 and 2025.	G Elliott	April 2020

ID	Description	Category	Pre - Mitigation	Mitigation & Control	Post - Mitigation	Allocation	Further Action	Responsibility	Action Date
3	Lack of Resources to deliver Barclay requirements	Resources		Additional funding requirement has been established. This forms part of the Business Strategy considerations where recruitment shall be balanced against the other key challenges faced.		G Strachan	Develop key revaluation and associated appeal disposal timetables for 2022 and 2025.	G Elliott	Mar 2020
4	Organisational staffing structure fails to support delivery of Barclay requirements	Resources		Headline workload pressures have been identified with mitigating projects under progress.		CLT	Develop key revaluation and associated appeal disposal timetables for 2022 and 2025 allowing identification of pinch points and resource pressures.	G Elliott	Mar 2020
5	Unrecognised impact on existing VR maintenance tasks	Resources		Existing Performance Framework project identifies opportunities to support BAU activities.		G Strachan	Introduce process changes and evaluate effectiveness	G Elliott	Mar 2020

ID	Description	Category	Pre - Mitigation	Mitigation & Control	Post - Mitigation	Allocation	Further Action	Responsibility	Action Date
6	Administrative processes unable to support delivery of Barclay requirements	Process		Project Initiation Documents have been created in order to identify level of change requirement to support these process.		CLT	Continue to monitor draft Bill development and associated regulations	N Chapman	Mar 2020
7	Lack of project Management Skills	Audit		Project definitions and required progress have been established with Project Managers and a Project Governance regime initiated.		G Strachan	N/A	Project Board	Complete
8	Lack of Project Board terms of Reference	Audit		Project Terms of Reference established		B Callaghan	N/A	B Callaghan	Complete
9	Lack of Project Change Management Process	Audit		Project Board shall initiate project change process		PMB	Creation of project change templates and associated approval process	B Callaghan	Complete

ID	Description	Category	Pre - Mitigation	Mitigation & Control	Post - Mitigation	Allocation	Further Action	Responsibility	Action Date
10	Lack of process identifying project costs and benefits	Audit		The PMB meetings have incorporated this requirement, documenting outcomes and raising emerging issues with CLT		PMB	N/A	B Callaghan	Complete
11	Lack of RIADS logs for projects	Audit		Raids logs allow individual project risks and issues to be identified and mitigated.		PMB	Logs under construction allowing completion by Project Managers	B Callaghan	Complete
12	Lack of system testing plan	Audit		Detailed testing plans allow effective and expected delivery and performance of major ICT developments		PMB	Existing testing plan templates to be enhanced accordingly.	B Callaghan	Nov 2019
13	Creation of post implementation project reviews	Audit		Project reviews allow reflection on expected deliverables and the implementation of additional remedial action if necessary		PMB	A formal and documented project review process shall be created and initiated when appropriate.	B Callaghan	Dec 2019

ID	Description	Category	Pre - Mitigation	Mitigation & Control	Post - Mitigation	Allocation	Further Action	Responsibility	Action Date
14	Failure of ICT developments to meet final Barclay requirements	Project Board		Current projects are being constantly aligned with current/ongoing knowledge of Barclay requirements and projects at this stage allow flexibility for change.		G Strachan	Scheduled re-assessment of project outcomes as set against requirements.	CLT	Dec 2019
15	Failure to support project development with appropriate internal communication	Comms.		End user involvement during project creation and implementation creates wide knowledge base. Wider scale internal communication reflecting on the operational changes projects shall have is essential for end user acceptance		PMB	PM's to develop internal communication schedules.	Project Managers	Dec 2019
16	Failure to identify all required projects to deliver Barclay requirements	Project Board		Continue to monitor draft Bill development and associated regulations, review and consider organisational implications.		G Strachan	Initiate PID's as appropriate.	CLT/PMB	Mar 2020

Period 6 Financial Statement 2019/20

4th November 2019

1 Purpose of report

This report summarises the projected revenue budget outturn position to 31st March 2020, based on the position at period ending 30th September. The report has been prepared in consultation with the Assessor.

2 Main Report

Projected Revenue Outturn 2019/20 – Core Budget

- 2.1 The table below compares projected revenue outturn 2019/20 with the budget. The forecast variance, based on the position at 30th September, is an over spend of £0.017m.

	Core Budget			IER Budget			Total		
	Budget £'000	Forecast £'000	Variance £'000	Budget £'000	Forecast £'000	Variance £'000	Budget £'000	Forecast £'000	Variance £'000
Expenditure									
Employee costs	4,532	4,547	15	44	45	1	4,576	4,592	16
Premises costs	540	535	(5)	0	0	0	540	535	(5)
Transport costs	76	79	3	0	0	0	76	79	3
Supplies & Services	750	756	6	216	216	0	966	972	6
Third Party Payments	82	80	(2)	0	339	339	82	419	337
Support Services	67	67	0	0	0	0	67	67	0
Gross Expenditure	6,047	6,064	17	260	600	340	6,307	6,664	357
Income									
Sales, Fees & Charges	(43)	(43)	0	0	0	0	(43)	(43)	0
IER Grant	0	0	0	(260)	(600)	(340)	(260)	(600)	(340)
Interest	(3)	(3)	0	0	0	0	(3)	(3)	0
Total income	(46)	(46)	0	(260)	(600)	(340)	(306)	(646)	(340)
Net Expenditure	6,001	6,018	17	0	0	0	6,001	6,018	17

- 2.2 The over spend has reduced by £0.072m to that reported in September (£0.089m). This primarily relates to recruitment delays whilst a Business Strategy for the Board, including new staffing structure, is developed. The Assessor and ERO will provide a separate report to the Board on this Agenda.

Forecasts to 31st March 2020 – Core Budget

- 2.3 At this stage, the projected outturn indicates a forecast over spend of £0.017m.
- 2.4 The principal reason for the budget over spend relates to employee costs. The Board introduced a turnover factor of £0.163m to balance the 2019/20 budget. This turnover factor is, in the main, being managed through a recruitment pause until the outcome of the Transformation Programme Phase Two and specific projects aimed to deliver on NDR and ERD canvass Reform is known. A new staffing structure will be created within an overarching Business Strategy.

Individual Electoral Registration (IER)

- 2.5 The 2019/20 budget assumes that all costs will be met by grant from the Cabinet Office. Grant of £0.228m has been received for 2019/20 from the Cabinet Office and unspent grant of £0.372m was carried over from 2018/19. Total grant of £0.600m is therefore currently available to fund IER costs 2019/20. It is currently forecast that £0.339m of unspent grant will be carried forward to 2020/21.
- 2.6 As reported to the Board previously, the introduction of the IER process has resulted in additional costs to the Board of approx. £0.260m per annum. These costs have so far been fully funded by Cabinet Office grant. The IER process remains under review and grant funding is due to cease from April 2020. The funding of IER costs beyond this period and options to reduce it through procedural change remain ongoing. The Assessor will provide updates to the Board when they become available. The carry-forward of unspent grant 2019/20 will be used to fund unfunded IER costs from April 2020.

3. General Reserve / Risk

- 3.1 The Board's general reserve balance currently stands at £0.897m. This does not include the forecast over spend of £0.017m for 2019/20m reported above. A final estimated 2019/20 outturn report will be reported in February 2020.
- 3.2 The Board requires to maintain a minimum general reserve level of 3% based on the annual requisition to mitigate against risk. A minimum reserve balance of £0.180m must therefore be retained at 31st March 2020 with the Board assessing balances held in excess of this as part of this report.
- 3.3 Reserves can be held for three main purposes:
- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing;
 - A contingency to cushion the impact of unexpected events and emergencies;
 - A means of building up funds to meet known or predicted liabilities, for example, costs of voluntary early release schemes.
- 3.4 In order to assess the adequacy of the unallocated reserves, it is necessary to take account of the strategic, operational and financial risks facing the Board. The assessment should take account of controls in place to manage identified risks together with the overall financial standing of the Board and general arrangements to support effective financial risk management. The key financial and operational risks facing the Board summarised below include:
- 3.5 **Business Strategy (Transformation Programme Phase Two)**
A separate report will be presented by the Assessor on this agenda. Due to the timing of the programme, Voluntary Early Release (VERA) business cases are not available at this stage and therefore an update cannot be provided to the board in terms of the financial impact 2020/21. The Board will therefore be provided with an update in February 2020. It should be noted that VERA business cases will be approved by both the Assessor and ERO and the Treasurer based on cost/savings tests. The one-off exit costs associated with Transformational change programme will be met through the Board's reserve. **£0.471m** one-off costs arising from phase one of the Transformation Programme were funded from the Board's reserve.

- 3.6 **Individual Electoral Registration – budget risk £0.270m**
The Board has been advised previously of the additional costs incurred associated with Individual Electoral Registration. The 2019/20 budget is £0.260m and Cabinet Office funding will cease from April 2020. Work is ongoing to reduce this cost however at this stage a definitive statement on the likely financial impact is not available. A risk remains that additional costs shall be incurred following the formal introduction of the new annual canvass procedure and the removal of grant funding.
- 3.7 **Barclay Review of NDR – budget risk £0.3m - £0.4m**
The Board received an additional £0.154m requisition in 2019/20 relating to part-year costs. Full-year cost have previously been estimated at £0.3-£0.4m. Failure to receive adequate annual funding would impact on the Board's ability to deliver the required changes as well as causing a financial pressure. The Board will be updated following issue of draft Local Government Finance Settlements from the Scottish Government.
- 3.8 **Turnover factor - £0.163m**
A turnover factor was introduced to balance the 2019/20 budget. Whilst this is in the main being managed this financial year the turnover factor will have to be considered when a new staffing structure is being developed in-line with the Board's Business Strategy.
- 3.9 **Annual cost of Pay Awards and Increments – budget risk £0.200m**
The Board is required to fund annual pay awards, annual increments and career development. The current estimate for 2020/21 is £0.200m.
- 3.10 **Pension deficit and annual employer pension rate contributions – budget risk unquantifiable at this stage**
The Board has agreed a three-year contribution stability mechanism with the Lothian Pension fund. Under the contribution stability mechanism, the Boards' contribution rate for the three years to March 2021 will increase by no more than 0.5% per annum. A separate annual pension deficit payment of £3,100 was also agreed for the same period. The next actuarial valuation will be carried out as at 31 March 2020, and a full review of the contribution stability mechanism and annual deficit repayments will be carried out prior to this date. The financial risk will therefore apply to the 2021/22 budget.
- 3.11 **Elections/Referendums – budget risk £0.050m**
The possibility of either elections or referendums being called within short timetables, or dual electoral events occurring within a year is a financial risk in terms of staff overtime or the use of short term temporary staff to meet the demand placed on the electoral registration process at this time. During 2017/18 when a double election event took place, £0.045m was spent on staff overtime.
- 3.12 **Leaving the European Union – budget risk unquantifiable at this stage**
Dependent on the nature of the UK departure from the European Union, it is possible that annual values achieved within the non-domestic property sector may fall. Should that be the case, and the fall is significant, this may give rise to the right of appeal against rateable values appearing in the Valuation Roll. The receipt of large volumes of appeals, in addition to existing workloads in respect of appeals received following the 2017 Revaluation, would have significant impact on available staff resources. This would give rise to additional overtime requirements to deal directly with appeal volumes and/or to ensure other essential Valuation Roll activities are carried out.

3.13 Council Tax – budget risk unquantifiable at this stage

The position regarding the future of Council Tax remains unclear. However, it should be noted that over time the resource deployed to undertake key Council Tax activities has been refined to such an extent that any major legislative change to Council Tax that impacted on the Board is unlikely to be consumed within current budgetary provision.

- 3.14 All risks will be reassessed as part of the 2020/21 budget which will be presented to the Board for approval in February 2020.

4 Conclusions

- 4.1 At this stage, there is a projected net over spend of £0.017m relating to Financial Year 2019/20.
- 4.2 A Business Strategy is being developed by the Assessor and ERO which will include a new staffing structure. Further updates will be provided to the Lothian Valuation Joint Board Governance Group in December and the Board in February 2020.
- 4.3. The Board previously approved the use of the reserve to fund staff VERA/Strain costs.
- 4.4 Service risk with financial implications to the general reserve have been outlined to the Board in paragraph 3.

5 Recommendations

The Board is recommended to:

- 5.1 Note the projected outturn position for 2019/20;
- 5.2 Note that a further 2019/20 budget update will be presented in February 2020.
- 5.3 Note the development of a Business Strategy for the Board by the Assessor and ERO.
- 5.4 Note that the 2020/21 budget will also be presented in February where a further update on risk will be presented to the Board.

**Hugh Dunn,
Treasurer.**

Appendices:	None
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Background Papers:	Held at the Office of Treasurer



Mid Term Review – Treasury Management Activity

4 November 2019

1. Introduction

- 1.1 The purpose of this report is to review the investment activity undertaken on behalf of the Board during the first half of the 2019/20 Financial Year.

2. Background

- 2.1 Following the introduction of new Investment Regulations in Scotland the Board adopted the appropriate Codes of Practice and approved an Annual Investment Strategy at its meeting on the 4th February 2019.

3. Mid Term Review - Annual Investment Strategy

- 3.1 The Board's Investment Strategy has been to maintain its bank account as part of the City of Edinburgh Council's group of bank accounts. Any cash balance is effectively lent to the Council, but is offset by expenditure undertaken by the City of Edinburgh Council on behalf of the Board. Interest is given on month end net indebtedness balances between the Council and the Board in accordance with the former Local Authority (Scotland) Accounts Advisory Committee's (LASAAC) Guidance Note 2 on Interest on Revenue Balances (IoRB). The methodology will continue to be used until new guidance on the treatment of interest charges is made available. In line with recent short term interest rates, the investment return continues to be small, but the Board gains security from its counterparty exposure being to the City of Edinburgh Council. Net end of month balances for the first half of the year were:

Opening Balance	£1,715,005.12
April	£1,530,455.18
May	£1,434,296.60
June	£1,533,331.90
July	£1,411,654.47
August	£1,740,972.94
September	£1,677,499.56

- 3.2 Although interest is not calculated until March, in line with the withdrawn guidance note, the interest rate averaged 0.565% during the first half of the financial year. This is also the currently projected interest rate, if the Bank of England alters the UK Bank Rate then the figure may change marginally.

4. Recommendations

- 4.1 It is recommended that the Board notes the investment activity undertaken on its behalf.

Hugh Dunn
Treasurer

Appendix None

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