

# BUDGET REPORT

## 2016 - 2017

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### 1 INTRODUCTION

The proposed budget provision for the year 2016/17 has been agreed with the Treasurer and his report reflects expected costs, income and risk to the Board.

I will continue with the existing staffing policy where any vacancies that arise are fully considered by the senior management team and take into account the existing financial restrictions and expected workload.

I will endeavour to manage the services within the organisation to meet appropriate performance standards while making every effort to maximise efficiencies. In line with the proposed budget, anticipated staffing levels and expected workload I have prepared Corporate and Service plans and identified performance targets.

The intention for the years 2016/17 is to try to attain good performance within the valuation roll and council tax services, and closely monitor output with reduced staffing levels. Electoral registration continues to progress with individual registration and work will be closely monitored to ensure the electoral register remains as complete and accurate as possible. It is unknown what funding will be provided by the Cabinet Office for 2016/17 and it may be necessary, in line with the agreement reached at the November 2015 meeting, to utilise funds from reserves held by the Board. It should be noted that almost all processes and procedures are statutorily defined and it is therefore essential that I carry them out in line with legislative requirements. I again ask you to note that the processes involved under IER are estimated to cost an extra £468,000 per annum which, after mitigation by reducing other costs remains at £364,000, which is an extremely large amount unfunded at this present time.

The following is a brief overview of the main items within the budget with the Treasurer also providing information in his report

### 2 PROPOSED BUDGET 2016/17

In line with the Local Government Finance Settlement, the Valuation Joint Board has been asked to maintain revenue spending for 2016/17 at 2012/13 level of £6,118,000 for the fifth year. The Board has no capital budget.

## **2.1 Unavoidable Budget Increases**

There are several budget pressures as a result of unavoidable financial costs relating to pay awards, salary increments, rates payments, and telephony costs.

Additional costs required to provide IER service of approximately £468,000 are not largely included in the 2016/17 budget. As already stated if funding is not provided by the Cabinet Office the Board has agreed the use of reserve funds as a one year temporary measure.

### **2.1.1 April 2016 Pay Award**

Budget provision of 1% has been included for a pay award for the 2016/17 year. The pay award together with increments is estimated to cost £44,000 and is included in the proposed budget.

### **2.1.2 Rates Costs**

The proposed rates cost budget for 2015/16 shows an estimated overall increase of £5,000 which allows for expected and unavoidable increase in rates poundage. The increase is partly as a result of the standard rate poundage increasing by 0.8% but is largely due to the large business supplement increasing from 1.3p to 2.6p.

### **2.1.4 Supplies and Services Costs**

Telephony costs have risen substantially as a result of greater use of this means of communication particularly with the electorate. For 2016/17 telephony costs are estimated to increase by £18,000.

## **2.2 Unfunded Budget Increases**

### **2.2.1 Individual Electoral Registration**

Individual electoral registration is entering its second year of operation and, based on additional costs incurred in 2015/16, the anticipated additional costs for the electoral service is estimated at £468,000. This cost has been mitigated by reducing electoral staff numbers with 3 administration staff leaving during 2015/16 under voluntary early release. £364,000 remains as presently unfunded. Agreement was reached at the November Board meeting to use the creditor balance to address any budget shortfall for 2016/17 and if an IER grant is subsequently received the grant will be used to reduce the level of any drawdown required from the creditor balance.

## **3 POSSIBLE BUDGET RISKS**

### **3.1 Overview**

As the proposed budget reflects only known pressures on an estimated basis, and does not reflect any probable changes in legislation, the risk associated with meeting each line of the

proposed budget for 2016/17 is again high. I will endeavour to meet the proposed budget but will be required to exercise a degree of flexibility in the virement of monies between various headings.

### **3.2 Electoral Registration**

There will almost certainly be a referendum on membership of the European Union. If the experience is similar to that of the Scottish Independence Referendum there was a huge increase in workload with associated costs involved in postage, printing and overtime. Unlike the Returning Officer, the ERO is not specifically funded for duties at elections and referendums.

### **3.3 Revaluation 2017**

The completeness and accuracy of the 2017 Revaluation is largely dependent on good quality information being ingathered with the process of ingathering information having commenced in April 2015, the tone date for the revaluation. A large number of questionnaires and reminders have continued to be issued to a vast array of properties throughout Lothian during 2016/17. It is important to maximise the return of completed forms to minimise the cost of printing and postage and maximise efficiency. Public sector and government bodies in particular should be encouraged to submit responses timeously to minimise expense.

### **3.4 Local Tax Commission Report**

The Local Tax Commission reported on the need to replace Council Tax and put forward three options for consideration. The possibility of a reviewed local property taxation base has now increased significantly. It is hoped that the Scottish Assessors' Association will be included in any consultations and analysis of options that relate to the valuation of land and property. Close involvement throughout the scoping of the project will ensure that potential costs involved for assessors to carry out duties required for any new tax will be estimated with good knowledge and appropriate funding allocated.

### **3.5 Ongoing Consultations and probable Legislative Changes**

The consultation on the Non-Domestic Rating Valuation Appeals System has concluded and a report is expected to be published in the near future. Proposed changes would probably take effect for the 2017 Revaluation but will probably require financial expenditure during 2016/17.

The Land Reform (Scotland) Bill is progressing through Parliament and is expected to re-introduce shootings and deer forests in to the revaluation roll after exemption of more than 20 years. This should not have a significant effect on Lothian although there will probably be some related expenditure during 2016/17. Amendments to the Bill continue to be discussed, some of which could have a significant affect on Lothian.

I have been advised that the Scottish Government intend publishing a consultation on a review of business rates. As the contents are unknown at this stage it is not possible to consider any possible effect.

#### 4 CORPORATE AND SERVICE PLANS

Lothian Valuation Joint Board compiles and maintains the Valuation Roll, Council Tax List and a Register of Electors for each of the constituent Councils which are represented on the Board. Almost all the duties and responsibilities relating to the above are defined in statutory terms and require to be undertaken within strict statutory timetables.

I attach the 2016-2017 Corporate and Service Plans which will be used to ensure that management and monitoring systems are in place to make certain that all functions are carried out efficiently and effectively.

#### 5 KEY PERFORMANCE INDICATORS FOR THE WORK OF ASSESSORS

Key Performance Indicators for the work of Assessors are in place for Valuation Roll and Council Tax performance.

##### 5.1 Valuation Roll

The principal indicator in this area relates to the length of time taken to amend the Valuation Roll to reflect changes which have taken place. The number of amendments is shown and also the change in the total annual value of the Valuation Roll in each year.

In general terms, stakeholders prefer the Valuation Roll to be amended as quickly as possible after a change has taken place in order to facilitate stable financial planning and improve the cash flow to the rating pool.

Valuation Roll	No of changes	Rateable Value 1/4	Rateable Value 31/3	0 – 3 months %		3 – 6 months %		> 6 months %	
				Target	Actual	Target	Actual	Target	Actual
2009/10	3,792	1,056,910,140	1,068,384,758	80	78.1	15	11.1	5	10.8
2010/11	3,476	1,259,913,732	1,274,347,293	82	78.02	14	13.55	4	8.43
2011/12	3,114	1,274,347,293	1,277,889,313	80	71.77	15	15.35	5	12.88
2012/13	3,188	1,277,889,313	1,275,905,939	75	74.09	13	12.30	12	13.61
2013/14	3,275	1,275,905,939	1,269,386,086	75	74.32	15	13.07	10	12.61
2014/15	3,489	1,269,386,086	1,277,094,790	78	75.78	12	13.44	10	10.78
2015/16		1,277,094,790		75		13		12	
2016/17				50		25		25	

Unfortunately I did not manage to meet the ambitious target performance figures for 2014/15 and hence reflected targets to a more attainable level from 2015/16. 2016/17 will be an extremely busy year preparing for the 2017 Revaluation with the draft revaluation figures to be completed by end September 2016 for Scottish Government financial planning. This shorter period to complete the revaluation has required all professional staff resources to be allocated to the revaluation project. In light of staff reductions and the requirement to revalue all lands and heritages in Lothian I have significantly reduced the performance targets for 2016/17.

## 5.2 Council Tax

The criteria used in establishing Council Tax indicators are derived in a similar way to those for the Valuation Roll.

Council Tax payers require notification of their banded valuation, and hence their financial liability, as soon as possible after they have taken occupation of the new property. Cash flow to the authority, arising from insertions of new entries is also affected by how quickly entries are made on the Valuation List.

Valuation List	No of Dwellings added	0 – 3 months %		3 – 6 months %		Over 6 months %	
		Target	Actual	Target	Actual	Target	Actual
2009/10	3,984	92	95.3	6	2.5	2	2.2
2010/11	3,768	94	94.98	4	4.06	2	0.96
2011/12	3,410	94	96.72	4	2.35	2	0.94
2012/13	3,171	95	95.52	3	3.09	2	1.39
2013/14	4,315	96	94.9	3	3.01	1	2.09
2014/15	4,049	96	95.73	3	2.77	1	1.50
2015/16		95		3		2	
2016/17		95		3		2	

Staff almost managed to meet the ambitious target performance. The performance level remains within the middle of achievements across Scotland. I have maintained the target for 2016/17 at the same level as 2015/16.

## 6 PERFORMANCE STANDARDS FOR THE WORK OF ELECTORAL REGISTRATION OFFICERS

Performance standards for the work of EROs are monitored by the Electoral Commission. Because of the transition to Individual Electoral Registration the Electoral Commission have altered their methods of measuring performance to an ongoing audit. I am pleased to say that to date we have attained accepted levels of performance.

**7 BEST VALUE**

In anticipation of difficulties surrounding local government finance over the coming years and in the continuing pursuance of Best Value I will review current work practices focusing on creating efficiencies through any available improvements.

**8 CONCLUSION**

The Joint Board is a small organisation and provides a range of services that are statutorily defined. I am of the opinion that the proposed budget can be met for 2016/17 provided that unallocated funds are forthcoming for IER additional duties but the number of risks to adherence to the budget are many. I will endeavour to monitor expenditure, ensure efficient working and provide the services within the allocated budget. It is important to note that as the risks to provision of the service are great it may be necessary to concentrate on statutory duties as opposed to non-statutory service delivery.

**Joan Hewton**  
**ASSESSOR & ERO**