

Public Finance: Policy and Service Implications

26th June 2009

1 Purpose of report

This report advises the Valuation Joint Board of the impact, which the national economic position is having on public finances and the implications this raises for Board policy, services and finance.

2 Background

In my report to the Board "Revenue Budget 2009/10 - 2011/12" on 6th February, 2009 it was noted that the Chancellor's pre-budget report of November 2008 intimated an increase in the annual United Kingdom-wide efficiency target of £5 billion, effective from 2010/11. This report provides an updated position and advises of the need to commence earlier revenue budget preparation, in anticipation of any savings targets being applied to Board services.

3 Financial Position and Outlook

- 3.1 The Board will be familiar with the general backdrop of the global recession. The consequences of national decisions to address its impact have resulted in unprecedented levels of Government borrowing by the UK Treasury. These, together with reduced taxation revenues, as outlined in the recent UK budget statement, will result in significant reductions in public sector expenditure from which the Scottish Government and services funded by the Scottish Government, including local government, will not be immune.
- 3.2 With public sector expenditure declining in real terms, further efficiency savings of £5 billion at UK level were confirmed in the 2009 UK Budget, presented to Parliament on 22nd April, 2009. The Budget at a Scottish Government level has not yet been set, but it is anticipated that additional savings of £500 million will be required Scotland-wide in 2010/11.
- 3.3 The Chancellor's Budget also intimated a further £9 billion increase in the public sector-wide efficiencies requirement over the period 2011/12 to 2013/14.
- 3.4 As noted, the Scottish Government has yet to set its budget for 2010/11. Once the draft budget statement is published in the autumn of 2009, it will become more apparent where funding priorities lie and the potential scale of efficiency savings required. However, it is likely to be December 2009 before the full picture for all local authorities and local authority funded services is known.

- 3.5 The revenue budget approved by the Board at its meeting on 6th February, 2009 recognised the uncertainty around funding from 2010/11, with the Board approving indicative budgets only beyond 2009/10. Indicative budgets acknowledged the potential requirement for additional efficiency savings, but no specific savings were included in anticipation of an increased efficiency target, given the uncertainty as to where any public sector savings requirements would fall.
- 3.6 Given confirmation of the increased efficiency target in the Chancellor's Budget, it will be necessary to commence budget preparation work at an earlier stage, to examine potential savings options in anticipation of any increase in efficiency savings targets from 2010/11 falling to be met by the Board. The challenge faced is illustrated by the high level analysis of the Board's costs detailed in paragraph 3.7, set against the context of the statutory responsibilities of the Assessor.
- 3.7 The approved revenue budget for 2009/10 is based on the following service costs:

| | £m | % |
|-----------------------|-------|-------|
| Employee | 4.9 | 75 |
| Property | 0.6 | 9 |
| Transport | 0.1 | 2 |
| Supplies and services | 0.7 | 10 |
| Third Party Payments | 0.1 | 2 |
| Support Services | 0.1 | 2 |
| | <hr/> | <hr/> |
| Total | 6.5 | 100 |
| | <hr/> | <hr/> |

- 3.8 From the analysis, it is apparent that the Board's budget is predominantly driven by staff cost expenditure. Property cost expenditure relates to the office accommodation currently occupied at South Gyle Crescent. Supplies and Services expenditure is largely computer costs and postages.
- 3.9 Board members will be aware of the statutory responsibilities of the Assessor, in respect of the Valuation Roll, Council Tax List and Electoral Registration and the timescales required to be adhered to, to fulfil these responsibilities.

4 Budget Timetable

- 4.1 As members are aware, detailed work on budget preparation normally begins at officer level in October each year, running through to the Board meeting in February. As noted earlier in this report, it is important that work commences on budget preparation at an earlier stage. Throughout the budget process, time shall be allocated to member involvement and scrutiny, discussion with Trade Unions, staff and constituent councils. It is anticipated at this stage that progress on budget development will be reported to the meeting of the Board in December 2009.

5 Financial Implications

Potentially, the financial implications arising from this report may be significant, but given the level of uncertainty at present, it is not possible to provide detail at this stage.

6 Conclusion

The current economic situation, and impending increase in public sector efficiency savings targets, requires the Board to commence earlier preparation of budget options.

7 Recommendations

It is recommended that the Board:

- (i) recognises the financial challenges facing the public sector and, potentially Board services;
- (ii) note that budget planning for 2010/11 and beyond will be commenced over the summer months;
- (iii) note that an update on budget development will be reported to the Board in December 2009.


D. McGOUGAN,
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15th June 2009.

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| Appendix | None |
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| Background Papers | None |