



# Renfrewshire Valuation Joint Board

**Report to:** Renfrewshire Valuation Joint Board

**Meeting on:** 23<sup>rd</sup> November 2018

**Subject:** Service Review (Part 2)

**Author:** Assessor & Electoral Registration Officer

## 1.0 Background

- 1.1 At the meeting in January 2017 the Board agreed to set aside funds to enable a Service Review to be undertaken. The first stage of the Service Review involved the installation of the Document Management System (DMS) and this was reported to the Board at the June 17 meeting. The second stage of the Service Review conducted in partnership with Renfrewshire Council's Workforce Planning team began in Sep '17 and was completed in Jan '18 and submitted to the board in Jun '18 with the second outcome scheduled to be reported at this November meeting.
- 1.2 This report provides the Board with the latest position regarding the Service Review and also shows the progress made with financial savings to date. However, it should be noted clarification on the effect of the Barclay Review (published Aug 2017) on the budget is not reflected in this report.

## 2.0 Financial Position

- 2.1 The financial position of the Board as at year end 18/19 is as follows;

The Board has already approved a drawdown from reserves of £66,700 at the end of 18/19. In discussions with our accountant the expected drawdown will now be in the region of £33,400, delivering savings of £33,300.

## 3.0 Looking Forward

- 3.1 Below are listed financial risks and /or costs which the Board is facing over the short to medium term.

- (i) **Electoral Management System (EMS)** – Replacement for in-house bespoke system required.

The requirement to replace the existing system has been brought about in part due to the current software on which the in-house system is based being out of support and it has passed its end of life usage. This means the present EMS is no longer fit for purpose and there is a risk in this dynamic political environment of running with a system which has inherent risks regarding delivery. This is no longer an acceptable situation

and discussions have been ongoing with various suppliers and other Electoral Registration Officers who have off the shelf packaged solutions. If the Board's approval is granted, a tender process can be started in late November/ early December to identify the most suitable supplier for RVJB.

**MITIGATION** – Purchasing a tried and tested off the shelf system which brings with it the support and technical back up and expertise of the supplier, will mitigate the risk in the electoral process. The new system will deliver efficiencies in staff time and also allows the removal of a post from the current staff compliment.

Due to savings made throughout this current financial year, such as non- filling of vacancies there is an expected saving of around £33,000. Having undertaken soft market testing to inform costs going forward, the cost of this new EMS for 18/19 is likely to be in the region of £30,000 which includes any one-off charges for migrating the system. Due to the savings made so far this year as previously mentioned, the 18/19 costs for this system can be funded by these savings. Going forward there will be the removal of a post to pay the equivalent in the annual charge of £25,000 per year thereafter.

**(ii) IT Non-Domestic & Council Tax Computer System** – new core system required.

As noted previously in the June report the present IT system utilised by the Board is no longer fit for purpose, this has come about due to a number of reasons. When the Board was formed it inherited the legacy IT system of Strathclyde Regional Council. Furthermore, the current system is no longer being supported from the software provider; this is a similar situation to the in-house EMS. There is also a risk if no action is taken of losing personnel who have the detailed knowledge of how these two in-house systems were built up over the years and how they operate. To minimise these risks and to improve service delivery overall, it is the time to investigate modernising these systems and ensuring the Board is future proofed going forward.

Given the substantial improvements and use of IT in everyday life it is essential that the Board keeps pace with these changes and expectations from users of the Board's services. A full overhaul of the current disparate systems used at present is long overdue, modernising the current IT systems is no longer optional but necessary to enable the Board to deliver services in an efficient manner and allow maximisation of staff time. It should be noted that the Board has never been asked to provide funds for a purpose built, fully functional IT system in its 22-year history.

Discussions have taken place with one of the major suppliers of an IT system which other Valuation Joint Boards and Councils have used. The true cost of this system would need to allow for purchasing development time from the supplier on top of initial costs to purchase as it stands. The indicative cost for this off the shelf system is sitting at around £50,000 per year with any development work to make the system reflect future requirements coming in at a cost of £1,200 per day. As a result of the recommendations in the Barclay report there will be considerable changes to current working practices. Therefore it would not be unreasonable to assume that this off the shelf system will require substantial development costs to allow it to cope with these new demands. Meaning that the annual costs would be in excess of £50,000 per annum plus substantial development costs of £1,200 per day for any changes to the system.

With this knowledge alternative options have been explored for a core system which can deliver a more suitable and affordable alternative going forward. Sharing of services is one of the principles of Best Value and it promotes the efficient use of resources. Investigations

have shown that there is already an IT Core system which has been developed by another Joint Board's IT department. This system is a far more sophisticated IT system than is currently on offer from the national supplier referred to earlier. This system has been built in-house by the Joint Board's own IT department in conjunction with their valuation staff and delivers the statutory functions of Non-Domestic and Council Tax services. This option is developed to a stage that it is instantly useable for staff, whereas the off the shelf system would require specific development to be useful in the first instance. Furthermore, this system can engage with the recently purchased document management/mail system (DMS) and would help increase efficiencies in staff time.

This system is being looked at by another neighbouring Joint Board, if approval was given today to explore the possibility of three Joint Boards sharing this system then the risks of running an in-house system are mitigated over the three Joint Boards and ongoing future development costs are built in to the annual cost of sharing this service. Therefore, there would be no daily development costs to be added onto this tried and tested in-house system. Further savings can also be made regarding the migration to this system as both partners have the same legacy IT Strathclyde system. By sharing this system, the migration costs would be split between the two new sharers and this provides further cost savings.

A word of caution is to be noted. As yet discussions with the other Joint Boards are still at an early stage and there are a few issues which still need to be finalised. However, if the Board gave approval to these investigations continuing and the Board approved these indicative costs further and more detailed discussions could take place and hopefully a successful outcome will be reported in due course.

**MITIGATION** - Sharing a tried and tested system developed by another Joint Board will deliver efficiencies in the short and long term. Benefits to be gained range from automation of input thereby minimising errors, streamlining processes resulting in a more effective use of resources. Mitigating risk by introducing modern and fully integrated systems will allow the staff to deliver services more efficiently and in time it may be possible to drive out further efficiencies in the future.

The cost of this new system (if the shared services solution can be brought to fruition) would be a one-off cost to migrate of £25,000 and an ongoing yearly cost of £50,000 which includes development time. To fund these costs a further two posts will be removed from the staff complement providing a saving of around £50,000 a year going forward. Therefore, the only cost the Board is being asked to fund is the one-off migration cost, estimated currently at £25,000 in the financial year of 19/20. Further by adopting this shared service will allow the Board to be future proofed and more resilient, to deal with the changes as a result of the Barclay Review. The Board's IT system needs to put the organisation on the front foot.

**(iii) Disaster Recovery (DR)** – This is at a critical stage with a requirement from Auditors to provide a suitable solution.

Investigations have been made to clarify the cost of the Board setting up a stand-alone DR solution. This option has proven to be very expensive and the costs were prohibitive to a small organisation such as the Board. Discussions have been ongoing for some months now for the Board to effectively join in with Renfrewshire Councils DR solution to help make the costs more manageable. It is also important to consider and weigh up the overall risk to the Board in the event of a disaster affecting services and to ensure the disaster recovery solution is proportionate to these risks.

**MITIGATION** – If it turns out to be possible to use Renfrewshire Councils DR solution then this solution offers economies of scale and will help keep overall costs down. At present a sum of between £10,000/£15,000 looks to be the annual cost going forward. The cost for this solution would need to be funded from next financial year 19/20.

- (iv) **Pay Award** – out with control of the Board and an unknown quantity at present as the 3% award has been rejected.

**MITIGATION** - There is no mitigation for these costs as pay awards are carried out as part of a National agreement.

- (v) **Rent Review** – out with control of the Board and due to take place in March 2020.

**MITIGATION** - having relinquished the upper floor and Caretaker's flat in the Robertson Centre the cost of any future rent review and its subsequent effect on the budget has been minimised as much as possible.

- (vi) **Level of Reserves** – As reported at the June Board meeting the level of reserves are a cause for concern as they are reaching the lower limit of what would be deemed an acceptable balance. As the designated Assessor for Fixed Line telecoms for Scotland, there are risks in letting these reserves fall any further. This is in part due to the risk of an appeal being taken against a telecoms valuation resulting in expensive legal costs for the Board in defending such an appeal. These legal costs can be very significant and could impact substantially on the remaining reserves.

**MITIGATION** - It will be in the hands of the constituent councils to decide on whether or not to enhance the current funds in reserves.

- (vii) **Individual Electoral Registration – (IER)** the Cabinet Office has announced that the current funding for this will cease in 20/21.

**MITIGATION** -The new EMS will be delivering savings via processing information more quickly thus delivering savings on staff time by 20/21. Postage and canvassers costs should also see significant drops once the proposed new legislation comes into force. This will allow more data matching, resulting in less costs for both of these elements of the canvass.

- (viii) **Telecoms** – As designated Assessor for Fixed Line Telecoms for Scotland a future financial risk is that the Revaluation process which in recent years has been synchronised between England and Scotland will now be split. The English Valuation Office (VO) have been instructed to carry out their next revaluation in 2021, whereas in Scotland our next revaluation is scheduled for 2022. This affects all entries in the Valuation Roll however, it is particularly significant for Telecoms valuations as at present these valuations are done in conjunction with the VO and this has been of a financial benefit for the Board in so far as employment of economic advisors and specialist accountants have been subsumed by the VO. Going forward this will not be the case and significant costs will now be associated with providing the valuations for these subjects.

**MITIGATION** - At the present time discussions are ongoing with the Scottish Government over Designated Assessor's funding going forward.

- (ix) **Barclay Review** - Following the Barclay review of Non-Domestic Rates (published in August 2017) which has been the subject of previous discussions with the Board the cost of delivering the Non-Domestic service is set to increase significantly. Full details of how the Barclay recommendations are to be implemented are not yet finalised by the Scottish Government.

**MITIGATION** - It is assumed that the Scottish Government will fully fund the extra costs associated with the Barclay recommendations. If this turns out not to be the case, then each constituent council would need to fund their share of these costs. Calculations based on what is known so far, and some assumptions in light of discussions with colleagues has allowed for estimates to be drawn up. For information only at this stage these appear to be in the region of;

Financial Yr 19/20	£ 130,000
Financial Yr 20/21	£ 340,000
Financial Yr 21/22	£ 370,000

#### 4.0 General Conclusions

The above report shows the risks and potential costs and savings going forward. However, the position of continually drawing down from reserves is unsustainable.

This is a very dynamic period for the Board and all Assessors in Scotland, it is appreciated that it is also a time when fiscal restraints on budgets continue and the funding environment is not an easy one to navigate or predict. It is hoped that the Board can see a clearly demonstrable course of action has been taken to reduce costs and release savings where possible and this has been done in an effort to show good governance and accountability to the Board members and the constituent authorities

#### 5.0 Recommendations

- i. The Board notes the information in the Report.
- ii. The Board agrees to the Assessor purchasing the Electoral Management System (EMS).
- iii. The Board also gives approval to the Assessor to further investigate, with a view to entering in to a shared IT system, with a further report to follow on progress.
- iv. The Assessor is given approval to continue investigations and source a suitable supplier/solution for the provision of a Disaster Recovery Solution (DR).

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15<sup>th</sup> November 2018