

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD

23 January 2014

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| Agenda Item | 5 |
| Report No | VAL 2/14 |

Proposed Budget 2014/15

Report by the Assessor and Electoral Registration Officer

Summary

This report sets out for approval a proposed revenue budget for financial year 2014/15.

1. Introduction

This budget proposal is made against the background of continued pressure on local authority expenditure at a time when there is a greatly increased work load in respect of Electoral Registration due to the introduction of individual electoral registration in the autumn of this year. This report seeks to outline the various pressures placed on the Assessor in the exercise of each of his statutory duties and then considers how these may be accommodated under each of the budget heads.

There is an increase in funding required as a consequence of Individual Electoral Registration (IER) and the marginal increases in cost have been allocated to an additional column. The Cabinet Office have committed additional funding to cover such expenditure and a further bid for additional funding shall be submitted in accordance with defined procedures.

2. Valuation for Rating

The Assessor's duty is to compile and maintain a Valuation Roll and to carry out revaluations as determined by statute. The process is generally cyclical over a five year period and broadly involves preparing for and carrying out a revaluation followed by dealing with the consequential appeals. The 31st December 2013 was a significant date in that cycle as all revaluation appeals had to be disposed of by the Valuation Appeal Committee by that date, together with a very significant number of "material change of circumstance" appeals. There continues to be a smaller number of appeals against alterations to the valuation roll and although a number of material change of circumstance appeals will continue to be lodged, it is unlikely that there shall be the same level of appeals as experienced over the last three years. While the greatest volume of appeals has now been disposed of, there remain a number of cases that are listed for hearing by the Lands Tribunal or onward appeal to the Lands Valuation Appeal Court. The very nature of these appeals tends to be more complex and give rise to greater legal costs.

The revaluation that was scheduled to take place in 2015 has been postponed until 2017 which has provided some relief from the revaluation process which otherwise would have provided a very significant work load during 2014.

3. Council Tax

The level of activity associated with council tax continues to be fairly stable and continues in maintenance mode. The volume of new entries remains below its peak, although an increase is anticipated. While the future of the tax remains in doubt, the matter shall not be decided until after the 2016 Scottish Parliamentary elections. It therefore remains unlikely that any replacement regime could be legislated for and implemented before 1 April 2017.

4. Electoral Registration

The main focus for electoral registration in the 2014-15 financial year shall be the introduction and implementation of individual electoral registration. This represents an enormous work load for the department during the process of implementing the changes and very significant additional cost.

The legislation is prescriptive with regard to a specific level of communication both with households and individual electors and there is no option other than to comply with these requirements. This will result in a large increase in postal costs alone. In addition, there are requirements to carry out an increased level of canvass activity. Once again, this is prescriptive and shall require doorstep canvassing of an increased number of specified properties targeted at individual elector level.

There will also be an addition to the computer costs to accommodate the changes.

In addition to the activity associated with individual electoral registration, there are increased demands as a consequence of the referendum on Scottish independence. While most of the work associated with compiling the register of young persons that is required for the referendum will be completed during the course of this financial year, there shall be some residual work to be addressed after April 2014.

The principal election activity during the forthcoming year shall be the European parliamentary elections in May. In addition, there is always the prospect of by-elections which shall occur as required by events.

5. Commentary on the Proposed Budget

Against the background provided the following comments are made against each budget head as follows.

Staffing

The outturn under this budget head shows a predicted underspend due largely to time lags in filling posts and the temporary recruitment of staff at a lower grade as a consequence of the deferral of the 2015 Revaluation. The proposed budget for

next year incorporates a general pay increase of 1% with adjustments having been made to reflect increments where these apply and any adjustments to national insurance and superannuation columns as advised by the Treasurer. In the current climate it is recognised that there is a requirement to keep staff numbers to the absolute minimum required. The provision made is barely sufficient to address the considerable workload ahead. Provision has been made under the IER head for the employment costs associated with the recruitment of additional electoral canvassers.

Valuation Appeal Committee Costs

Once again the costs under this head have greatly exceeded the budget provided for them. This has been due to the costs associated with disposing of unprecedented levels of appeals due to the economic recession and costs associated with the Secretary and Chairman of the Highland & Western Isles Valuation Appeal Panel's involvement with the Committee of Chairmen of Scottish Valuation Appeal Panels.

It is expected that the level of appeal disposal required by the Valuation Appeal Committee shall fall dramatically in the forthcoming year and there should be a consequential fall in associated costs. While the proposed budget continues to represent an increase on last year's budgeted figure, this still represents a fall from the outturn for the current year.

Property Costs

The anticipated property costs have been increased either in line with inflationary pressures or according to contractual commitments where these apply.

Administrative Costs

The most significant increase under this budget head relates to the costs associated with individual electoral registration. The costs involved are associated primarily with increased postage charges as a consequence of a requirement to serve additional statutory notices on individuals. Other costs relate to staffing and the requirement to promote registration. The provision that has been made represents the best estimate that is currently possible and shall continue to be honed as more information becomes available. Once again it should be noted that the provision is only marginally more than last year before taking into account the additional needs of IER.

The budget for legal expenses has been set at £20,000 reflecting the fact that the vast majority of appeals have been disposed of, however, the outstanding appeals sit mainly with the Lands Tribunal or the Lands Valuation Appeal Court and as a result tend to be more complex in nature. It therefore follows that if it is not possible to reach a settlement, the cost of defending them is liable to be significant and the proposed budget may be stretched.

Transport Costs

The element for hire of vehicles has been increased slightly to accord with the budget outturn.

Apportioned Costs

No allowance for inflation has been made for this budget heading. A slight increase has been made to allow for PAT testing to be carried out in the Stornoway Office.

Supplies and Services

Provision under this budget head has been broadly flat and in line with the projected budget outturn. This assumes that there will be no significant increase in Fujitsu costs and that the inflationary increase in Corona (Valuation Systems) costs can be accommodated by minor savings within the budget head. Provision has been made under the IER head to allow for uncertainty regarding the completeness of the enhanced facilities within Idox Strand in relation to individual electoral registration.

Income

The modest income is received principally from the sale of electoral registers and the charges are fixed by statute. Continuing low interest rates will result in little change in income from balances.

The income shown under IER represents the funding that has been committed by the Cabinet Office.

There is a shortfall of £0.067m in funding required for IER which has been shown as a separate income line although this income has not been confirmed. A bid shall be submitted to the Cabinet Office, but if this is unsuccessful, the gap will need to be met from reserves. Reserves are currently £0.133m so this would leave a balance of £0.066m.

Requisition

Should the proposed budget be agreed the requisition on the constituent authorities will be as follows:

| | 2014/15 £000 | 2013/14 £000 | Change £000 |
|------------------------------|-----------------|-----------------|----------------|
| Highland Council | 2,380 | 2,379 | 1 |
| Comhairle nan Eilean Siar | 281 | 282 | (1) |
| Total | <u>2,661</u> | <u>2,661</u> | - |

6. Summary

The general position excluding additional individual electoral registration costs is one that is broadly flat in cash terms. Increases have been included where they are unavoidable due to inflation or contractual obligations. The Valuation Appeal Panel costs are projected as falling dramatically due to the small number of appeals outstanding and this should help to mitigate any increase in overall expenditure. It must be recognised however that the Assessor has very little control over this particular budget head.

A balanced budget has been achieved that involves a projected staff turnover saving. The bulk of the overall increase in budget is a consequence of the increased costs of individual electoral registration and there is still considerable uncertainty as to the cost of fulfilling the statutory duties under that heading. The Cabinet Office has committed a sum to the project but it is projected that this shall not cover all of the incremental costs under this heading. A bid shall be submitted to the Cabinet Office for additional funding but if that is not successful then there is likely to be a shortfall that will require to be met from reserves.

7. Recommendation

The Board is invited to approve the budget for 2014-15.

Designation: Assessor and ERO

Date: 13 January 2014

Author: William J Gillies, Assessor & ERO

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| STAFF COSTS | | CURRENT BUDGET 2013/14 | ESTIMATED OUTTURN 2013/14 | PROPOSED BUDGET 2014/15 | IER/REFERENDUM COSTS | COMMENTS |
|--------------------|-----------------------|---------------------------------------|--|------------------------------------|---------------------------------|-----------------|
| AA1000 | Chief Officials | £ 207,170 | £ 180,210 | £ 209,248 | £ - | |
| AA1001 | APT & C | £ 1,172,766 | £ 1,057,713 | £ 1,154,164 | £ 50,000 | |
| AK1503 | Comp Loss Office | £ 15,000 | £ 15,000 | £ 15,000 | £ - | |
| AB1000 | Nat Insurance | £ 97,458 | £ 87,067 | £ 98,010 | £ 1,200 | |
| AC1000 | Superannuation | £ 241,363 | £ 219,599 | £ 245,414 | £ 5,200 | |
| AA1500 | Overtime | £ 25,000 | £ 25,000 | £ 20,000 | £ 20,000 | |
| DG4000 | Subsistence | £ 6,500 | £ 6,500 | £ 6,500 | £ 2,000 | |
| CF1004 | Travel (Non Tax) | £ 55,000 | £ 55,000 | £ 60,000 | £ 20,000 | |
| CC3000 | Car Leasing Costs | £ 3,700 | £ 2,500 | £ 2,700 | £ - | |
| AA1505 | Remote Islands | £ 10,130 | £ 10,600 | £ 10,800 | £ 500 | |
| AF1001 | Removal Expenses etc | £ - | £ - | £ 6,500 | £ - | |
| DC1000 | Protective Clothing | £ 400 | £ 400 | £ 400 | £ 100 | |
| AG1000 | Interview Expenses | £ 100 | £ 100 | £ 100 | £ 100 | |
| AH1000 | Training | £ 12,000 | £ 14,000 | £ 16,000 | £ 4,000 | |
| AE1600 | Miscellaneous | £ 1,200 | £ 1,200 | £ 1,200 | £ 300 | |
| AE1006 | Medical Exams (Staff) | £ 100 | £ 100 | £ 100 | £ - | |
| AA1503 | Responsibility Pay | £ 8,900 | £ 8,900 | £ 9,000 | £ - | |
| AJ1000 | Advertising - staff | £ 2,000 | £ 7,000 | £ 2,000 | | |
| | Staff Turnover Saving | -£32,480 | | -£57,009 | | |
| | TOTAL | £ 1,826,307 | £ 1,690,889 | £ 1,800,127 | £ 103,400 | |

| VAC/VJB COSTS | CURRENT BUDGET 2013/14 | ESTIMATED OUTTURN 2013/14 | PROPOSED BUDGET 2014/15 | COMMENTS |
|----------------------|---------------------------------------|--|--|-----------------|
| EF1003 VAC | £ 67,750 | £ 120,000 | £ 65,000 | |
| TOTAL | £ 67,750 | £ 120,000 | £ 65,000 | |

Draft Budget 2014/15

| PROPERTY COSTS | CURRENT BUDGET 2013/14 | ESTIMATED OUTTURN 2013/14 | PROPOSED BUDGET 2014/15 | IER/REFERENDUM COSTS | COMMENTS |
|---------------------------------|---------------------------------------|--|--|---------------------------------|-----------------|
| BH2000 Cleaning Materials. Etc. | £ 1,200 | £ 1,500 | £ 1,600 | £ - | |
| BB2000 Electricity | £ 14,500 | £ 14,500 | £ 15,000 | £ - | |
| BH1000 Bin collection | £ 1,200 | £ 1,200 | £ 1,200 | £ - | |
| DA5010 Office furniture | £ 500 | £ 1,000 | £ 1,000 | £ 2,500 | |
| BK1000 Property insurance | £ 1,700 | £ 1,700 | £ 1,700 | £ - | |
| BD1000 Rates | £ 54,350 | £ 54,300 | £ 55,930 | £ - | |
| BE1000 Water charges | £ 4,000 | £ 13,500 | £ 5,600 | £ - | |
| BC1001 Rent | £ 138,000 | £ 141,000 | £ 143,000 | £ - | |
| BA4000 Repairs - general | £ 1,000 | £ 12,000 | £ 2,000 | £ - | |
| BH1001 Contract cleaning | £ 22,000 | £ 22,000 | £ 23,000 | £ - | |
| BB3000 Gas | £ 4,000 | £ 4,000 | £ 4,000 | £ - | |
| TOTAL | £ 242,450 | £ 266,700 | £ 254,030 | £ 2,500 | |

Draft Budget 2014/15

| ADMIN COSTS | CURRENT BUDGET 2013/14 | ESTIMATED OUTTURN 2013/14 | PROPOSED BUDGET 2014/15 | IER/REFERENDUM COSTS | COMMENTS |
|------------------------------|---------------------------------------|--|--|---------------------------------|-----------------|
| DK1000 Advertising Gen | £ 5,000 | £ 5,000 | £ 5,000 | £ 5,000 | |
| DG3000 Insurance - Admin | £ 7,000 | £ 6,800 | £ 7,000 | £ 1,000 | |
| DE5011 Legal Expenses | £ 15,000 | £ 20,000 | £ 20,000 | £ - | |
| DD3001 Photocopying - Copies | - | £ 4,000 | £ 4,000 | £ - | |
| DF7000 Postages | £ 140,000 | £ 140,000 | £ 150,000 | £ 70,000 | |
| DD1000 Printing | £ 8,400 | £ 4,400 | £ 4,500 | £ 1,000 | |
| DD2000 Stationery | £ 6,000 | £ 6,000 | £ 6,000 | £ 1,000 | |
| DF9000 Telephones | £ 7,000 | £ 7,000 | £ 7,000 | £ 1,000 | |
| DK9600 Misc. Admin. | £ 500 | £ 500 | £ 500 | | |
| DF9010 Mobile Phones | £ 200 | £ 200 | £ 200 | £ - | |
| | | | | £ - | |
| TOTAL | £ 189,100 | £ 193,900 | £ 204,200 | £ 79,000 | |

Draft Budget 2014/15

| TRANSPORT COSTS | CURRENT BUDGET 2013/14 | ESTIMATED OUTTURN 2013/14 | PROPOSED BUDGET 2014/15 | IER/REFERENDUM COSTS | COMMENTS |
|-------------------------|------------------------------|---------------------------------|-------------------------------|----------------------|----------|
| CC2010 Hire of vehicles | £ 2,300 | £ 3,500 | £ 3,500 | £ - | |
| CC2020 Carriage | £ 200 | £ 250 | £ 250 | £ - | |
| TOTAL | £ 2,500 | £ 3,750 | £ 3,750 | £ - | |

Draft Budget 2014/15

| APPTD COSTS | CURRENT BUDGET 2013/14 | ESTIMATED OUTTURN 2013/14 | PROPOSED BUDGET 2014/15 | COMMENTS |
|--|------------------------------|---------------------------------|-------------------------------|----------|
| GA1000 Law & Admin } Finance } Personnel } Prop. & Archt. } | £ 60,000 | £ 60,000 | £ 60,000 | |
| KE3200 | £ 1,000 | £ 1,100 | £ 1,500 | |
| TOTAL | £ 61,000 | £ 61,100 | £ 61,500 | |

Draft Budget 2014/15

| SUPPLIES/SERVICES | CURRENT BUDGET 2013/14 | ESTIMATED OUTTURN 2013/14 | PROPOSED BUDGET 2014/15 | IER/REFERENDUM COSTS | COMMENTS |
|--------------------------|------------------------|---------------------------|-------------------------|----------------------|----------|
| Computer Costs | £ 265,000 | £ 265,000 | £ 265,000 | £ 15,000 | |
| DA4013 Maps | £ 100 | £ 100 | £ 100 | £ - | |
| DA4014 Medical supplies | £ 100 | £ 100 | £ 100 | £ - | |
| DA1450 Office equipment | £ 2,000 | £ 7,500 | £ 2,000 | £ 500 | |
| DE5010 Audit fees | £ 8,500 | £ 9,000 | £ 9,000 | £ - | |
| DA4027 Photo equipment | £ 200 | £ 200 | £ 200 | £ - | |
| DK9500 Misc. supplies | £ 1,500 | £ 1,500 | £ 1,500 | £ - | |
| TOTAL | £ 277,400 | £ 283,400 | £ 277,900 | £ 15,500 | |
| TOTAL EXPENDITURE | £ 2,666,507 | £ 2,619,739 | £ 2,666,507 | £ 200,400 | |

Draft Budget 2014/15

| INCOME | CURRENT BUDGET 2013/14 | ESTIMATED OUTTURN 2013/14 | PROPOSED BUDGET 2014/15 | IER/REFERENDUM COSTS | COMMENTS |
|---|------------------------------|---------------------------------|-------------------------------|-------------------------|----------|
| KC6700 Register of Electors | -£ 4,000 | -£ 4,000 | -£ 4,000 | £ - | |
| KC6701 Valuation Roll/CT List | -£ 400 | -£ 400 | -£ 400 | £ - | |
| KF5000 Interest on Rev. | -£ 750 | -£ 750 | -£ 750 | £ - | |
| KC9500 Misc Income | -£ 100 | -£ 100 | -£ 100 | £ - | |
| KA2000 Government Grants | £ - | -£ 10,354 | £ - | -£ 133,076 | |
| IER Funding Requirement | | | | -£ 67,324 | |
| TOTAL INCOME | -£ 5,250 | -£ 15,604 | -£ 5,250 | -£ 200,400 | |
| TOTAL EXPENDITURE FROM PREVIOUS PAGE | £ 2,666,507 | £ 2,619,739 | £ 2,666,507 | £ 200,400 | |
| TOTAL BUDGET | £ 2,661,257 | £ 2,604,135 | £ 2,661,257 | £ - | |