

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD**3 February 2016**

Agenda Item	5
Report No	VAL/2/16

Proposed Budget 2016/17**Report by the Assessor and Electoral Registration Officer****Summary**

This report sets out for approval a proposed revenue budget for financial year 2016/17.

1. Introduction

This budget proposal is made against a background of a significant increase in pressure on local authority expenditure in general and at a time when there is a continuing and considerable additional work load in respect of Individual Electoral Registration. In addition, there is a requirement to complete a Non-domestic rating revaluation during the financial year 2016/17. The Assessor & ERO fulfils a fundamental role both in the process of the provision of revenue to the constituent councils through council tax and non-domestic rates, and in the democratic process through his duty to compile and maintain the Electoral Register.

This report seeks to outline the various pressures placed on the Assessor & ERO in the exercise of each of his statutory duties and then considers the projected associated costs under each of the budget heads.

The budget allocation has remained generally flat since 2008, resulting in a year on year budget reduction in real terms prior to the introduction of IER in 2014. Prior to the 2015/16 Financial Year increased spending on IER and the Scottish Referendum was funded by the UK and Scottish Governments respectively. The postponement of the 2015 Revaluation provided an opportunity to partly resource IER by a reallocation of staffing duties from valuation sections at times of extreme pressure. The opportunity to assist in this manner is now reduced as the technical valuation work for the 2017 Revaluation is underway and this shall continue to be the position throughout 2016.

There is a continued increase in resource required for Individual Electoral Registration (IER) and the estimated additional marginal costs have been included as part of the proposed budget. The Cabinet Office has indicated an intention to provide additional funding to assist with such expenditure, although the actual allocation is not known at this time.

The final operational costs of IER in 2015/16, together with the eventual level of funding in that year are not yet known and this serves to increase the element of uncertainty in the projected outturn and consequent projections for 2016-17. There

are therefore significant risks associated with determining the budgetary requirement for the forthcoming year. The proposed budget represents a best estimate of a reasonable provision to allow the Assessor & ERO to carry out his statutory functions. The estimate is based on professional experience and the projected outturns from the current year and an assumed level of grant funding. It does not allow for significant contingencies or the costs associated with any transformational change. There is a risk that this restricted level of overall funding shall impact on key performance indicators and the situation shall require to be monitored to assess and mitigate the pressures that it may place on staff welfare.

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. While most of the appeals from the 2010 revaluation have now been dealt with, there remain a small number of cases that are scheduled to be listed for hearing by the Lands Tribunal and possible 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 2017 revaluation is underway and this major task must be executed according to the Valuation Acts and associated orders. The work involves a revaluation of around 20 000 subjects together with complying with the Assessors statutory duties as the designated Assessor for Railway Undertakings in Scotland. The process of Revaluation is particularly onerous in the current economic climate given the uncertain market conditions. In addition, it is anticipated that shootings will be reintroduced into the valuation roll. The full extent of this additional burden shall only be known once the Land Reform Bill is enacted.

3. Council Tax

The level of activity associated with council tax remains fairly stable and the regime continues in maintenance mode. The volume of new entries remains below its peak, although there is likely to be a slow increase in volume in the forthcoming years. While the future of the tax remains in doubt, the matter shall not be decided until after the 2016 Scottish Parliamentary elections. While it remains unlikely that any replacement regime could be introduced in the next financial year, there is a possibility that changes could be introduced that would need to be addressed. The potential budgetary effect of any such change would require to be considered separately.

4. Electoral Registration

The new system of individual electoral registration is significantly more complex and continues to have a large additional resourcing requirement., which forms the

greatest part of the proposed increased budget. The ability to meet this workload in part by transferring resource from valuation staff is now compromised by the resourcing requirement for the Revaluation as outlined above.

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. This will result in a continued requirement for increased postal and printing costs as there is a specific duty 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. Indications from the current year indicate a lower level of return from householders, which of course has a further impact on costs.

The principal election activity during the forthcoming year shall be the Scottish Parliamentary Election in May and a probable EU Referendum. 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 above, the following comments are made against each budget head as follows.

Staffing

The 2015-16 expected outturn under this budget head shows a predicted overspend. This was due to the need for a level of overtime in respect of electoral duties that exceeded budget estimates. This was mitigated to some degree by delaying appointments to vacant posts. 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. Fiscal changes have resulted in an increased level of National Insurance payments. In the current climate, it is recognised that there is a requirement to continue to keep staff numbers to the absolute minimum and therefore two posts remain unfilled despite the pressures on the organisation. The budget proposal only covers staff currently in post. This alone results in the need for an increase in budget provision of the order of 4% under this budget head. A slight increase in overtime provision has been allowed for, but not to the level actually experienced in the current year. Provision has been made under the IER head for the continued employment costs associated with the deployment of additional electoral canvassers. The provision made is barely sufficient to address the considerable workload ahead.

Valuation Appeal Committee Costs

The level of appeal activity in the current year has settled to a level which might be considered to be more normal. However the Chair of the Highland & Western Isles Panel and his secretary have certain national responsibilities and this, together with appeals associated with the Finance Departments of the constituent Councils, may result in a modest budget overspend in the current year.

It is projected that there shall be a similar number of appeals in the forthcoming year and consequently this budget head has been kept at the current level. It must be recognised, however that the Assessor has no control over that particular budget head.

Property Costs

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

Administrative Costs

This budget head continues to be at a higher level than in previous years as a consequence of the implementation of IER. 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. Once again 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. It should be noted that the provision has been increased slightly to take account of the unavoidable overspend due to the poor return of Household Enquiry Forms and Invitations to Register and the consequent requirement to carry out additional canvass.

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, there remain outstanding appeals sitting with the Lands Tribunal with the potential to be appealed to the Lands Valuation Appeal Court. These appeals 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 although not to the extent of the budget outturn.

Apportioned Costs

No allowance for inflation has been made for this budget heading.

Supplies and Services

Provision under this budget head has been maintained despite a slight projected underspend in the current year to allow for additional costs as a consequence of the Revaluation. 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.

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 is anticipated by the Cabinet Office. There is a risk associated with the assumed level of funding as the final funding for the current year is not yet known.

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Requisition

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

	2016/17 £000	2015/16 £000	Change £000
Highland Council	2556	2378	178
Comhairle nan Eilean Siar	305	283	22
Total	2861	2,661	200

6. Summary

The general position for non staffing costs, excluding additional individual electoral registration costs, is again broadly flat in cash terms. Increases have been included where they are unavoidable due to inflation or contractual obligations. Staffing costs have increased by 5%, primarily due to the 1% pay award and more significant increases in national insurance and pension contributions. These costs have been determined on a “staff in post” level as opposed to the staffing establishment, as it is proposed to maintain current staffing levels despite the additional workloads associated with a return to the normal revaluation cycle and carrying out a Revaluation. The remainder of the overall increase is largely down to IER.

A balanced budget has been achieved that involves an assumption that a proportion of the continued higher level of expenditure required for IER shall be funded by the Cabinet Office and a balancing figure has been included to the extent of the anticipated funding. It should be noted that the anticipated Cabinet Office funding is currently at a level that falls short of the estimation of required expenditure to fulfil the statutory duties of the ERO in the year 2016/17.

Overall, the proposed budget makes reasonable provision for the Assessor & ERO in the forthcoming year. Any shortfall will require to be met from within existing budget heads or will be referred back to the Board for further consideration.

7. Recommendation

The Board is invited to approve the budget for 2016-17.

Designation: Assessor and ERO

Date: 28 January 2016

Author: Bill Gillies

Proposed Budget 2016-17

STAFF COSTS	CURRENT BUDGET 2015/16	ESTIMATED OUTTURN 2015/16	PROPOSED BUDGET 2016/17
AA1000 Chief Officials	£ 90,127	£ 91,625	£ 92,541
AA1001 APT & C	£ 1,262,475	£ 1,207,306	£ 1,281,348
AK1503 Comp Loss Office	£ 15,000	£ 12,657	£ 15,000
AB1000 Nat Insurance	£ 95,917	£ 107,074	£ 140,247
AC1000 Superannuation	£ 250,231	£ 241,012	£ 263,022.14
AA1500 Overtime	£ 40,000	£ 118,914	£ 70,000
DG4000 Subsistence	£ 6,500	£ 7,383	£ 6,500
CF1004 Travel (Non Tax)	£ 60,000	£ 46,701	£ 60,000
CC3000 Car Leasing Costs	£ 2,700	£ 1,518	£ 2,700
AA1505 Remote Islands	£ 11,500	£ 11,744	£ 11,500
AF1001 Removal Expenses etc	£ 5,000	£ -	£ 5,000
DC1000 Protective Clothing	£ 400	£ 400	£ 400
AG1000 Interview Expenses	£ 100	£ -	£ 100
AH1000 Training	£ 26,000	£ 27,002	£ 26,000
AE1600 Miscellaneous	£ 1,200	£ 700	£ 1,200
AE1006 Medical Exams (Staff)	£ 100	£ 2,275	£ 100
AA1503 Responsibility Pay	£ 9,000	£ -	£ -
AJ1000 Advertising - staff	£ 2,000	£ 491	£ 1,000
Staff Turnover Saving			
TOTAL	£ 1,878,250	£ 1,876,803	£ 1,976,658

CANVASSER COSTS	CURRENT BUDGET 2015/16	ESTIMATED OUTTURN 2015/16	PROPOSED BUDGET 2016/17
AA1001 APT & C	£ 20,000	£ 40,000	£ 40,000
CF1004 Travel (Non Tax)	£ 10,000	£ 20,000	£ 20,000
TOTAL	£ 30,000	£ 60,000	£ 60,000

Draft Budget 2015/16

VAC/VJB COSTS	CURRENT BUDGET 2015/16	ESTIMATED OUTTURN 2015/16	PROPOSED BUDGET 2016/17
EF1003 VAC	£ 35,000	£ 40,000	£ 35,000
<i>VJB -</i>			
CF1004 TRAVEL	£ 10,000	£ 10,000	£ 10,000
DG4000 SUBSISTENCE	£ 10,000	£ 10,000	£ 10,000
TOTAL	£ 55,000	£ 60,000	£ 55,000

Draft Budget 2015/16

PROPERTY COSTS		CURRENT BUDGET 2015/16	ESTIMATED OUTTURN 2015/16	PROPOSED BUDGET 2016/17
BA2004	PAT Testing	1,500	£ 1,500	£ 1,500
BH2000	Cleaning Materials. Etc.	£ 1,600	£ 1,600	£ 1,600
BB2000	Electricity	£ 17,000	£ 17,000	£ 17,000
BH1000	Bin collection	£ 1,200	£ 1,200	£ 1,200
DA5010	Office furniture	£ 1,000	£ 1,599	£ 1,000
BK1000	Property insurance	£ 1,700	£ 1,420	£ 1,700
BD1000	Rates	£ 57,050	£ 57,050	£ 57,612
BE1000	Water charges	£ 5,600	£ 5,600	£ 5,600
BC1001	Rent	£ 156,000	£ 156,000	£ 156,000
BA4000	Repairs - general	£ 4,000	£ 4,000	£ 4,000
BH1001	Contract cleaning	£ 23,000	£ 23,000	£ 23,000
BB3000	Gas	£ 4,000	£ 4,000	£ 3,800
TOTAL		£ 273,650	£ 273,969	£ 274,012

Draft Budget 2015/16

ADMIN COSTS	CURRENT BUDGET 2015/16	ESTIMATED OUTTURN 2015/16	PROPOSED BUDGET 2016/17
DK1000 Advertising Gen	£ 5,000	£ 7,000	£ 5,000
DG3000 Insurance - Admin	£ 7,250	£ 7,037	£ 7,250
DE5011 Legal Expenses	£ 20,000	£ 15,000	£ 15,000
DD3001 Photocopying - Copies	£ 4,000	£ 6,000	£ 6,000
DF7000 Postages	£ 200,000	£ 225,000	£ 225,000
DD1000 Printing	£ 6,000	£ 20,000	£ 10,000
DD2000 Stationery	£ 6,000	£ 6,000	£ 6,000
DF9000 Telephones	£ 8,000	£ 8,000	£ 8,000
DK9600 Misc. Admin.	£ 500	£ 500	£ 500
DF9010 Mobile Phones	£ 200	£ 691	£ 200
TOTAL	£ 256,950	£ 295,228	£ 282,950

Draft Budget 2015/16

TRANSPORT COSTS	CURRENT BUDGET 2015/16	ESTIMATED OUTTURN 2015/16	PROPOSED BUDGET 2016/17
CC2010 Hire of vehicles	£ 4,000	£ 6,000	£ 5,000
CC2020 Carriage	£ 250	£ 500	£ 250
TOTAL	£ 4,250	£ 6,500	£ 5,250

Draft Budget 2015/16

APPTD COSTS	CURRENT BUDGET 2015/16	ESTIMATED OUTTURN 2015/16	PROPOSED BUDGET 2016/17	
GA1000 Law & Admin } Finance } Personnel } Prop. & Archt. }	£ 60,000	£ 60,000	£ 60,000	
TOTAL	£ 60,000	£ 60,000	£ 60,000	



Draft Budget 2015/16

SUPPLIES/SERVICES	CURRENT BUDGET 2015/16	ESTIMATED OUTTURN 2015/16	PROPOSED BUDGET 2016/17
Computer Costs	£ 260,000	£ 238,000	£ 260,000
DA4013 Maps	£ 50	£ 50	£ 50
DA4014 Medical supplies	£ 50	£ 50	£ 50
DA1450 Office equipment	£ 2,000	£ 1,000	£ 2,000
DE5010 Audit fees	£ 8,500	£ 8,500	£ 8,500
DA4027 Photo equipment	£ 200	£ 200	£ 200
DK9500 Misc. supplies	£ 1,500	£ 1,500	£ 1,500
DD3003 Managed Print Costs	£ 20,000	£ 20,000	£ 20,000
TOTAL	£ 292,300	£ 269,300	£ 292,300
TOTAL EXPENDITURE	£ 2,850,400	£ 2,901,799	£ 3,006,170

Draft Budget 2015/16

INCOME	CURRENT BUDGET 2015/16	ESTIMATED OUTTURN 2015/16	PROPOSED BUDGET 2016/17
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	(£183,893)	(£80,071)	(£140,000)
TOTAL INCOME	(£189,143)	(£85,321)	(£145,250)
TOTAL EXPENDITURE FROM PREVIOUS PAGE	£2,850,400	£2,901,799	£ 3,006,170
TOTAL BUDGET	£2,661,257	£ 2,816,478	£ 2,860,920
Funding:			
Constituent Authorities Requisitions			£ 2,860,920
IER Funding Requirement			£140,000