

# HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD

25 January 2019

Agenda Item	7
Report No	VAL/2/19

## Proposed Budget 2019

### Report by the Assessor and Electoral Registration Officer

#### Summary

This report sets out for approval a proposed revenue budget for financial year 2019/20.

#### 1. Introduction

At the Board meeting in June 2018 it was agreed that for subsequent years a three-year budget would be prepared. The budget paper includes budget projections for the years 2020-22. This budget has been determined taking into account the requirements of the Barclay Review of Non-Domestic Rates and allowing for the phasing in of additional costs that are imposed on the Board as a consequence of the review's requirements. There remains significant uncertainty in relation to the eventual requirements as the Government has yet to legislate for some of the changes that are to be introduced; in particular the appeal regime. Likewise any eventual funding from the Scottish Government has yet to be detailed.

Once again, the budget proposal is made against the continued background of great pressures on local authority expenditure in general and at a time when the Assessor is in the midst of a critical period in relation to defending the levels of value determined for the 2017 Revaluation. Individual Electoral Registration (IER) also continues to be an ongoing challenge and the funding received directly from the Cabinet Office is being tapered. 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 considers the projected associated costs under each of the main budget heads.

The budget allocation has remained generally flat since 2008, resulting in a reduction in real terms, taking inflation into account, between 2008 and 2017. While the 2016-17 budget allocation saw an increase in budget in real terms based on the previous year, the overall budget has remained flat in real terms since 2004, despite the additional demands placed on the service. The postponement of the 2015 Revaluation provided an opportunity to partly resource IER and deal with budgetary pressures by a reallocation of staffing duties from valuation sections at times of extreme pressure. The opportunities to assist in this manner reduced as the 2017

Revaluation got underway and this continues to be the position throughout 2019 and 2020 as we dispose of revaluation appeals. Indeed, it is becoming increasingly difficult to sustain the position. The reintroduction of shootings into the Valuation Roll has further increased the workload on the valuation sections and is creating a very substantial burden in relation to the associated appeals. The amount of litigation incurred as part of the appeal process remains unknown across all outstanding appeals and introduces an element of risk in the budget projections, particularly in relation to legal costs.

Continued funding at previous levels will result in serious under resourcing given the increased workloads.

There are no major elections scheduled for the forthcoming year and that has been taken into consideration as part of the budget process. However current political uncertainties may alter that position. The Cabinet Office has indicated an intention to continue to provide additional funding to assist with additional IER expenditure, although the actual allocation is not certain at this time and there is a clear intention that the funding will be tapered out.

The Barclay Review will impact on the Assessor's costs and while much remains uncertain, an attempt has been made to factor these in over the forthcoming years. The ultimate costs may not impact until 2022 or 2023.

The proposed budget represents a best estimate of the provision necessary to allow the Assessor & ERO to carry out his statutory functions during the forthcoming three years and halt the decline in performance as a consequence of previous allocations. 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 that may be associated with any transformational change. The situation shall also require to be monitored to assess and mitigate the pressures that it may place on staff.

While every effort will be made to continue with the proven record of efficiency savings, the scope for such savings is diminishing and is increasingly limited by our IT capabilities.

## **2. Valuation for Rating**

It is the Assessor's duty 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 a period dealing with the consequential appeals. While most of the appeals from the 2010 revaluation have now been dealt with, there still remain a very 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. This budget assumes that there will be no significant cases necessary to be undertaken as part of that process.

The 2017 revaluation has been completed in accordance with the Valuation Acts and associated orders. The work has involved a revaluation of around 20,000 subjects together with complying with the Assessors statutory duties as the designated Assessor for Railway Undertakings in Scotland. In addition, the reintroduction of shootings into the Valuation Roll has created a significant additional burden, increasing the number of subjects in the Valuation Roll by some 10%. We have embarked on the associated appeal process and so far less than one third of the appeals have been resolved. It is likely that some of the appeals in this class of subject may require cases to be heard at the higher courts.

The number of Revaluation Appeals (excluding shootings) stands at 4,080. The total number of appeals is therefore similar to that of 2010.

The Barclay Review signalled a number of changes in the regime. The most significant of these is a move to three yearly revaluations in place of five yearly, as is currently the case. This will have a very significant effect on resource requirement, particularly staffing, due to the compressed nature of the timetable. The current cycle outlined at the beginning of this section whereby revaluation preparation and appeal settlement are largely separated will no longer be the case. The Assessor will need to settle revaluation appeals and prepare for the next revaluation concurrently. This will clearly have resource implications.

### **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 continues to be an increase in volume over previous years and this is expected to continue. The level of funding over previous years has had some adverse effects on time related performance. This has resulted in increased levels of backdating both at initial banding and, more significantly, when a property is rebanded following a sale.

### **4. Electoral Registration**

Individual Electoral Registration (IER) is significantly more complex than the previous model and continues to have a large additional resourcing requirement due to additional burdens placed on ERO's. The ability to meet this workload in part by transferring resource from valuation staff is now completely compromised by the resourcing requirement for non-domestic rating valuation which has increased now that we have resumed the traditional five yearly cycles of revaluation and appeal disposal, following the two year postponement imposed by government.

The legislation regarding Individual Electoral Registration 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 compared with the previous regime as there is a specific duty to carry out an increased level of canvass activity. Once again, this is prescriptive and requires doorstep canvassing of an increased number of specified properties targeted at individual elector level. The Government is investigating ways of reducing these burdens and providing opportunities for

reducing costs, but the process is limited at this stage. We have improved on previous successes with encouraging online completion of canvass documentation and this, together with the initiatives mentioned above, may offer some further opportunity to bring about efficiencies in the medium term. We have achieved this despite indication from other areas which suggested that we are nearing the limit of reasonable expectations with this particular initiative.

Some relief is provided by the fact that there are no planned major elections in the forthcoming year and this budget has been prepared on that basis, however increased political uncertainty relating to Brexit may alter this position and 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 2018-19 expected outturn under this budget head shows a predicted underspend. This was largely achieved by delaying appointments to vacant posts where possible together with some longer term vacancies in an effort to make savings and allow scope for minor reorganisation that should improve future efficiency. The first phase of this reorganisation has taken place and back filling is now required. There has also been a reduction in the amount of overtime by the clerical sections, particularly in relation to Electoral Registration. The proposed budget for next year incorporates a general pay increase of 3% 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. Canvasser costs have been retained at their current level.

### Valuation Appeal Committee Costs

The level of expenditure for the forthcoming year is, as always difficult to predict. On the one hand the increased rate of citation during 2018-19 has resulted in slightly better than expected progress however the changes made by the Committee to the manner in which Council Tax Cases are disposed of with a view to improving efficiency would not appear to have produced any positive effect. The budget out turn for 2018-19 is projected to be £188,000 which is greatly over budget. Consultation has taken place with the Chair and Secretary of the Valuation Appeal Panel and it has been proposed by them that budget provision should be made for the same amount in the forthcoming year. 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 also result in some additional expenditure.

Ultimately the level of expenditure will be determined by the number and complexity of the appeals that require to be considered and whether they are heard by the Committee.

It should be recognised however, that the Assessor has no control over this 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 and are broadly flat allowing only inflationary increase where necessary.

### Administrative Costs

This budget head continues to be at a higher level than in the years prior to IER. The additional costs involved are associated primarily with postage charges as a consequence of the requirement to serve additional statutory notices on individuals. There has been another reduction in postages in the current year due to improved returns and the take up of IVR along with other measures. It is anticipated that further savings may be possible. Other costs relating to staffing and the requirement to promote registration have been held broadly flat.

The budget for legal expenses has been set at £40,000. Although it is not now anticipated that there shall be any significant costs relating to the residual 2010 appeals, the final position relating to the 2017 Revaluation remains unknown at this stage. If there is significant litigation in the next financial year there is a risk that this provision shall be insufficient.

### Central Service Support

No allowance for inflation has been made for this budget heading and the budget has been maintained although the level of support appears to have reduced and certain tasks previously carried out under this head are now dealt with internally.

### Transport Costs

The element for hire of vehicles and carriage/freight has been increased slightly to reflect higher charges.

### Computer Charges

These have been held flat as no changes are anticipated under this head.

### Valuation Appeal Committee Expenses

The Assessor has no control over this head. It has been increased to take account of the 2018/19 budget outturn and projections by the Panel Chair and Secretary regarding estimates of 2019/20 expenditure.

### Income

A modest income is received 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 main income relates to funding for IER from the Cabinet Office and this is expected to reduce over the forthcoming years and this has been reflected in the projections.

There is a risk associated with the assumed level of funding as the final funding is not yet known.

#### Barclay Review of NDR

While it is known and acknowledged that the requirements of the review will require additional resource for Assessors, the actual requirements have not yet been determined or fully defined. The figures shown represent a best estimate at this stage of the likely increase in funding required.

#### Office Rationalisation

A changing need for office provision may allow an opportunity to achieve savings and this is reflected in future years.

#### Efficiencies - ER System staffing

It is anticipated that improvements to the Electoral Registration software will allow for some saving in staffing costs in the forthcoming year and this is reflected in this budget head.

## **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 include provision for a 3.0% pay award. Provision has also been made to backfill the vacancies that were carried to allow for the valuation staff restructuring which was completed at the end of 2018. It also acknowledges that savings made due to the postponement of the 2015 Revaluation are no longer tenable and failure to fill these posts may result in lost income.

There has been a significant increase in Valuation Appeal Costs but these are outwith the Assessor's control.

The resultant overall expenditure and budget demonstrates a 12% increase from £2,860,150 to £3,208,712. When this is adjusted to take account of increased Valuation Appeal Panel Costs, national pay award and reduction in grant, the increase is of the order of 4%.

Overall, the proposed budget makes reasonable provision for the Assessor & ERO in the forthcoming year, to allow for the execution of his statutory duties and ensure proper provision to facilitate the collection of Council Tax and Non Domestic Rates and the compilation and maintenance of the Electoral Register.

**7. Recommendation**

The Board is invited to approve the budget for 2019-20.

Designation: Assessor and ERO

Date: 21 January 2019

Author: William Gillies

# Highland & Western Isles Valuation Joint Board

Revenue Budget 2019/20 - 2021/22

Monitoring Category	17/18 Actuals	Current Year Budget	19/20	20/21	21/22
Salaries including NI, superann and overtime	1,776,458	1,856,444	1,995,484	2,071,075	2,148,702
Other staff costs	50,343	54,400	54,600	54,600	54,600
Travel and subsistence	61,212	78,500	78,500	78,500	78,500
Heating, lighting and cleaning	43,064	45,700	48,800	50,300	51,800
Rent, rates and water	204,334	207,056	210,456	222,161	223,919
Other property costs	7,282	8,100	8,100	8,100	8,100
Printing, stationery and photocopying	26,964	37,000	31,000	31,000	31,000
Postages	155,673	180,000	170,000	170,000	170,000
Telephone and fax costs	11,476	11,800	12,600	12,600	12,600
Advertising	1,024	2,500	2,500	2,500	2,500
Legal expenses	7,258	20,000	40,000	40,000	40,000
Other administration costs	8,797	10,000	10,000	10,000	10,000
Central service support	62,919	60,000	60,000	60,000	60,000
Transport Costs	4,629	5,200	6,000	6,000	6,000
Computer charges	315,929	350,700	350,700	350,700	350,700
Board Expenses	8,582	10,000	10,000	10,000	10,000
Valuation Appeal Committee expenses	51,506	53,000	188,000	188,000	188,000
Income (Including grant income)	(147,840)	(130,250)	(85,250)	(65,250)	(5,250)
<b>Pressures/Savings:</b>					
Barclay Review of NDR - IT Development	-	-	40,000	25,000	-
Barclay Review of NDR - Implementation	-	-	-	250,000	250,000
Office Rationalisation - Rent	-	-	-	(14,500)	(14,500)
Efficiencies - New ER System (Staffing)			(22,778)	(23,496)	(24,237)
<b>Grand Total</b>	2,649,610	2,860,150	3,208,712	3,537,290	3,652,434

<b>Requisitions:</b>					
CnES	10.66%	304,892	342,049	377,075	389,349
THC	89.34%	2,555,258	2,866,663	3,160,215	3,263,085



Total Requisitions 18/19:	2,860,150	Proposed Requisition Incremental Movement	3,208,712 348,562	3,537,290 328,578	3,652,434 115,144
<b>Balance on reserves at 31/03/2018</b>	<b>143,008</b>	Use of Reserves:	-	-	-
<b>REQUISITION ON CASH FLAT BASIS</b>			2,860,150	2,860,150	2,860,150
<b>EXTRA REQUISITION</b>			348,562	677,140	792,284