

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD

7 March 2022

Agenda Item	3
Report No	VAL/10/22

Proposed Budget 2022

Report by the Assessor and Electoral Registration Officer

Summary

This report sets out for approval a proposed revenue budget for financial years 2022/25.

Introduction

This report outlines a proposed budget for the financial years 2022/2025. The Assessor continues to recognise the financial pressures on local government at this time and aims to balance the pressures on the Board's funding bodies with the legal requirement for the Assessor and Electoral Registration Officer to carry out his duties in accordance with the law. The figures for 2023/24 and 2024/25 are indicative at this stage and will be reviewed when setting the budget in future years. The proposed budget has the support of the Treasurer to the Board.

Outcomes

It is the duty of the Assessor to maintain the Valuation Roll, Council Tax List and Electoral Register. It is the responsibility of the Board to ensure that the Assessor is adequately resourced to carry out his duties in terms of the legislation.

If the Assessor is not provided with sufficient resources to carry out that duty there will be an impact on the quality, accuracy and completeness of the Valuation Roll and Council Tax List and this will have an impact on the fairness of the tax and the revenue collected may be reduced.

A very significant part of Local Government funding is derived from income from council tax and non-domestic rates. The tax cannot be levied if there is not an enabling entry in the Council Tax list or Valuation roll. Buoyancy in the Valuation Roll is dependent on timeous updates to reflect changes in valuation. In recent years recruitment difficulties have resulted in a reduction in time related performance. It is true that, in so far as council tax is concerned, delays do not result in a legal barrier to the collection of the tax and should not result in a loss of revenue. However, it is acknowledged that backdating of a liability makes it more difficult for Finance Officers to collect a debt and collection is liable to be more costly. The position with non-domestic rates is even more critical as backdating is not possible beyond the beginning of the financial year. It should also be noted that delays in altering the Valuation Roll and Council Tax List may result in large backdated bills for the taxpayer.

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Additionally, the Electoral Registration Officer requires the necessary resources to compile and maintain, in accordance with statute, a complete and accurate Electoral Register forming a basis for fair democratic elections.

Efficiency

It is acknowledged that funding of the Assessors functions must be reasonable and not excessive and it is a responsibility of the Board to be satisfied that waste is avoided and that the operation is efficient. Comparison with other Valuation Joint Boards in this regard is not a straight forward matter but would not appear to place the Board in an unfavourable position.

Improvements in efficiency can be shown either by carrying out the same function for less, or by achieving more without a corresponding increase in funding. The number of subjects in the Valuation Roll, Council Tax List and Electoral Register have all increased over the last ten years and continues to increase. There has been a 15% increase in the number of non-domestic subjects in the last 5 years. In addition, the reasonable demands made by government, ratepayers and the public for the Assessor to be more transparent and accountable have in themselves a resource implication. Increased government regulation and other pressures have resulted in additional workloads for the Board's central support section in recent years.

The Assessor continues to seek to improve the efficiency of the organisation. This has included greater use of information technology to provide computer assisted valuation and analysis. Information provision and transparency has been enhanced through the Scottish Assessors Association Portal, resulting in a significant saving in staff time. Further development in both of these fields is ongoing and further developments are underway. The SAA portal also provides a degree of automation in relation to the logging and acknowledgement of valuation appeals and the return of rental information. Automation has also been developed in relation to the collection and logging of sales information from the Registers of Scotland. A move has been made away from paper records towards electronic files in respect of council tax and plans are now being put in place for a similar approach to non-domestic files. While this is feasible for new files, there remains the substantial issue of digitising existing paper records. It is planned to initiate this work in the forthcoming financial year with the expectation that it shall continue for the next three years. Provision has been made for a spend of £50,000 in each of the three years between 22/23 and 24/25 to work towards this goal. The progress that this provides towards full digitalisation will be monitored and reported to the Board. There are several drivers for this work, including office rationalisation and better and more efficient home or hybrid working. There is also an increasing imperative to carry out this work to facilitate the file management that is necessary for compliance with The Data Protection Act 2018 and the Public Records (Scotland) Act 2011.

The new electoral management system has been implemented for the Service and provides facilities that have already produced a level of enhanced efficiency, however the process of realising all possible improvement has been hampered by the current working arrangements and recruiting difficulties.

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Further change has taken place as a move was made to a cloud or hosted environment for the electoral management system (EMS). This will result in operational and systems management efficiencies that should serve to offset additional costs in addition to increased resilience.

The Government's introduction of canvass reform has the effect of reducing the costs associated with the annual canvass. This has not produced a corresponding saving for the constituent councils as, although there has been an overall cost saving, the direct grant to the Board that was made by the Cabinet Office to address the increased costs associated with individual electoral registration has now been phased out.

The report to the Board last year gave some detail on a number of efficiency measures that were being introduced. This work has continued, although the Covid-19 rules have impacted on some of these.

- The Assessor's valuation system rewrite is largely complete and partly implemented. Full implementation will take place during 2022 in advance of the 2023 Revaluation. The system incorporates the ability to interface with planning and building control and has improved processes in relation to sales information. The rewrite also includes an ability to email directly from the valuation system and record communication at subject level.
- A facility to incorporate more valuations within the system continues to be rolled out across additional subject classes and this will allow for more automated valuation of these subjects. Self-catering and shootings valuations have now been incorporated.
- As more valuations are incorporated within the valuation systems then this provides scope to increase the number of summary valuations that are available at the Assessors Portal, which has the effect of facilitating increased transparency and reducing information requests from ratepayers and their agents. During the course of the year this will expand to include contractors basis valuations, self catering and shootings.
- A return to a more targeted, risk based approach towards survey is now the norm as we move away from the restrictions which had resulted in minimal survey during the pandemic.
- The new electoral software has now been introduced which has the capability to use automated email as allowed by legislation. Further handheld devices for electoral canvass have been purchased and are now being deployed. These devices will result in canvass efficiency as they operate in real time.
- Electronic mailing is now in use across the organisation and allows general mail to be posted by electronic means at preferential postage rates. This approach is also being taken to bulk mailing direct from valuation and electoral systems.
- Wherever possible economies of scale are sought by utilising Highland Council service contracts, but these are monitored and alternative arrangements are put in place if they are found to be more favourable.

Barclay and Three Yearly Revaluations

The additional requirements made of Assessors by government as a consequence of the Barclay review of non-domestic rates have previously been reported to the Board. The Scottish Government has made available additional funding to the local authorities to fund these requirements. The proposed budget incorporates this additional amount of funding provided by the Scottish Government.

Budget Proposal

The proposed budget represents an increase of 4.3% in funding from the constituent councils net of the additional "Barclay Funding" and a 5.4% increase overall. This results from a number of budgetary pressures.

- 2023 is a year of revaluation and signals the start of 3 year revaluation cycles rather than the previous regime of 5 yearly cycles. Draft valuations must be available by the autumn of 2022. This entails an intense period of information gathering and analysis prior to the exercise of revaluing some 23 thousand subjects as required by statute.
- A new appeals regime is being introduced as part of non-domestic rates reform which will add a significant additional burden to the organisational workload.
- The three year cycle will entail concurrent revaluation and appeal disposal processes.
- The previous financial years were conducted during the height of the national pandemic and consequently there were consequential savings resulting from the national lockdown which are not sustainable. These include near 100% homeworking, reduced survey, travel and subsistence costs and savings in the occupational cost of property.
- Previous savings in staffing costs that were achieved by vacancy management were made possible by the delay in the 2022 revaluation and given the impending 2023 Revaluation, the scope for such savings in the year 2022 are now reduced. While the difficulties in staff recruitment continue, it is envisaged that any continuing shortfall will require to be addressed by both temporary contracts and overtime, which is not efficient and can only be a short-term solution as it is not operationally sustainable. However a vacancy management saving of £50,000 is factored into the proposed budget.
- A program of paper file digitisation is required to facilitate office rationalisation, hybrid working and compliance with The Data Protection Act 2018 and the Public Records (Scotland) Act 2011. The estimated cost of this is £50,000 for each of the next 3 years and is reflected in the budget and an additional £10,000 for temporary storage costs in 2022/23.

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Reserves

The board has a reserve of £167k as at 31.03.21. The proposed budget recommends that £14k of this fund can be used to partly finance transitional or one off costs in 2022/23.

Conclusion

Given all of these circumstances, the proposed budget makes reasonable provision for the Assessor to carry out his statutory duties in the current year and taken together with additional funding from the Scottish Government it should continue to allow preparation for three yearly revaluations and other Barclay reforms. There remains a risk that the level of service will be compromised if the staff recruitment issues are not addressed.

Recommendation

The Board is invited to approve the proposed budget.

Designation: Assessor and ERO

Date: 4 March 2022

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Appendix 1

	Actual	Current Year Budget	Proposed budget	Proposed budget	Proposed budget
Monitoring Category	20/21	21/22	22/23	23/24	24/25
Salaries including NI, superann and overtime	1,961,535	2,055,227	2,070,762	2,132,998	2,189,798
Travel and subsistence	18,923	69,875	54,500	54,500	54,500
Other staff costs	35,400	40,050	45,150	45,150	45,150
Heating, lighting and cleaning	34,267	47,779	36,610	33,440	33,582
Rent, rates and water	201,979	215,969	207,334	182,117	184,419
Other property costs	5,498	13,100	12,000	6,000	6,000
Printing, stationery and photocopying	4,500	19,875	18,500	18,500	18,500
Postages	162,734	119,318	125,000	125,000	125,000
Telephone and fax costs	8,644	11,325	11,250	11,250	11,250
Advertising	3,095	2,000	2,000	2,000	2,000
Legal expenses	8,445	30,000	30,000	30,000	30,000
Other administration costs	8,084	9,500	111,520	111,520	111,520
Central service support	63,589	60,000	60,000	60,000	60,000
Transport Costs	218	3,525	3,525	3,525	3,525
Computer charges	465,859	395,200	363,000	366,000	370,000
Board Expenses	5,743	7,877	7,877	7,877	7,877
Valuation Appeal Committee expenses	160,375	136,000	139,500	50,000	50,000
Income (Including grant income)	(243,559)	(20,250)	(5,250)	(5,250)	(5,250)
(Planned Use of Reserves)/Transferred to Reserves *	8,250	-	(14,000)	-	-
Pressures/Savings:					
Office Rationalisation - Rent	-	(14,500)	-	-	-
Efficiencies - Vacancy Management	-	(104,870)	(50,000)	-	-
Grand Total	2,913,579	3,097,000	3,229,278	3,234,627	3,297,871
Requisitions (Exc Barclay Requirement):					
CnES	10.66%	330,140	344,241	344,811	351,553
THC	89.34%	2,766,860	2,885,037	2,889,816	2,946,318
Total		3,097,000	3,229,278	3,234,627	3,297,871
Total Incremental Movement		183,421	132,278	5,349	63,244
		6.3%	4.3%	0.2%	2.0%
Barclay Requirement					
Barclay Review of NDR - IT Development	27,743	-	-	-	-
Barclay Review of NDR - Implementation	158,635	348,000	403,000	424,919	456,365
Total Barclay funding	186,378	348,000	403,000	424,919	456,365
Total Incremental Movement		161,622	55,000	21,919	31,446
		86.7%	15.8%	5.4%	7.4%

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	Actual	Current Year Budget	Proposed budget	Proposed budget	Proposed budget
Monitoring Category	20/21	21/22	22/23	23/24	24/25
Barclay funding from Government					
CnES	27,743	37,000	43,000	45,296	48,649
HC	158,635	311,000	360,000	379,623	407,716
Total Barclay funding	186,378	348,000	403,000	424,919	456,365
Requisitions (Inc Barclay Requirement):					
CnES	330,456	367,140	387,241	390,107	400,202
THC	2,769,504	3,077,860	3,245,037	3,269,439	3,354,034
Total	3,099,959	3,445,000	3,632,278	3,659,546	3,754,236
	Total Incremental Movement	345,041	187,278	27,268	94,690
		11.1%	5.4%	0.8%	2.6%

Anticipated outturn based on Jan-22 Monitoring
 (after provision for dilapidations of £40k and Lands Tribunal appeals fees of £86k) 3,460,000
 Under/(over)spend (15,000)
 -0.4%

* Transfer to/(from) reserves comprised of:

Rent, rates and water - storage costs Dingwall (after closure of office)	10,000
Other admin costs - digitisation of records (3 year project)	50,000
To be met from 2223 Budget	(46,000)
	<u>14,000</u>

There may also be a requirement to increase the staffing costs due to inability to recruit at current salary levels. This could add £50k onto costs noted above.

Anticipated opening reserves (Capped at 5% prior year Budget) 1 April 2022	152,023
Anticipated closing reserves 31 March 2023	<u>138,023</u>