

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD

21 March 2023

Agenda Item	6
Report No	VAL/2/23

Proposed Budget 2023

Report by the Assessor and Electoral Registration Officer

Summary

This report sets out for approval a proposed revenue budget for financial years 2023/24 to 2025/26.

Introduction

This report outlines a proposed budget for the financial years 2023/24 to 2025/26. 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 2024/25 and 2025/26 are indicative at this stage and will be reviewed when setting the budget in future years.

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 Assessor's 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 straightforward 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 six 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 Assessor Information Notices. 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 for non-domestic files. While this is feasible for new files, there remains the substantial issue of digitising existing paper records. This work will continue in the forthcoming financial year with the expectation that it shall continue for the next two years. Provision has been made for a spend of £60,000 in 23/24 and £50,000 in 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 cloud based 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 continuing recruitment difficulties.

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The report to the Board last year gave some detail on a number of efficiency measures that were being introduced. This work has continued and although the Covid-19 rules have relaxed, recruitment issues have had some impact on progress.

- The Assessor's valuation system rewrite is largely complete and partly implemented. 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. Although it was anticipated that the Assessor's valuation system would be completely rewritten and implemented by the completion of the 2023 Revaluation, some work still requires to be completed with implementation. This was mainly due to focusing on legislative changes which required factoring into the rewrite timetable.
- 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. In advance of the 2023 Revaluation many public buildings, contractors basis valuations, have now been added to the classes of subjects that can be valued with a degree of automation.
- The addition of the above valuations has increased 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. There are now over seventeen thousand valuations available at the Assessors portal.
- The electoral software introduced has the capability to use automated email as allowed by legislation. Handheld devices for electoral canvass have been purchased and deployed wherever necessary however, there has been some difficulty in recruiting electoral canvassers for some rural areas. The devices will result in canvass efficiency as they operate in real time.
- 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. However, the level of funding for 2023/24 has been reduced from an anticipated £403,000 to £358,000 (11.2%).

Budget Proposal

The proposed budget represents no change in requisition funding, net of the additional "Barclay Funding" and a 1.2 % decrease overall. This results from a number of budgetary pressures.

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- 2022/23 was a year of preparation for revaluation and signals the start of 3-year revaluation cycles rather than the previous regime of 5 yearly cycles. This required the revaluation of some 23 thousand subjects.
- A new appeals regime is being introduced from 1 April 2023 as part of non-domestic rates reform which will add a significant additional burden to the organisational workload.
- The 3-year cycle will entail concurrent revaluation and appeal disposal processes, and within this an intense period of information gathering and analysis.
- New regulations require the Assessor to write to all self-catering operators to confirm that they meet the prescribed criteria. Those that do not meet the provisions will no longer be placed on the valuation roll but enter the council tax list. There are in the region of six thousand such subjects which the Assessor must contact. Provision has been made in the budget for two additional clerical posts to assist in this function.
- The Elections Act 2022 will bring about significant changes for UK parliamentary electors. The Act introduces Voter ID, changes to overseas electors, absent vote divergence and proxy vote rule changes. New Burdens Funding from the Department of Levelling Up, Housing & Communities will be available to the Electoral Registration Officer and will be a mixture of grant funding and Justification Led Bids.
- 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. Although this has now eased the Assessor is still mindful of the effect that Covid can have on the workforce.
- Continuing recruitment issues across the width of the service has been previously 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. It is the Assessor's intention to engage with the HR Team at Highland Council to look at innovation in filling vacant posts.
- A program of paper file digitisation is ongoing 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 2 years and is reflected in the budget along with an additional £10,000 for temporary storage costs in 2023/24.

Reserves

The Board had a reserve of £172,000 as at 31 March 2022, which is expected to rise to £182,000 at 31 March 2023. The proposed budget recommends that £47,000 of this fund be used to partly finance transitional or one-off costs in 2023/24.

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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: 10 March 2023

Author: Frank W Finlayson

	Actual	Current Year Budget	Proposed budget	Proposed budget	Proposed budget
Monitoring Category	21/22	22/23	23/24	24/25	25/26
Salaries including NI, superann and overtime	1,866,522	2,070,763	2,206,360	2,297,755	2,747,539
Travel and subsistence	21,983	54,500	54,500	54,500	54,500
Other staff costs	36,316	45,150	56,285	46,150	44,150
Heating, lighting and cleaning	42,983	36,610	35,333	35,533	35,735
Rent, rates and water	203,303	207,334	174,168	168,133	170,615
Other property costs	44,488	12,000	7,050	7,050	7,050
Printing, stationery and photocopying	5,571	18,500	15,000	15,000	15,000
Postages	168,445	125,000	135,000	135,000	135,000
Telephone and fax costs	8,555	11,250	9,250	9,250	9,250
Advertising	3,285	2,000	2,000	2,000	2,000
Legal expenses	95,830	30,000	30,000	30,000	30,000
Other administration costs	52,641	111,520	122,274	113,313	64,404
Central service support	64,882	60,000	60,000	60,000	60,000
Transport Costs	283	3,525	2,650	2,650	2,650
Computer charges	328,988	363,000	366,001	370,000	373,000
Board Expenses	4,155	7,877	10,377	10,377	10,377
Valuation Appeal Committee expenses	120,611	139,500	6,000	-	-
Income (Including grant income)	(76,597)	(5,250)	(15,885)	(5,250)	(5,250)
(Planned Use of Reserves)/Transferred to Reserves *	5,227	(14,000)	(47,084)	-	-
Pressures/Savings:					
Efficiencies - Vacancy Management	-	(50,000)	-	-	-
Grand Total	2,997,471	3,229,279	3,229,279	3,351,461	3,756,020
Requisitions (Exc Barclay Requirement):					
CnES	10.66%	344,241	344,241	357,266	400,392
THC	89.34%	2,885,038	2,885,038	2,994,196	3,355,628
Total		3,229,279	3,229,279	3,351,462	3,756,020
<i>Total Incremental Movement</i>		231,808	-	122,182	404,559
		7.7%	0.0%	3.8%	12.1%
Barclay Requirement					
Barclay Review of NDR - IT Development	21,918	-	-	-	-
Barclay Review of NDR - Implementation	290,623	403,000	358,000	358,000	-
Total Barclay funding	312,541	403,000	358,000	358,000	-
<i>Total Incremental Movement</i>		90,459	(45,000)	-	(358,000)
		28.9%	-11.2%	0.0%	-100.0%
Barclay funding from Government					
CnES	33,317	43,000	38,000	38,000	-
HC	279,224	360,000	320,000	320,000	-
Total Barclay funding	312,541	403,000	358,000	358,000	-
Requisitions (Inc Barclay Requirement):					
CnES	352,847	387,241	382,241	395,266	400,392
THC	2,957,165	3,245,038	3,205,038	3,314,196	3,355,628
Total	3,310,012	3,632,279	3,587,279	3,709,462	3,756,020
<i>Total Incremental Movement</i>		322,267	(45,000)	122,183	46,558
		9.7%	-1.2%	3.4%	1.3%

Total spend before planned use of reserves 3,646,279
 22/23 Anticipated outturn based on Feb-23 Monitoring 3,401,000
 Under/(over)spend 245,279
 76.1%

Anticipated opening reserves (Capped at 5% prior year Budget) 1 April 2023 181,614
 Anticipated use of reserves 23/24 (47,084)
 Anticipated closing reserves 31 March 2024 134,530