

**HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD**

**9 February 2024**

Agenda Item	7
Report No	VAL/3/24

**Proposed Budget 2024**

**Report by the Assessor and Electoral Registration Officer**

**Summary**

This report sets out for approval a proposed revenue budget for financial years 2024/25 to 2026/27.

**Introduction**

This report outlines a proposed budget for the financial years 2024/25 to 2026/27. 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 2025/26 and 2026/27 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% net increase in the number of non-domestic subjects in the last seven 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 proposals 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 next year. Provision has been made for a spend of £50,000 in 2025/26 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.

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 recruitment issues have again had some impact on progress.

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- The Assessor's valuation system rewrite is largely complete in terms of non-domestic valuation but requires integration with the Council Tax function to provide a more efficient and streamlined product. The system incorporates the ability to interface with planning and building control and has improved processes in relation to sales information. The system has the ability to provide a mail handling workflow which gives greater accountability and visibility of activity and also includes an ability to email directly from the valuation system and record communication at subject level. As reported previously it was anticipated that the Assessor's valuation system would be completely rewritten and implemented by the completion of the 2023 Revaluation. However, adopting some of the features has been delayed due to a combination of workloads and staff vacancies. With improving recruitment in the valuation sections implementation is being scheduled for a number of the software's features early in the financial year.
- 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. The 2023 Revaluation saw many public buildings and contractors basis valuations added to those classes of subjects which can be valued with a degree of automation and displayed at the SAA Portal.
- These valuations have increased the number of summary valuations that are available at the Assessors Portal, and a substantial decrease in requests for valuations has been noticed. This has the effect of facilitating increased transparency and reducing information requests from ratepayers and their agents. Over 75% of valuations are now available at the SAA Portal. However, the remaining 25% of valuations not available are a mix of complex valuations and those which the unit of comparison is turnover. Such subjects include hotels and licensed premises.
- The electoral management software introduced has the capability to use automated email as allowed by legislation. Handheld devices for electoral canvassing 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. Presently, there have been difficulties with both the Occupational Health contract, which the Service has been omitted from, and the process for fully integrating with advertising on Myjobscotland has been lengthy and as yet not complete. Both matters are being pursued.
- The lease on the Inverness office ends in May 2025. The Assessor intends to seek early engagement with the landlord's agent with a view to assessing whether a new lease would be advantageous. Early engagement is necessary if the Assessor is required to look for alternative accommodation.
- The Assessor will be taking steps to update policies on flexitime, travel and subsistence, and overtime with a view to making efficiencies and improving staff terms and conditions.

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- Following an analysis of budgets savings of £96,396 have been identified and are summarised in the table below.

		<b>2023/24</b>	<b>2024/25</b>	<b>Variance</b>
ALL offices	Superann - Non Teachers	319,494.00	294,937.17	24,556.83
Barclay Implementation	Superann - Non Teachers	49,700.00	48,968.40	731.60
ALL offices	Travel Mileage - Non Taxable	40,000.00	30,000.00	10,000.00
ALL offices	Subsistence	4,500.00	3,750.00	750.00
ALL offices	Training Courses	30,000.00	25,000.00	5,000.00
ALL offices	Electricity Charges	20,000.00	17,000.00	3,000.00
ALL offices	Cleaning Materials / Equipment	850.00	750.00	100.00
ALL offices	Rent	123,862.00	106,676.00	17,186.00
ALL offices	Rates	46,556.00	45,949.87	606.13
ALL offices	Water Charges	3,750.00	3,000.00	750.00
ALL offices	Mechanical/Electric Compliance	500.00	0	500.00
ALL offices	Property Insurance	2,550.00	2,000.00	550.00
ALL offices	MPS Costs - Mono	5,000.00	3,000.00	2,000.00
ALL offices	MPS Costs - Colour	2,000.00	1,500.00	500.00
ALL offices	Postages	135,000.00	130,000.00	5,000.00
ALL offices	Legal Expenses	30,000.00	20,000.00	10,000.00
ALL offices	Employers Liability Insurance	11,974.00	10,337.20	1,636.80
Barclay Implementation	Computer Equipment - Purchase	21,927.00	14,898.19	7,028.81
Valuation Board Members	Travel Mileage - Non Taxable	2,500.00	2,000.00	500.00
Valuation Appeals Committee	Voluntary Assocs/Other Bodies	6,000.00	0	6,000.00
<b>TOTAL</b>		<b>£856,163</b>	<b>£759,767</b>	<b>£96,396.17</b>

Some of the variances noted above are not due to decisions taken by the Assessor but may be due to other mitigating factors. The superannuation cost is expected to reduce pending formalisation by the Highland Council's Pensions Committee. It is estimated that the contribution level will decrease from 19% to 17.5% following the triennial review by the pension scheme actuary. Printing costs have also been reduced due to printer rationalisation by the Highland Council. Although savings have been identified, there is an overall increase in costs due to an estimated pay award of 3%.

## **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. The level of funding for 2024/25 has been increased from £358,000 to £371,000 (3.63%).

## **Budget Proposal**

The proposed budget represents an increase in requisition funding, net of the additional "Barclay Funding" and a 2.8% increase overall. This results from a number of budgetary pressures.

- 2023/24 was the first year of receiving proposals against rateable values, as opposed to the appeals process under the previous regime. Although numbers of challenged valuations are down, the work involved in processing each proposal is more onerous to administer, with many requiring further information, and where that is not forthcoming, they are treated as incomplete and effectively withdrawn. The drop in proposals received reflects a large number of appeals which previously entered the system but were effectively withdrawn without discussion or dismissed by a Valuation Appeal Committee.
- Although the Assessor is now in control of the first stage of the proposal process, the setting of the Proposal Determination Date (PDD) does have to comply with more rigorous regulations. Seventy days before the PDD the Assessor must supply full answers to the appellant's grounds of appeal and supply the evidence used to arrive at the valuation. If the matter is not agreed between the parties at the PDD the Assessor must give full reasons for, and detail, their decision, not only to the appellant, but mindful that their decision could be transmitted to the First-tier Tribunal in the event of the appellant appealing the Assessor's decision.
- The 3-year cycle entails concurrent revaluation and appeal disposal processes, and within this an intense period of information gathering and analysis. Presently the cycle is moving into a phase where disposal of proposals will become intensive, but also annual Assessor Information Notices (AINs) are being issued while preparations are being made to issue 3 yearly AINs in respect of the 2026 Revaluation.
- Recently introduced regulations require the Assessor to write to all self-catering operators to confirm that they meet the prescribed criteria for remaining on the Valuation Roll. Those that do not meet the provisions will be deleted from the Valuation Roll and will enter the Council Tax List. There are over five thousand such subjects which the Assessor must contact. This task has proved to be more onerous than anticipated due to a number of factors and has required a disproportionate amount of resource to be spent on it. Engagement with some operators was relatively poor, and the legislation did not allow us to take the necessary steps to return properties to the Council Tax List quickly.

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- To date 396 properties (360 Highland Council, 36 Comhairle Nan Eilean Siar) have returned to the Valuation Roll for Highland for financial years 2022/23 and 2023/24. A further 336 will be transferred shortly (236 Highland Council, 100 Comhairle nan Eilean Siar). A further 638 are still under active investigation of which 140 require up to date contact details. It should be noted that a number have been designated by constituent authorities as self-catering units under powers given within an amendment to the Council Tax (Dwellings and Part Residential Subjects) (Scotland) Regulations 1992. Presently, 88 of the transferred properties have been challenged and are presently being considered as proposals to be removed from the Council Tax List.
- The Elections Act 2022 has brought about significant changes for UK parliamentary elections. The Act introduced 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. These changes bring about additional complexities for electoral processing staff in terms of time taken to process different postal and proxy application forms for UK and Scottish elections. There will also be some degree of checking previous electoral registers for Overseas electors which will be time consuming.
- A UK Parliamentary General Election will take place in 2024. Due to the repeal of the Fixed-Term Parliaments Act 2011 in 2022, the date of the poll is not known and may be called within 25 days of the dissolution of parliament. Staff leave will need to be carefully managed and illness monitored. Contingency planning is in place, but it will be a higher risk event due to changes in legislation and uncertainty.
- Early engagement has been made with the Highland Council as proposals for the Inverness and Cromarty Firth Green Freeport take shape. The Assessor will need to assess the impact that it will have on service delivery as the project progresses.
- Following the cyber-attack affecting the Comhairle nan Eilean Siar's IT, requests to share information previously received have been made and these requests have been met and will continue to be met until the issue is fully resolved.
- Continuing recruitment issues across the width of the service have been previously addressed by both temporary contracts and overtime, which is not efficient. This can only be a short-term solution as it is not operationally sustainable. Although posts have recently been filled in the Valuation sections, there is still a level of vacancy in both the Electoral and Central Admin sections. The Assessor will continue 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 2024/25 and 2025/26. Any underspend will be carried forward from previous financial years.

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**Reserves**

The Board had a general fund reserve of £182,000 which is capped at 5% of the budget as at 31 March 2023, which is expected to be the same as at 31 March 2024. If these reserves were to be depleted, then further requisition may be requested from constituent authorities as the Valuation Joint Board is not in a position to generate additional income. There is further risk that the Assessor and Electoral Registration Officer may not be able to carry out his statutory duties if further funds were not available.

**Conclusion**

Given all of these circumstances, the proposed budget makes reasonable provision for the Assessor to carry out his statutory duties in 2024/25 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 is always a risk that the level of service will be compromised if the staff recruitment issues are not addressed. The requested increase in requisition will also allow the Electoral Registration Officer to carry out his statutory functions in relation to electoral registration and the increased workloads/complexity due to Election Act 2022 changes.

**Recommendation**

The Board is invited to approve the proposed budget.

Designation: Assessor and ERO

Date: 26 January 2024

Author: Frank W Finlayson

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**APPENDIX 1**

	<b>Actual</b>	<b>Current Year Budget</b>	<b>Proposed budget</b>	<b>Proposed budget</b>	<b>Proposed budget</b>
<b>Monitoring Category</b>	<b>22/23</b>	<b>23/24</b>	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>
Salaries including NI, superann and overtime	1,877,601	2,206,360	2,351,281	2,803,968	2,912,720
Travel and subsistence	38,161	54,500	48,750	48,750	48,750
Other staff costs	50,294	56,285	46,067	41,150	41,650
Heating, lighting and cleaning	30,973	35,333	35,650	35,820	35,992
Rent, rates and water	192,892	174,168	155,626	149,553	151,996
Other property costs	274	7,050	6,000	6,000	6,000
Printing, stationery and photocopying	16,359	15,000	12,500	12,500	12,500
Postages	130,235	135,000	130,000	130,000	130,000
Telephone and fax costs	13,961	9,250	9,250	9,250	9,250
Advertising	440	2,000	2,500	2,500	2,500
Legal expenses	2,452	30,000	20,000	20,000	20,000
Other administration costs	45,700	122,274	85,545	62,154	63,187
Central service support	60,226	60,000	60,000	60,000	60,000
Transport Costs	3,931	2,650	2,650	2,650	2,650
Computer charges	355,963	366,001	366,001	370,000	373,000
Board Expenses	4,010	10,377	10,113	10,357	10,607
Valuation Appeal Committee expenses	106,788	6,000	-	-	-
Income (Including grant income)	(21,076)	(15,885)	(22,795)	(5,250)	(5,250)
(Planned Use of Reserves)/Transferred to Reserves	10,064	(47,084)	-	-	-
<b>Total</b>	<b>2,919,248</b>	<b>3,229,279</b>	<b>3,319,138</b>	<b>3,759,402</b>	<b>3,875,552</b>
<b>Requisitions (Exc Barclay Requirement):</b>					
CnES	10.66%	344,241	353,820	402,159	413,134
THC	89.34%	2,885,038	2,965,318	3,370,438	3,462,418
<b>Total</b>		<b>3,229,279</b>	<b>3,319,138</b>	<b>3,772,597</b>	<b>3,875,552</b>
Total Incremental Movement		310,031	89,859	440,264	116,150
		10.6%	2.8%	13.3%	3.1%
<b>Barclay Requirement</b>					
Barclay Review of NDR - IT Development	26,132	-	-	-	-
Barclay Review of NDR - Implementation	383,721	358,000	371,000	-	-
<b>Total Barclay funding</b>	<b>409,853</b>	<b>358,000</b>	<b>371,000</b>	-	-
Total Incremental Movement		(51,853)	13,000	(371,000)	-
<b>Barclay funding from Government</b>					
CnES	43,000	38,000	40,000	-	-
HC	360,000	320,000	331,000	-	-
<b>Total Barclay funding</b>	<b>403,000</b>	<b>358,000</b>	<b>371,000</b>	-	-
<b>Requisitions (Inc Barclay Requirement):</b>					
CnES	354,882	382,241	393,820	402,159	413,134
THC	2,974,219	3,205,038	3,296,318	3,370,438	3,462,418
<b>Total</b>	<b>3,329,101</b>	<b>3,587,279</b>	<b>3,690,138</b>	<b>3,772,597</b>	<b>3,875,552</b>
Total Incremental Movement		258,178	102,859	82,459	102,955
		7.8%	2.9%	2.2%	2.7%

Anticipated outturn based on Dec-23 Monitoring 3,566,000  
Under/(over)spend 21,279  
0.6%

Anticipated opening reserves (Capped at 5% prior year Budget) 1 April 2024

**181,718**