

# BUDGET REPORT

## 2012 - 2013



### 1 INTRODUCTION

The proposed budget provision for year 2012/13 has been agreed with the Treasurer and her report fairly reflects expected costs, income and risk to the Board.

I have agreed with my management team that the organisation will continue with the existing staffing policy where any vacancies that arise are fully considered by the senior management team and take into account the existing financial restrictions.

I will endeavour to manage the workload within the organisation to meet the proposed performance standards while making every effort to reduce costs and maximise efficiencies. In line with the proposed budget, anticipated staffing levels and expected workload I have prepared Corporate and Service plans and identified performance targets.

The intention for the years 2012/13 onwards is to try to maintain performance where possible and closely monitor the lower budget and reduced staffing levels.

The following is a very brief overview of the main items within the budget with the Treasurer providing further information in her report

### 2 PROPOSED BUDGET 2012/13

In line with Local Government spending cuts, the Valuation Joint Board has been asked to make savings which in 2012/13 amount to a 0.73% (£44,994) cut from the approved budget for 2011/12 of £6,163,390. The budget proposed for 2012/13 is £6,118,396.

#### 2.1 Growth/Reductions

The comparison between the approved budget for 2011/12 and the proposed budget for 2012/13 provided by the Boards Treasurer gives information on decreases resulting mainly from staffing costs, transport costs and savings from supplies, services and support costs. I am pleased to put forward a proposed budget which shows the requested reduction from the previous year of 0.73%.

##### 2.1.1 Employee Costs

The decrease in employee costs represents a net reduction of £35,241. Necessary increases for increments and superannuation totalling £39,959 have been taken into account in arriving at the net figure. The reduction is achieved mainly from the non filling of vacancies.

Any/...

2.1.1/ Any new vacancies arising will be fully assessed according to organisational needs and budgetary restraints. Options could include filling as an alternative post, not filling the post or advertising as a temporary post.

### **2.1.2 Transport Costs**

The proposed budget for 2012/13 shows a reduction of £20,168 mainly arising from expected reduced staff mileage claims as a result of lower construction activity and altered working practices.

### **2.1.3 Supplies, Services and Central Support Costs**

The proposed supplies and service costs budget for 2012/13 shows a reduction of £62,500 from the approved budget for 2011/12. This reduction effectively takes all spending on supplies and services to a minimum with little or no room for unexpected expenditure or unknown inflationary costs.

The proposed central support costs show a reduction of £9,800 from 2011/12 levels.

## **3 POSSIBLE BUDGET RISKS**

### **3.1 Overview**

As the proposed budget only reflects inflationary pressures to a limited extent and does not reflect any possible changes in legislation, the risks associated with meeting each line of the proposed budget for 2012/13 are increased. I will endeavour to meet the proposed budget but may be required to exercise a greater degree of flexibility in the virement of monies between various headings.

### **3.2 Inflation and Pay Awards**

Any pay award will have a substantial affect on the proposed budget and will almost certainly necessitate a further review of staffing levels.

### **3.3 Absent Vote Identifier Refresh**

Absent vote identifiers which are more than 5 years old require to be refreshed. This would involve writing out, in a prescribed manner, to approximately 60,000 electors. The cost of such an exercise could be in the region of £60,000. Discussions are ongoing with the Electoral Commission and the Cabinet Office as to the proposed scheduling for the refresh. The key dates being discussed are January/March 2013 or January/March 2014. The first option would create a considerable burden on the proposed budget for 2012/13.

### **3.4 Individual Electoral Registration Duties**

Individual Electoral Registration is due to be introduced in summer/autumn 2014 with the main workload being at the Canvass period during 2014. The fine details of the introduction are not yet /...

3.4/ yet known but various pilots and consultations are underway prior to legislation being drafted. Individual registration coupled with the probable requirement to provide identifiers such as signature, date of birth and national insurance number personally on an annual declaration will almost certainly increase the electoral administration workload significantly. Moving from household to individual canvass, will give rise to a substantial increased expenditure for postage, printing, stationary, and increase pressure on processing requirements as well as increased costs for data storage both in paper and electronic format. I anticipate that increased costs will be fully funded, at least in the first year of introduction.

As Lothian has been involved in Cabinet Office pilots and are represented on discussion groups I am familiar with the amount of preparatory work that will be required. It is almost certain that some preparation work will be required in 2012/13. While it is hoped that costs at this stage can be kept to a minimum this does represent an additional workload for staff.

### 3.5 **2010 Revaluation and Appeals**

Disposal of the 2010 Revaluation appeals is progressing very well however as a consequence of the economic decline more running roll appeals than in previous years have been lodged.

The number of Revaluation appeals increased from 8,578 at the 2005 Revaluation to 10,933 at this revaluation; an increase of 27%.

Further the 2010/11 Running roll appeals increased from 526 for 2005/6 to 6,669 lodged during 2010/11; an increase of 1,268%. This is an unprecedented increase.

As all appeals lodged during the years 1<sup>st</sup> April 2010 to 31<sup>st</sup> March 2012 must be resolved by 31<sup>st</sup> December 2013 we could be required to resolve up to 24,000 appeals compared to less than 10,000 over the same period of the last quinquennium.

The increased appeal numbers are creating a substantial increase in workload for my professional staff. Such increased pressure may require an increased legal budget or increased professional staff costs.

### 3.6 **"Rule of 85"/VERA/Redundancy Costs**

The Board approved the retention of an underspend, carried forward from the 2010/11 budget for costs associated with staff reduction requirements. I have managed to meet the budget approved for 2010/11 without the need to utilise the reserves held.

I consider that the budgetary risks stated above are relatively high risk and could necessitate a re-look at staffing numbers and structures if any of the risks come to fruition. I request that the underspend currently held continues to be held for staff reduction purposes which may be considered appropriate or necessary during this continued period of economic uncertainty.

The Board previously approved a policy, Redundancy Procedure, to allow for staff redundancies if considered a necessary step to attain approved budgets. Paragraph 1.2 stated 'These payment terms/....

- 3.6/ terms will be available during the period 1 February 2010 to 31 March 2011.’ I ask the Board to approve the following change to the Redundancy Procedure at Para 1.2 ‘These payment terms will be available during the period 1 January 2011 to 31 December 2013.’

#### 4 CORPORATE AND SERVICE PLANS

Lothian Valuation Joint Board compiles and maintains the Valuation Roll, Council Tax List and through the Lothian Electoral Joint Committee, a Register of Electors for each of the constituent Councils which are represented on the Board. Almost all the duties and responsibilities relating to the above are defined in statutory terms and require to be undertaken within strict statutory timetables.

I attach the 2012-2013 Corporate and Service Plans which will be used to ensure that management and monitoring systems are in place to make certain that all functions are carried out efficiently and effectively.

#### 5 KEY PERFORMANCE INDICATORS FOR THE WORK OF ASSESSORS

Key Performance Indicators for the work of Assessors are in place for Valuation Roll and Council Tax performance.

##### 5.1 Valuation Roll

The principal indicator in this area relates to the length of time taken to amend the Valuation Roll to reflect changes which have taken place. The number of amendments is shown and also the change in the total annual value of the Valuation Roll in each year.

In general terms, stakeholders prefer the Valuation Roll to be amended as quickly as possible after a change has taken place in order to facilitate stable financial planning and improving the cash flow to the rating pool. The KPIs show actual performance against estimated performance for 2005/6 through to 2010/11 and targets for 2011/12 and 2012/13.

Valuation Roll	No of changes	Rateable Value 1/4	Rateable Value 31/3	0 – 3 months %		3 – 6 months %		> 6 months %	
				Target	Actual	Target	Actual	Target	Actual
2005/6	3,531	903,178,666	1,042,428,524	52	62.8	26	19.1	22	18.2
2006/7	3,314	1,042,428,524	1,050,213,188	57	74.9	28	13.9	15	11.2
2007/8	4,206	1,050,213,188	1,058,508,620	65	83.26	25	11.63	10	5.11
2008/9	4,258	1,058,508,620	1,056,910,140	70	80.77	20	11.53	10	7.7
2009/10	3,792	1,056,910,140	1,068,384,758	80	78.1	15	11.1	5	10.8
2010/11	3,476	1,259,913,732	1,274,347,293	82	78.02	14	13.55	4	8.43
2011/12		1,274,347,293		80		15		5	
2012/13				75		13		12	

Unfortunately/....

5.1/ Unfortunately I have not managed to meet the target performance figures for 2010/11. I consider the targets set were a bit ambitious and should not be seen as a reflection on the efforts made by staff. Normally the Revaluation year is seen as a year of low appeals activity however this was not the case for 2010/11. My valuation staff dealt with a large number of appeals received as a consequence of the economic circumstances. This situation had not been envisaged when the targets were set. Further, the economic situation has led many businesses to review their space requirements; contact with my staff is often delayed and this has an unavoidable impact on performance.

As the economic problems continue I am almost certain that there is very little chance of meeting the targets previously set for 2011/12. The targets above for 2012/13 are still challenging and have been set in the knowledge of the continuing economic circumstances and budgetary restrictions.

### 5.1.1 Appeal Settlements

For each of the relevant years Assessors provide figures for the total amount of adjustment to net annual value arising from appeal settlements. This figure is expressed as a percentage of the total Net Annual Value of the Valuation Roll as at 1 April in the relevant year. This indicator allows the Scottish Government to estimate the financial implications arising from the settlement of rating appeals.

Valuation Year	No of Appeals Settled	Target Percentage	Actual Percentage
2005/6	1,239	1%	0.12%
2006/7	3,938	2%	0.365%
2007/8	3,641	1%	1.491%
2008/9	1625	1%	1.66%
2009/10	1,224	0.5%	1.06%
2010/11	1,754	1%	0.09%
2011/12	(7,000)	2%	
2012/13	(8,000)	5%	

It had been estimated that I would target to dispose of 1,400 appeals in the year 2010/11, this turned out to be too few to ensure that I met the statutory timetable. 1,754 appeals were disposed of with a percentage loss to the valuation roll of only 0.09%.

I had already advised the Board that the previous target appeal disposal for 2011/12 required to be increased from 5,000 to 7,000 because of the very large number of economic circumstance appeals being lodged.

The target number of appeals to be disposed of that I have set for 2012/13 is based on an expected tranche of appeals being received during March 2012. Again I may consider it appropriate to review the number of appeals to be disposed of depending on the volume of appeals received in the next few months. The 5% loss in Rateable Value is a possible outcome depending on the pending opinion of the Lands Valuation Appeal Court later this year.

I/...

5.1.1/ I have already expressed my concerns at the number of appeals requiring to be dealt with by my staff as it is far beyond the numbers dealt with in previous years. As stated previously I am endeavouring to minimise the burden within the existing and proposed financial constraints.

## 5.2 Council Tax

The criteria used in establishing Council Tax indicators are derived in a similar way to those for the Valuation Roll.

Council Tax payers require notification of their banded valuation, and hence their financial liability, as soon as possible after they have taken occupation of the new property. Cash flow to the authority, arising from insertions of new entries is also affected by how quickly entries are made on the Valuation List.

The KPIs show estimated performance against actual performance for 2005/6 through to 2010/11 and the performance targets for and 2011/12 and 2012/13.

Valuation List	No of Dwellings added	0 – 3 months %		3 – 6 months %		Over 6 months %	
		Target	Actual	Target	Actual	Target	Actual
2005/6	4,288	87	81.2	10	12.4	3	6.4
2006/7	5,515	89	84.8	9	11.3	2	3.9
2007/8	5323	89	93.2	9	5.2	2	1.6
2008/9	4,345	89	94.13	9	4.53	2	1.33
2009/10	3,984	92	95.3	6	2.5	2	2.2
2010/11	3,768	94	94.98	4	4.06	2	0.96
2011/12		94		4		2	
2012/13		95		3		2	

I am delighted that we have managed to meet the target of 94%. The staff deserve praise for their ability to maintain this exceptional performance.

As can be seen from the above table I continue to target to meet this exceptional performance and for 2012/13 the aim is to marginally increase the target to achieve 95% of all new dwellings to the Council Tax List to be actioned within 3 months of the date of entry.

## 6 PERFORMANCE STANDARDS FOR THE WORK OF ELECTORAL REGISTRATION OFFICERS

Performance standards for the work of EROs are monitored by the Electoral Commission. I can report that we have matched or exceeded the required performance standards in each year since introduced in 2009.

## 7 BEST VALUE

In anticipation of difficulties surrounding local government finance over the coming years and in the continuing pursuance of Best Value I will review current work practices focusing on creating efficiencies through improvements while at the same time seeking to identify possible savings through all means.

## 8 CONCLUSION

As Lothian Valuation Joint Board does not have access to any capital budget or any financial reserves it is necessary to keep all spending within the revenue budget allocation. The financial costs of allowing staff to leave under the "Rule of 85", VERA or the Redundancy Procedure can only be considered by utilising the monies retained from the underspend achieved during 2010/11 and approved by the Board at its meeting on 4<sup>th</sup> February 2011.

The organisation is on target to have a potential under-spend in the financial year 2011/12 of £75,000. Much of this has been attained through non-filling of vacancies and delays in filling posts in addition to altered working practices and various efficiency measures previously introduced. Should any further reduction in staff levels be necessary it is likely these shall only arise from applications under the "Rule of 85", offering staff voluntary release or if absolutely necessary redundancy.

I have been able to present the targeted budget for 2012/13 without any voluntary early release or redundancies being made. I may however need to review the staff structure to meet possible financial requirements for 2012/13 or 2013/14. I ask again that I retain the current underspend which has already been previously agreed together with any underspend from this financial year to allow me to consider the best use of staff and financial resources to allow me to meet my statutory duties.

The Joint Board is a small organisation and provides a range of services that are statutorily defined. The failure to provide any of these services could lead to prosecution. It is within this framework that efficiency gains are sought but a cost effective service delivery is the paramount priority.

- I therefore request that the Joint Board approves the continued retention of the 2010/11 underspend and the retention of any underspend from 2011/12 for any required early release measures necessitated by budget constraints.
- I further ask the Board to approve the following change to the Redundancy Procedure at Para 1.2 'These payment terms will be available during the period 1 January 2011 to 31 December 2013.'

**Joan Hewton**  
**ASSESSOR & ERO**