

REPORT TO: TAYSIDE VALUATION JOINT BOARD – 22 JANUARY 2018

REPORT ON: PROVISIONAL REVENUE BUDGET 2018/19

JOINT REPORT BY: ASSESSOR AND TREASURER

REPORT NO: TVJB 1 - 2018

1 PURPOSE OF REPORT

The purpose of this report is to submit the Joint Board's 2018/19 Provisional Revenue Budget for approval.

2 RECOMMENDATIONS

It is recommended that the Joint Board:-

- a approves the 2018/19 Provisional Revenue Budget for the Tayside Valuation Joint Board as detailed in Appendix A.
- b notes that, in order to maintain the overall requisition amount at current levels, the sum of £26,000 will be taken from the General Reserve and used in setting the 2018/19 Revenue Budget,
- c approves the apportionment of the 2018/19 Revenue Budget be based on the proportion of each Council's relevant 2017/18 Grant Aided Expenditure figures as detailed in Appendix B,
- d approves the 2018/19 requisitions for the three constituent Councils be as detailed in Appendix B,
- e notes that a further requisition is possible dependent upon the review of office accommodation.

3 FINANCIAL IMPLICATIONS

The three constituent Councils will be required to budget for the 2018/19 requisition from the Tayside Valuation Joint Board. It is essential that the Joint Board decides on its 2018/19 Revenue Budget and the consequential requisitions to the Councils, in order to allow the Councils to include these requisitions when finalising their own 2018/19 Revenue Budgets. An additional requisition is possible dependent upon the review of office accommodation.

4 MAIN TEXT

4.1 2018/19 Provisional Revenue Budget

4.1.1 The Treasurer and Assessor have prepared the Provisional Revenue Budget for the financial year 2018/19, based on both the 2017/18 Revenue Budget and current financial year revenue monitoring position, and after taking cognisance of the following factors:-

- The Local Government Employees Pay Award has been based on an estimated level of 2%/3% per annum, as appropriate, and the budget includes provision for the effects of incremental progression.
- The employer's superannuation contribution rate for 2018/19 will be maintained at 17% of employee's gross salary.
- No provision has been allowed for general inflation, however some items of specific inflation have been allowed.
- In general, cost pressures and savings that have been identified during the current financial year have been incorporated in the Provisional Revenue Budget.
- The reduction of salary costs for staff slippage has been maintained at 2.50% per annum.
- A budget saving of at least £61,640 will be achieved from the Review of Office Accommodation (see separate agenda item)

- 4.1.2 The Provisional Revenue Budget for 2018/19 has been thoroughly reviewed by the Assessor and Treasurer. A separate review of office accommodation has been completed and is the subject of a separate report. Assumed savings of at least £61,640 from the review of office accommodation have been incorporated into the Revenue Budget. As detailed in Appendix A, the sum of £26,000 will be taken from the General Reserve and used in setting the 2018/19 Revenue Budget resulting in a Provisional Net Revenue Budget for 2018/19 of £2,765,068.
- 4.1.3 In the 2018/19 Provisional Revenue Budget, staff costs have been increased by 2.9% to cover staff increments, and assumed pay award of 2% (over £30,000) or 3% (under £30,000). Rates charges have been amended to reflect actual charges and the rent of the store in Dundee, the lease of which has been terminated. Supplies and services have increased by 3.5% reflecting increased costs in maintenance and computer services. In addition, the registration recharge has been increased by £12,502 in line with the assumed pay award, while the additional electoral registration duties recharge has remained unchanged.

4.2 Reserves and Balances

- 4.2.1 Section 12(1) of the Local Government Scotland Act 2003 states that "it is the duty of a local authority to observe proper accounting practices". In terms of proper accounting practice, CIPFA have issued guidance on Local Authority Reserves and Balances. The key requirements of the guidance, as they affect the Joint Board, are twofold:-
- i the setting out of a clear protocol covering the purpose, utilisation, management, control and review of reserves and balances,
 - ii the inclusion in the annual budget report of a statement on reserves and balances, detailing the proposed strategy over the budget period, after taking into account the strategic, operational and financial risks facing the Joint Board.
- 4.2.2 As outlined above, the CIPFA guidance on Reserves and Balances requires a protocol for the operation of the Joint Board's General Reserve. This has previously been approved by the General Purposes Sub-Committee, at which time, it was highlighted that the guidance does not make recommendations as to the required levels of reserves and balances, stating that this is very much a matter for local judgement, in light of local circumstances. In respect of the Reserves and Balances protocol, the Joint Board is advised that the 2016/17 Audited Annual Accounts showed a General Reserve balance of £103,000 at 31 March 2017.
- 4.2.3 The latest 2017/18 Revenue Monitoring report to 31 December 2017 highlights a projected underspend of £26,000. If the final outturn is an underspend, this will be used to replenish the General Reserve up to the £26,000 which was used in setting the 2017/18 budget, with any additional surplus being returned to the constituent Councils in the proportions detailed per Appendix B in line with the previous decision of the Joint Board. Therefore the level of the General Reserve at 31 March 2018 is projected to be £103,000 (taking account of the projected outturn for 2017/18).
- 4.2.4 Taking account of the relatively low risk profile of the Joint Board, it is the professional opinion of the Treasurer that the minimum level of uncommitted balances that the Joint Board should operate with is £60,000 (around 2% of net expenditure). Given the on-going financial pressures on Councils, particularly in terms of reducing-cash settlements, the Treasurer has advised that in order to minimise the increase in the overall requisition from the constituent Councils in 2018/19, the sum of £26,000 can be taken from the General Reserve and used in setting the 2018/19 Revenue Budget. As a result, the estimated General Reserve balance at 31st March 2019 (taking account of the projected outturn at 31st March 2018 detailed above), is £77,000.
- 4.2.5 In arriving at the proposals outlined above, the Treasurer has taken into account the key strategic, operational and financial risks facing the Joint Board over the 2018/19 financial year. The main factors considered by the Treasurer were:-
- the possibility of new cost pressures or responsibilities emerging during the course of the financial year;
 - the inherent uncertainty in the nature and/or volume of valuation appeals;
 - the stability of service provision and certainty of income streams;

- the inherent uncertainty surrounding matters such as pay awards, interest rates and price inflation;
- the possibility of major items of unforeseen expenditure;
- the achievability of the staff slippage provision and the possibility of identifying further budget savings and efficiencies, if required;
- the adequacy of the Joint Board's insurance arrangements

4.3 Medium and Long Term Financial Planning

4.3.1 Effective financial planning for the medium and longer term is very difficult to complete while the constituent councils only have, at most indicative revenue budgets, for the years beyond the first year of a multi-year budget planning cycle. Notwithstanding this, several issues have been identified concerning the potential future budget requirements for the Joint Board and consequently the funding requirements for constituent councils. These include the following:

4.3.2 Statutory Basis of Service Provision

The statutory basis for the workload of the Joint Board implies reduced opportunity budget efficiencies where there are restricted choices regarding how the service levels have to be maintained. Changes in the statutory level service will have budget implications beyond the control of the Joint Board.

4.3.3 Barclay Review

The Scottish Government recently accepted a number of the recommendations of the Barclay Review, some of which will have potentially significant implications for the Valuation Joint Board's future Revenue Budgets. These include:-

- Three Year Revaluation Cycle for Non Domestic Rates. The revaluation cycle is normally to have a revaluation cycle every 5 years, although the latest revaluation was undertaken after a period of 7 years. The recommendation to move to a three yearly revaluation cycle implicates the Joint Board in a significant increase in staffing requirements to cope with the additional workload. There is likely to a significant lead-in period before the planned introduction in 2022. The increased workload will be partly achieved through increased efficiency, though a minimum required increase staffing of at least 10% is anticipated.
- Increased Consistency in service delivery across Joint Boards. It is likely that this requirement will involve digital upgrade costs involving IT infrastructure and process related costs.
- The requirement to supply Provisional Valuations on Request may have a potentially significant increase in the resource required to provide this service.
- Plant and Machinery Valuation - changes to the scope and manner of plant and machinery valuations may involve a significant increase in workload for Valuation Boards.

4.3.4 Scottish Government Pay Policy

The Scottish Government's pay policy may have a corresponding knock on effect on valuation joint board's budgets.

4.3.5 Individual Electoral Registration

The required systems and procedures for the updated Electoral Registration process involve the Valuation Joint Board in significant additional expenditure. This is currently funded by additional grant from the UK Cabinet Office. No guarantee for continued funding has been made beyond the current budgeting cycles. As the Valuation Joint Boards are restricted in sources of income, any shortfall in central funding will require to be made up from constituent councils.

4.3.6 Pressure on Constituent Council Revenue Budget.

Constituent Council's revenue budgets are under significant and constant pressure. Pressure to reduce expenditure could have implications for the future requisition resources available to the Valuation Joint Board.

The table below highlights the impact of changes in the annual requisition value for each council.

%age Change	Total Revenue Requirement	Angus Council	Dundee City Council	Perth & Knross Council
%	£	£	£	£
1	28,267	7,364	9,238	11,666
3	84,801	22,091	27,713	34,997
5	141,335	36,818	46,188	58,329
10	282,671	73,636	92,377	116,658

4.4 **Requisitions to Constituent Councils**

The Tayside Valuation Joint Board, at its meeting on 19 February 1996, agreed that the level of requisitions required from each constituent Council should, for the financial year 1996/97, be based on the level of notional budget. Thereafter the method of apportionment between the Councils moved to a position whereby in 1998/99 and beyond, it would be wholly based on the proportions of the Valuation Grant Aided Expenditure (GAE) figures. The Scottish Government have not issued the 2018/19 GAE figures at the time of writing this report. Therefore, it is proposed that the 2017/18 GAE figures will be used for the purpose of agreeing the level of requisitions required from each constituent Council. The apportionment of the Revenue Budget for the financial year 2018/19 is detailed in Appendix B. The 2018/19 requisitions are based on the 2017/18 Grant Aided Expenditure data for each Council.

5 **CONCLUSION**

The Provisional 2018/19 Revenue Budget is enclosed in order that the Tayside Valuation Joint Board may approve the budget, and agree the 2018/19 requisitions required from the three constituent Councils.

6 **POLICY IMPLICATIONS**

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.

There are no major issues.

7 **CONSULTATIONS**

The Clerk to the Joint Board has been consulted on the content of this report.

8 **BACKGROUND PAPERS**

None

ALASTAIR KIRKWOOD
ASSESSOR

12 JANUARY 2018

GREGORY COLGAN
TREASURER

12 JANUARY 2018

EXPENDITURE BY BUDGET HEAD		2017 - 2018 REVENUE BUDGET	PROPOSED SAVINGS	PROPOSED 2018-2019 REVENUE BUDGET
STAFF COSTS				
GROSS PAY	CHIEF OFFICER	305,792	389	305,403
	PRINCIPAL OFFICER	725,083	23,055	702,028
	ADMIN	156,697	(5,672)	162,369
	GENERAL DIVISION	353,733	(25,372)	379,105
	TECHNICAL	336,287	(13,756)	350,043
	TRAINEE	86,008	(34,514)	120,522
		1,963,600	(55,870)	2,019,470
NATIONAL INSURANCE	CHIEF OFFICER	37,534	(106)	37,640
	PRINCIPAL OFFICER	79,860	2,126	77,734
	ADMIN	14,907	(716)	15,623
	GENERAL DIVISION	23,153	(4,481)	27,634
	TECHNICAL	31,822	(1,843)	33,665
	TRAINEE	8,510	(3,617)	12,127
		195,786	(8,637)	204,423
SUPERANNUATION	CHIEF OFFICER	51,985	66	51,919
	PRINCIPAL OFFICER	123,264	3,919	119,345
	ADMIN	26,638	(617)	27,255
	GENERAL DIVISION	60,135	(4,313)	64,448
	TECHNICAL	57,169	(2,338)	59,507
	TRAINEE	14,621	(5,868)	20,489
		333,812	(9,151)	342,963
TOTAL SALARY COSTS		2,493,198	(73,658)	2,566,856
SLIPPAGE (2.5%)		(62,330)	1,841	(64,171)
STRAIN ON FUND COSTS		18,000	0	18,000
NET SALARY COSTS		2,448,868	(71,817)	2,520,685
ADDITIONAL E.R. DUTIES		27,000	0	27,000
OVERTIME		5,000	0	5,000
COURSES/CONFERENCES		5,000	0	5,000
TRAINING COURSES		5,000	0	5,000
ADV EMPLOYMENT etc		1,000	0	1,000
NET STAFF COSTS		2,491,868	(71,817)	2,563,685
PROPERTY				
RENT - PITKERRO/PERTH STORE		3,500	3,500	0
RATES - DUNDEE		42,400	1,900	40,500
RATES - ANGUS		8,495	1,495	7,000
RATES - PERTH		26,960	1,960	25,000
REPAIRS AND MAINTENANCE		3,000	0	3,000
FIXTURES/FITTINGS		500	0	500
CLEANING DSO		18,900	0	18,900
WATER/SEWER		8,000	0	8,000
ELECTRICITY - DUNDEE		10,300	0	10,300
ACCOMMODATION - WHITEHALL HSE		110,000	0	110,000
ACCOMMODATION - ANGUS		23,000	0	23,000
ACCOMMODATION - PERTH		78,000	0	78,000
TOTAL PROPERTY COSTS		333,055	8,855	324,200

TVJB REVENUE BUDGET 2018/2019

APPENDIX A (CONTINUED)

SUPPLIES/SERVICES			
EQUIPMENT - OFFICE	500	0	500
FURNITURE - PURCHASE	500	0	500
MAINTENANCE	8,000	(2,500)	10,500
PRINTING	8,000	0	8,000
PRINTING ERO	13,000	0	13,000
TELEPHONE REGISTRATION	4,600	0	4,600
STATIONERY	7,000	0	7,000
PHOTOCOPYING	500	0	500
REF BOOKS	9,000	0	9,000
AUDIT FEE	7,800	0	7,800
INTERNAL AUDIT SERVICES	7,000	0	7,000
LEGAL FEES	12,500	0	12,500
TELEPHONE RENTALS	5,750	0	5,750
TELEPHONE CALLS	3,000	0	3,000
POSTAGES	85,000	0	85,000
MISC SUPPLIES ETC	5,500	0	5,500
EXHIBITION OF LISTS	500	0	500
INSURANCE /RISK MGT	27,000	0	27,000
COMPUTER SERVICE	57,500	(7,500)	65,000
ELECTORAL - IT LICENCES Etc.	16,000	0	16,000
CENTRAL SUPPORT SERVS	36,000	(1,080)	37,080
HEALTH AND SAFETY	3,000	0	3,000
TOTAL SUPPLIES/SERVICES	317,650	(11,080)	328,730
TRANSPORT			
SUBSISTENCE	11,500	0	11,500
CONTRACT CAR SUBSIDY	17,000	0	17,000
CAR ALLOWANCES	21,000	0	21,000
TOTAL TRANSPORT COSTS	49,500	0	49,500
VALUATION APPEAL COMMITTEE			
	50,000	0	50,000
TOTAL EXPENDITURE	3,242,073	(74,042)	3,316,115
INCOME			
ADDITIONAL E.R. DUTIES	27,000	0	27,000
SURVEY FEES	100	0	100
SALE OF VR/CT LIST	200	0	200
SALE ERO	8,000	0	8,000
TELEPHONE CALLS	300	0	300
INTEREST ON BALANCE	2,000	0	2,000
NET INCOME	37,600	0	37,600
REGISTRATION RECHARGE	413,405	(12,402)	425,807
TOTAL INCOME	451,005	(12,402)	463,407
NET EXPENDITURE	2,791,068	(61,640)	2,852,708
PROVISIONAL NET BUDGET	2,791,068	(61,640)	2,852,708
Use of Balances	(26,000)	0	(26,000)
Assumed Saving -Office Accommodation Review	0	61,640	(61,640)
PROVISIONAL NET BUDGET	2,765,068	0	2,765,068

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REVENUE BUDGET 2018/19

REQUISITION APPORTIONMENTS FOR CONSTITUENT COUNCILS

Council	Grant Aided Expenditure 2017/18			Total GAE and Requisition Apportionment
	Land Valuation	Council Tax Valuation	Total Grant Aided Expenditure	
Angus	364	218	582	26.05%
Dundee City	441	289	730	32.68%
Perth & Kinross	643	279	922	41.27%
	1,448	786	2,234	100.00%

PROPOSED REVENUE BUDGET 2018/2019 REQUISITIONS

Council	Valuation Apportionment	Requisition	Registration Recharge	Additional ER Duties Recharge	Total Sum due to Tayside Valuation Joint Board
Angus	26.05%	720,464	170,171	11,500	902,135
Dundee City	32.68%	903,741	0	0	903,741
Perth & Kinross	41.27%	1,141,403	255,636	15,500	1,412,539
	100.00%	2,765,608	425,807	27,000	3,218,415