

REPORT TO: TAYSIDE VALUATION JOINT BOARD – 21 JANUARY 2019
REPORT ON: PROVISIONAL REVENUE BUDGET 2019/20 TO 2023/24
JOINT REPORT BY: ASSESSOR AND TREASURER
REPORT NO: TVJB 2 - 2019

1 PURPOSE OF REPORT

The purpose of this report is to submit the Joint Board's 2019/20 to 2023/24 Provisional Revenue Budget for approval.

2 RECOMMENDATIONS

It is recommended that the Joint Board:-

- a approves the 2019/20 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 2019/20 Revenue Budget,
- c approves the apportionment of the 2019/20 Revenue Budget be based on the proportion of each Council's relevant 2018/19 Grant Aided Expenditure figures as detailed in Appendix B,
- d approves the 2019/20 requisitions for the three constituent Councils be as detailed in Appendix B,
- e notes the indicative Revenue Budgets for 2020/21 to 2023/24.

3 FINANCIAL IMPLICATIONS

The three constituent Councils will be required to budget for the 2019/20 requisition from the Tayside Valuation Joint Board. It is essential that the Joint Board decides on its 2019/20 Revenue Budget and the consequential requisitions to the Councils, in order to allow the Councils to include these requisitions when finalising their own 2019/20 Revenue Budgets. Future years Revenue Budgets are included to provide an indication of budget levels required in future years.

4 MAIN TEXT

4.1 2019/2020 Provisional Revenue Budget

4.1.1 The Treasurer and Assessor have prepared the Provisional Revenue Budget for the financial year 2019/20, based on both the 2018/19 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 3% per annum, as appropriate, and the budget includes provision for the effects of incremental progression.
- The employer's superannuation contribution rate for 2019/20 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 increased to 4.0% per annum.
- Successful implementation of the review of office accommodation,

- 4.1.2 The Provisional Revenue Budget for 2019/20 has been thoroughly reviewed by the Assessor and Treasurer. A combined office for the Dundee and Angus offices was successfully established in Forfar. An overall saving of £68,700 has been achieved, after taking cognisance of all budgeted expenditure, from this review. As detailed in Appendix A, the sum of £26,000 will be taken from the General Reserve and used in setting the 2019/20 Revenue Budget resulting in a standstill Provisional Net Revenue Budget for 2019/20 of £2,765,068.
- 4.1.3 In setting the 2019/20 Provisional Revenue Budget, salary costs have been increased by 3.2% to cover staff increments, and assumed pay award of 3%. Property costs have reduced by £87,700 (27%) as a result of the review of office accommodation. Supplies and services have reduced by 1% reflecting reduced costs in maintenance and computer services. Reduced travel allowances and contract car hire charges were offset by increased payment of disturbance allowances and travel claims, as a result of the move of the Dundee office to Forfar. In addition, the registration recharge has been increased by £14,626 in line with salary inflation, while the additional electoral registration duties recharge has remained unchanged, at £27,000.
- 4.1.4 The Scottish Government have been discussing the implementation of the Barclay Review with Assessors across the country. The financial impact of preparations will begin to have traction during 2019/2020. The Scottish Government Funding for the Barclay Review, included in Council revenue grant settlements, is estimated to be £3.3 million, with the exact distribution yet to be confirmed. The assumption is that this funding will be allocated in full to the Joint Board for this purpose. The Joint Board have included estimated provision of £169,000 for these costs in the 2019/2020 Revenue Budget, along with the corresponding council funding. The full year effect of these changes is anticipated to be £329,000 and is included in the 2020/2021 and future year revenue budgets included in Appendix C

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 2017/18 Audited Annual Accounts showed a General Reserve balance of £102,000 at 31 March 2018.
- 4.2.3 The latest 2018/19 Revenue monitoring report to 30 November 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 2018/19 revenue 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 2019 is projected to be £102,000 (taking account of the projected outturn for 2018/19).
- 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 ensure no overall increase in the requisition from the constituent Councils in 2019/20, the sum of £26,000 can be taken from the General Reserve and used in setting the 2019/20 Revenue Budget. As a result, the

estimated General Reserve balance at 31st March 2020 (taking account of the projected outturn at 31st March 2019 detailed above), is £76,000.

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 2019/20 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;
- increased costs arising from the implementation of the Barclay Review
- the inherent uncertainty surrounding matters such as pay awards, interest rates, price inflation and Brexit;
- 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. However, at Appendix C, a 5 year revenue budget is included to provide an indication of future year's revenue budget requirements. 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 for budget efficiencies where there are restricted choices regarding how the service levels have to be maintained. Changes in the statutory level of service will have budget implications which are largely 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 will require a significant increase in staffing requirements to cope with the additional workload. There is likely to be a significant lead-in period before the planned introduction in 2022. The increased workload will be partly achieved through increased efficiency, however 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.

Discussions by Assessors across the country are being held on an ongoing basis, to identify future resource requirements arising from the Barclay Review. These are reflected in the 5 year revenue budget included at Appendix B.

4.3.4 Scottish Government Pay Policy

The Scottish Government's pay policy will 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 Withdrawal from the European Union

The Joint Board, like all other public sector organisations, are concerned about the constantly changing potential outcomes of current negotiations regarding Brexit. While the outcome is currently unknown, several areas of concern are being monitored.

Funding

As the economic impacts of Brexit become clearer, there could be a significant impact on the grant settlement from the government, which will affect constituent Councils, the main sources of funding for the Joint Board.

Number of Appeals

In line with a perceived increased threat from an economic downturn, there is expected to be an increase in the number of appeals. Along with the move to a 3 yearly valuation cycle from 2022, as per the Barclay Review, this is expected to have a significant impact on staff workloads.

Staffing

While the current profile of Joint Board staffing would indicate that this would not be an immediate problem, there may be a potential indirect impact of the governments immigration policy in the post Brexit period. This situation will continue to be monitored by the Joint Board.

Elections

The Assessor and his staff continue to prepare contingency plans for potential elections or referenda based on the continuing and constantly changing potential outcomes from current negotiations. This includes a potential general election or second referendum, both of which are possible outcomes in different scenarios. If the date of withdrawal from the European Union is delayed, plans for European elections in May 2019, which were previously cancelled after article 50 was triggered, may have to be re-established.

Supply Chain

The Joint Board is not heavily dependent on a diverse and extended supply chain for the provision of its services. Overall risk in this area, from European Union withdrawal, is regarded as not significant. The Joint Board will continue to monitor the situation closely.

Rules and Regulations

No specific european regulations are regarded as central to the operating model employed by the Assessor. However, there may be an indirect impact, with the Joint Board requiring to take advice on how to respond to or cope with specific situations.

While the current preparations are ongoing for withdrawal from the European Union, whatever form it may take, the Joint Board will continue to monitor the potential impact of risks to its existing model.

4.3.7 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 officially issued the 2019/20 GAE figures at the time of writing this report. Therefore, it is proposed that the 2018/19 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 2019/20 is detailed in Appendix B. The 2019/20 requisitions are based on the 2018/19 Grant Aided Expenditure data for each Council.

5 **CONCLUSION**

The Provisional 2019/20 Revenue Budget is enclosed in order that the Tayside Valuation Joint Board may approve the budget, and agree the 2019/20 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

10 JANUARY 2019

GREGORY COLGAN
TREASURER

10 JANUARY 2019

TVJB REVENUE BUDGET 2019/2020

APPENDIX A

EXPENDITURE BY BUDGET HEAD	2018 - 2019 REVENUE BUDGET	PROPOSED (SAVINGS)/ GROWTH	PROPOSED 2019-2020 REVENUE BUDGET
STAFF COSTS			
GROSS PAY			
CHIEF OFFICER	305,403	12,081	317,484
PRINCIPAL OFFICER	702,028	68,991	771,019
ADMIN	162,369	10,900	173,269
GENERAL DIVISION	379,105	15,225	394,330
TECHNICAL	350,043	1,563	351,606
TRAINEE	120,522	(39,434)	81,088
	2,019,470	69,326	2,088,796
N INSURANCE			
CHIEF OFFICER	37,640	1,522	39,162
PRINCIPAL OFFICER	77,734	7,738	85,472
ADMIN	15,623	1,312	16,935
GENERAL DIVISION	27,634	138	27,772
TECHNICAL	33,665	(257)	33,408
TRAINEE	12,127	(4,425)	7,702
	204,423	6,028	210,451
SUPERANNUATION			
CHIEF OFFICER	51,919	2,053	53,972
PRINCIPAL OFFICER	119,345	11,728	131,073
ADMIN	27,255	1,407	28,662
GENERAL DIVISION	64,448	2,588	67,036
TECHNICAL	59,507	(5,156)	54,351
TRAINEE	20,489	(6,704)	13,785
	342,963	5,916	348,879
TOTAL SALARY COSTS	2,566,856	81,270	2,648,126
SLIPPAGE (4.0%)	(64,171)	(41,754)	(105,925)
STRAIN ON FUND COSTS	18,000	0	18,000
IMPLEMENTATION OF BARCLAY REVIEW	0	169,000	169,000
NET SALARY COSTS	2,520,685	208,516	2,729,201
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	10,000	15,000
ADV EMPLOYMENT etc	1,000	0	1,000
TOTAL STAFF COSTS	2,563,685	218,516	2,782,201
PROPERTY			
RENT - PITKERRO/PERTH STORE	0	0	0
RATES - DUNDEE	40,500	(40,500)	0
RATES - ANGUS	7,000	(7,000)	0
RATES - WM WALLACE HSE	0	25,000	25,000
RATES - PERTH	25,000	1,000	26,000
REPAIRS AND MAINTENANCE	3,000	0	3,000
FIXTURES/FITTINGS	500	0	500
CLEANING DSO	18,900	(12,900)	6,000
WATER/SEWER	8,000	0	8,000
ELECTRICITY - DUNDEE	10,300	(10,300)	0
ACCOMMODATION - WHITEHALL HSE	110,000	(110,000)	0
ACCOMMODATION - ANGUS	23,000	(23,000)	0
ACCOMMODATION - WM WALLACE HSE	0	90,000	90,000
ACCOMMODATION - PERTH	78,000	0	78,000
TOTAL PROPERTY COSTS	324,200	(87,700)	236,500

TVJB REVENUE BUDGET 2019/2020

APPENDIX A (CONTINUED)

EXPENDITURE BY BUDGET HEAD	2018 - 2019 REVENUE BUDGET	PROPOSED (SAVINGS)/ GROWTH	PROPOSED 2019-2020 REVENUE BUDGET
SUPPLIES/SERVICES			
EQUIPMENT - OFFICE	500	0	500
FURNITURE - PURCHASE	500	0	500
MAINTENANCE	10,500	(4,500)	6,000
PRINTING	8,000	0	8,000
PRINTING ERO	13,000	0	13,000
TELEPHONE REGISTRATION	4,600	0	4,600
STATIONERY	7,000	(1,000)	6,000
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	1,750	7,500
TELEPHONE CALLS	3,000	(3,000)	0
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	(2,000)	25,000
COMPUTER SERVICE	65,000	0	65,000
ELECTORAL - IT LICENCES Etc.	16,000	0	16,000
CENTRAL SUPPORT SERVS	37,080	1,120	38,200
HEALTH AND SAFETY	3,000	(1,000)	2,000
TOTAL SUPPLIES/SERVICES	328,730	(8,630)	320,100
TRANSPORT			
SUBSISTENCE	11,500	(11,500)	0
CONTRACT CAR SUBSIDY	17,000	(13,000)	4,000
CAR ALLOWANCES	21,000	24,000	45,000
TOTAL TRANSPORT COSTS	49,500	(500)	49,000
VALUATION APPEAL COMMITTEE	50,000	0	50,000
TOTAL EXPENDITURE	3,316,115	121,686	3,437,801
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	(300)	0
INTEREST ON BALANCE	2,000	0	2,000
NET INCOME	37,600	(300)	37,300
REGISTRATION RECHARGE	425,807	14,626	440,433
COUNCIL BARCLAY FUNDING	0	169,000	169,000
TOTAL INCOME	463,407	183,326	646,733
NET EXPENDITURE	2,852,708	(61,640)	2,791,068
Use of Balances	(26,000)	0	(26,000)
Assumed Saving Office Accommodation Review	(61,640)	61,640	0
PROVISIONAL NET BUDGET	2,765,068	0	2,765,068

TAYSIDE VALUATION JOINT BOARD

REVENUE BUDGET 2019/2020

REQUISITION APPORTIONMENTS FOR CONSTITUENT COUNCILS

Council	Grant Aided Expenditure 2018/19			Total GAE and Requisition Apportionment
	Land Valuation	Council Tax Valuation	Total Grant Aided Expenditure	
Angus	386	218	604	26.67%
Dundee City	420	288	708	31.25%
Perth & Kinross	675	278	953	42.08%
	1,481	784	2,265	100.00%

PROPOSED REVENUE BUDGET 2019/2020 REQUISITIONS

Council	Valuation Apportionment	Requisition	Registration Recharge	Additional ER Duties Recharge	Total Sum due to Tayside Valuation Joint Board
Angus	26.67%	737,444	176,016	11,500	924,960
Dundee City	31.25%	864,084	0	0	864,084
Perth & Kinross	42.08%	1,163,540	264,417	15,500	1,443,457
	100.00%	2,765,068	440,433	27,000	3,232,501

REVENUE BUDGET 2019-2024

APPENDIX C

	2018-2019 Final Revenue Budget £000	2019-2020 Proposed Revenue Budget £000	2020-2021 Indicative Revenue Budget £000	2021-2022 Indicative Revenue Budget £000	2022-2023 Indicative Revenue Budget £000	2023-2024 Indicative Revenue Budget £000
Staff Costs						
Gross Pay	2,019	2,089	2,151	2,216	2,238	2,261
Superannuation	343	349	359	370	374	378
National Insurance	204	210	217	223	225	228
Target Slippage Salary Cost Saving	(64)	(106)	(109)	(112)	(114)	(115)
Overtime	5	5	5	5	5	5
Barclay Review Costs	0	169	329	329	329	329
Supplementary Superannuation Charge:	18	18	18	18	18	18
Apprenticeship Levy	0	0	0	15	16	16
Additional Electoral Registration Duties	27	27	27	27	27	27
Other Staff Costs	11	21	21	21	21	11
Total Staff Costs	2,563	2,782	3,018	3,112	3,139	3,158
Property Costs	324	237	239	241	243	245
Supplies and Services	329	320	320	320	320	320
Transport Costs	50	49	49	49	49	49
Third Party Payments	50	50	50	50	50	50
Gross Expenditure	3,316	3,438	3,676	3,772	3,801	3,822
Income						
Registration Recharge	(426)	(441)	(454)	(463)	(467)	(473)
Council Barclay Funding	0	(169)	(329)	(329)	(329)	(329)
Additional Electoral Registration Duties	(27)	(27)	(27)	(27)	(27)	(27)
Interest on Revenue Balances	(2)	(2)	(2)	(2)	(2)	(2)
Other	(8)	(8)	(8)	(8)	(8)	(8)
Total Income	(463)	(647)	(820)	(829)	(833)	(839)
Net Expenditure	2,853	2,791	2,856	2,943	2,968	2,983
Use of Balances	(26)	(26)	0	0	0	0
Property Review Target Saving	(62)	0	0	0	0	0
Provisional Net Budget - Requisition	2,765	2,765	2,856	2,943	2,968	2,983
Annual Percentage Increase		0.0%	3.3%	3.0%	0.8%	0.5%