

REPORT TO: TAYSIDE VALUATION JOINT BOARD – 20 JANUARY 2020

REPORT ON: PROVISIONAL REVENUE BUDGET 2020/21 TO 2024/25

JOINT REPORT BY: ASSESSOR AND TREASURER

REPORT NO: TVJB 2 - 2020

1 PURPOSE OF REPORT

The purpose of this report is to submit the Joint Board's 2020/21 to 2024/25 Provisional Revenue Budget for approval.

2 RECOMMENDATIONS

It is recommended that the Joint Board:-

- a approves the 2020/21 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 2020/21 Revenue Budget,
- c approves the apportionment of the 2020/21 Revenue Budget be based on the proportion of each Council's relevant 2019/20 Grant Aided Expenditure figures as detailed in Appendix B,
- d approves the 2020/21 requisitions for the three constituent Councils be as detailed in Appendix B,
- e notes the indicative Revenue Budgets for 2021/22 to 2024/25, as detailed in Appendix C.

3 FINANCIAL IMPLICATIONS

The three constituent Councils will be required to budget for the 2020/21 requisition from the Tayside Valuation Joint Board. It is essential that the Joint Board decides on its 2020/21 Revenue Budget and the consequential requisitions to the Councils, in order to allow the Councils to include these requisitions when finalising their own 2020/21 Revenue Budgets. Future years Revenue Budgets are included to provide an indication of budget levels required in future years.

4 MAIN TEXT

4.1 2020/2021 Provisional Revenue Budget

4.1.1 The Treasurer and Assessor have prepared the Provisional Revenue Budget for the financial year 2020/21, based on both the 2019/20 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 included at 3% for 2020/2021 and the budget includes provision for the effects of incremental progression.
- The employer's superannuation contribution rate for 2020/21 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 around 4.0% per annum.

4.1.2 The Provisional Revenue Budget for 2020/2021 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 2020/2021 Revenue Budget resulting in a standstill Provisional Net Revenue Budget for 2020/21 of £2,765,068.

- 4.1.3 In setting the 2020/2021 Provisional Revenue Budget, salary costs have been increased by 1.2% to cover staff increments, pay award of 3% and the effect of a staff restructure. Property costs have reduced by £15,000 (6%) to take cognisance of accommodation recharges. Supplies and services have increased by less than 1% reflecting anticipated costs in maintenance and central recharges. The budgets for travel costs and valuation appeal expenses have been maintained at current levels. In addition, the registration recharge has been increased by £13,221 in line with the pay award, 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 continue to have traction during 2020/2021. The Joint Board have included estimated provision of £329,000 for these costs in the 2020/2021 Revenue Budget, along with the corresponding council funding. This additional funding has still to be confirmed by the Scottish Government through its own budget process for 2020/21.

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 Board, 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 2018/19 Audited Annual Accounts showed a General Reserve balance of £102,000 at 31 March 2019.
- 4.2.3 The latest 2019/2020 Revenue monitoring report to 30 November 2019 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 2019/2020 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 2020 is projected to be £102,000 (taking account of the projected outturn for 2019/2020).
- 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 2020/2021, the sum of £26,000 can be taken from the General Reserve and used in setting the 2020/2021 Revenue Budget. As a result, the estimated General Reserve balance at 31st March 2021 (taking account of the projected outturn at 31st March 2020 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 2020/2021 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 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 in 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 continue to identify future resource requirements arising from the Barclay Review. These are reflected in the 5 year revenue budget included at Appendix C.

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 potential impact of Brexit. While there is more clarity regarding the outcome, 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 government's immigration policy in the post Brexit period. This situation will continue to be monitored by the Joint Board.

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 & Kinross Council
%	£	£	£	£
1	27,650	7,349	8,555	11,746
3	82,952	22,049	25,665	35,238
5	138,253	36,748	42,775	58,730
10	276,507	73,496	85,551	117,460

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 2020/21 GAE figures at the time of writing this report. Therefore, it is proposed that the 2019/20 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 2020/21 requisitions are based on the 2019/20 Grant Aided Expenditure data for each Council.

5 **CONCLUSION**

The Provisional 2020/21 Revenue Budget is enclosed in order that the Tayside Valuation Joint Board may approve the budget, and agree the 2020/21 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

09 JANUARY 2020

GREGORY COLGAN
TREASURER

09 JANUARY 2020

EXPENDITURE BY BUDGET HEAD	2019-2020 REVENUE BUDGET	PROPOSED GROWTH/ (SAVINGS)	PROPOSED 2020-2021 REVENUE BUDGET
	£	£	£
STAFF COSTS			
GROSS PAY			
CHIEF OFFICER	317,484	(59,040)	258,444
PRINCIPAL OFFICER	771,019	54,085	825,104
ADMIN	173,269	8,798	182,067
GENERAL DIVISION	394,330	16,092	410,422
TECHNICAL	351,606	(59,512)	292,094
TRAINEE	81,088	65,113	146,201
	2,088,796	25,536	2,114,332
NATIONAL INSURANCE			
CHIEF OFFICER	39,162	(7,070)	32,092
PRINCIPAL OFFICER	85,472	6,959	92,431
ADMIN	16,935	(801)	16,134
GENERAL DIVISION	27,772	1,569	29,341
TECHNICAL	33,408	(5,007)	28,401
TRAINEE	7,702	6,520	14,222
	210,451	2,170	212,621
SUPERANNUATION			
CHIEF OFFICER	53,972	(10,037)	43,935
PRINCIPAL OFFICER	131,073	9,195	140,268
ADMIN	28,662	1,102	29,764
GENERAL DIVISION	67,036	2,736	69,772
TECHNICAL	54,351	(10,451)	43,900
TRAINEE	13,785	11,069	24,854
	348,879	3,614	352,493
TOTAL SALARY COSTS	2,648,126	31,320	2,679,446
SLIPPAGE (4%)	(105,925)	(3,922)	(109,847)
STRAIN ON FUND COSTS	18,000	1,500	19,500
IMPLEMENTATION OF BARCLAY REVIEW	169,000	160,000	329,000
NET SALARY COSTS	2,729,201	188,898	2,918,099
ADDITIONAL E.R. DUTIES	27,000	0	27,000
OVERTIME	5,000	0	5,000
COURSES/CONFERENCES	5,000	0	5,000
TRAINING COURSES	15,000	(3,000)	12,000
OTHER STAFF COSTS	1,000	0	1,000
NET STAFF COSTS	2,782,201	185,898	2,968,099
PROPERTY			
RATES - WM WALLACE HSE	25,000	0	25,000
RATES - PERTH	26,000	0	26,000
REPAIRS AND MAINTENANCE	3,000	0	3,000
FIXTURES/FITTINGS	500	0	500
CLEANING DSO	6,000	0	6,000
WATER/SEWER	8,000	0	8,000
ACCOMMODATION - WM WALLACE HSE	90,000	(15,000)	75,000
ACCOMMODATION - PERTH	78,000	0	78,000
TOTAL PROPERTY COSTS	236,500	(15,000)	221,500

TVJB REVENUE BUDGET 2020/2021

APPENDIX A (CONTINUED)

EXPENDITURE BY BUDGET HEAD	2019-2020 REVENUE BUDGET	PROPOSED GROWTH/ (SAVINGS)	PROPOSED 2020-2021 REVENUE BUDGET
SUPPLIES/SERVICES			
EQUIPMENT - OFFICE	500	0	500
FURNITURE - PURCHASE	500	0	500
MAINTENANCE	6,000	1,500	7,500
PRINTING	8,000	0	8,000
PRINTING ERO	13,000	0	13,000
TELEPHONE REGISTRATION	4,600	0	4,600
STATIONERY	6,000	0	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	7,500	0	7,500
POSTAGES	85,000	0	85,000
MISC SUPPLIES ETC	5,500	0	5,500
EXHIBITION OF LISTS	500	0	500
INSURANCE /RISK MGT	25,000	0	25,000
COMPUTER SERVICE	65,000	0	65,000
ELECTORAL - IT LICENCES Etc.	16,000	0	16,000
CENTRAL SUPPORT SERV	38,200	1,100	39,300
HEALTH AND SAFETY	2,000	0	2,000
TOTAL SUPPLIES/SERVICES	320,100	2,600	322,700
TRANSPORT			
SUBSISTENCE	0	0	0
CONTRACT CAR SUBSIDY	4,000	0	4,000
CAR ALLOWANCES	45,000	0	45,000
TOTAL TRANSPORT COSTS	49,000	0	49,000
VALUATION APPEAL COMMITTEE	50,000	0	50,000
TOTAL EXPENDITURE	3,437,801	173,498	3,611,299
INCOME			
BARCLAY FUNDING	169,000	160,000	329,000
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
INTEREST ON BALANCE	2,000	0	2,000
NET INCOME	206,300	160,000	366,300
REGISTRATION RECHARGE	440,710	13,221	453,931
TOTAL INCOME	647,010	173,221	820,231
NET EXPENDITURE	2,790,791	277	2,791,068
Use of Balances	(25,723)	(277)	(26,000)
PROVISIONAL NET BUDGET	2,765,068	0	2,765,068

TAYSIDE VALUATION JOINT BOARD

REVENUE BUDGET 2020/2021

REQUISITION APPORTIONMENTS FOR CONSTITUENT COUNCILS

Council	Grant Aided Expenditure 2019/20			Total GAE and Requisition Apportionment
	Land Valuation	Council Tax Valuation	Total Grant Aided Expenditure	
Angus	375	217	592	26.58%
Dundee City	402	287	689	30.94%
Perth & Kinross	667	279	946	42.48%
	1,444	783	2,227	100.00%

PROPOSED REVENUE BUDGET 2020/2021 REQUISITIONS

Council	Valuation Apportionment	Requisition	Registration Recharge	Additional ER Duties Recharge	Total Sum due to Tayside Valuation Joint Board
Angus	26.58%	734,955	181,410	11,500	927,865
Dundee City	30.94%	855,512	0	0	855,512
Perth & Kinross	42.48%	1,174,601	272,521	15,500	1,462,622
	100.00%	2,765,068	453,931	27,000	3,245,999

REVENUE BUDGET 2020-2025

APPENDIX C

	2019-2020 Final Revenue Budget £000	2020-2021 Proposed Revenue Budget £000	2021-2022 Indicative Revenue Budget £000	2022-2023 Indicative Revenue Budget £000	2023-2024 Indicative Revenue Budget £000	2024-2025 Indicative Revenue Budget £000
Staff Costs						
Gross Pay	2,089	2,114	2,157	2,200	2,244	2,289
Superannuation	349	352	360	367	374	382
National Insurance	210	213	217	221	226	230
Target Slippage Salary Cost Saving	(106)	(110)	(112)	(114)	(117)	(119)
Overtime	5	5	5	5	5	5
Barclay Review Costs	169	329	329	329	329	329
Supplementary Superannuation Charges	18	19	19	19	19	19
Apprenticeship Levy	0	0	0	15	16	16
Additional Electoral Registration Duties	27	27	27	27	27	27
Other Staff Costs	21	18	18	18	18	8
Total Staff Costs	2,782	2,967	3,020	3,087	3,141	3,186
Property Costs	237	222	223	224	225	226
Supplies and Services	320	323	323	323	323	323
Transport Costs	49	49	49	49	49	49
Third Party Payments	50	50	50	50	50	50
Gross Expenditure	3,438	3,611	3,665	3,733	3,788	3,834
Income						
Registration Recharge	(441)	(454)	(463)	(472)	(482)	(492)
Council Barclay Funding	(169)	(329)	(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	(647)	(820)	(829)	(838)	(848)	(858)
Net Expenditure	2,791	2,791	2,836	2,895	2,940	2,976
Use of Balances	(26)	(26)	0	0	0	0
Provisional Net Budget - Requisition	2,765	2,765	2,836	2,895	2,940	2,976
Annual Percentage Increase		0.0%	2.6%	2.1%	1.6%	1.2%