

REPORT TO: TAYSIDE VALUATION JOINT BOARD – 25 JANUARY 2021
REPORT ON: PROVISIONAL REVENUE BUDGET 2021/22 TO 2025/26
JOINT REPORT BY: ASSESSOR AND TREASURER
REPORT NO: TVJB 2-2021

1 PURPOSE OF REPORT

The purpose of this report is to submit the Joint Board's 2021/22 to 2025/26 Provisional Revenue Budget for approval.

2 RECOMMENDATIONS

It is recommended that the Joint Board:-

- a approves the 2021/22 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 2021/22 Revenue Budget,
- c approves the apportionment of the 2021/22 Revenue Budget be based on the proportion of each Council's relevant 2020/21 Grant Aided Expenditure figures as detailed in Appendix B,
- d approves the 2021/22 requisitions for the three constituent Councils be as detailed in Appendix B,
- e notes the indicative Revenue Budgets for 2022/23 to 2025/26 as detailed in Appendix C.

3 FINANCIAL IMPLICATIONS

The three constituent Councils will be required to budget for the 2021/22 requisition from the Tayside Valuation Joint Board. It is essential that the Joint Board decides on its 2021/22 Revenue Budget and the consequential requisitions to the Councils, in order to allow the Councils to include these requisitions when finalising their own 2021/22 Revenue Budgets. Future years Revenue Budgets are included to provide an indication of budget levels required in future years.

4 MAIN TEXT

4.1 2021/22 Provisional Revenue Budget

4.1.1 The Treasurer and Assessor have prepared the Provisional Revenue Budget for the financial year 2021/22, based on both the 2020/21 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% for 2021/2022 onwards, and the budget includes provision for the effects of incremental progression.
- The employer's superannuation contribution rate for 2021/22 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 4.0% per annum.

4.1.2 The Provisional Revenue Budget for 2020/2021 has been thoroughly reviewed by the Assessor and Treasurer. As detailed in Appendix A, the sum of £26,000 will be taken from the General Reserve and

used in setting the 2021/22 Revenue Budget resulting in a standstill Provisional Net Revenue Budget for 2021/22 of £2,765,068.

- 4.1.3 In setting the 2021/22 Provisional Revenue Budget, salary costs have been increased by 1.2% to cover staff increments and a pay award of 2% has been assumed. These have been offset by a reduction in anticipated expenditure in relation to the Barclay Review, a reduction in the Training Costs budget and the removal of one existing vacant post, resulting in an overall reduction in Staff costs of £18,336. Property costs have remained unchanged following two years of savings which resulted from the relocation of the Dundee and Angus offices to William Wallace House. Supplies and services have increased by less than 1% reflecting anticipated 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 £9,079 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. Allocations were received in 2019/20 and 2020/21 based on the Assessor's plans and estimated financing requirements have been calculated for the remaining periods. The Joint Board have included an estimated provision of £302,378 for these costs in the 2021/2022 Revenue Budget, along with the corresponding council funding. The estimated requirements for future years is included in the 2021/2022 revenue budget and future year revenue budgets included in Appendix C. The additional funding for 2021/22 has still to be confirmed by the Scottish Government through its own budget process.

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 2019/20 Audited Annual Accounts showed a General Reserve balance of £141,000 (taking account of the projected outturn for 2020/21), of which £102,000 is not ringfenced for use towards the implementation of the Barclay Review.
- 4.2.3 The latest 2020/21 Revenue monitoring report to 30 November 2020 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 2020/21 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 2021 is projected to be £141,000 (taking account of the projected outturn for 2020/21), of which £102,000 is not ringfenced for use towards the implementation of the Barclay Review.
- 4.2.4 Taking account of the relatively low risk profile of the Joint Board, it is still 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 2021/22, the sum of £26,000 can be taken from the General Reserve and used in setting the 2021/22 Revenue Budget. As a result, the estimated General Reserve balance at 31st March 2022 (taking account of the projected outturn at 31st March 2021 detailed above, and excluding the balance ringfenced for use towards the implementation of the Barclay Review), 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 2021/22 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, the COVID-19 pandemic 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 issues are set out in sections 4.3.2 to 3.3.8 below.

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 accepted a number of the recommendations of the Barclay Review and has introduced the Non-Domestic Rates (Scotland) Act 2020. The provisions of the Act 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 move to a three yearly revaluation cycle has required a significant increase in staffing requirements to cope with the additional workload.
- Increased consistency in service delivery across Joint Boards. 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 have identified future resource requirements arising from the Barclay Review and funding support from the Scottish Government has been confirmed until the end of the 2024/25 financial year. The Assessor hopes that funding will continue beyond 2024/25, but no guarantee for continued funding has been made by the Scottish Government. As the Valuation Joint Boards are restricted in sources of income, any shortfall in central funding beyond the 2024/25 financial year will require to be made up from constituent Councils. The estimated resource requirements 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 have involved the Valuation Joint Board in significant additional expenditure, and in recent years grant funding has been provided by the UK Cabinet Office to meet this increased expenditure. New procedures expected to remove the requirement for additional expenditure have now been introduced and it is not anticipated that central grant funding will continue beyond 2020/21. No guarantee for continued funding has been made should the anticipated reductions in expenditure not be realised. As the Valuation Joint Boards are restricted in sources of income, any shortfall in 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, the following 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.

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 The COVID 19 Pandemic

The UK Government announced a lockdown on 23 March 2020 in response to the Covid 19 pandemic, and restrictions have been in place since this date with no clear indication of when operations will return to normal. This has had a major impact on the management and operations of the Joint Board, although to date these have been contained within the Revenue Budget.

The effect of the ongoing pandemic on the costs to the Joint Board are still therefore uncertain during 2021/22 and beyond.

4.3.8 Pressure on Constituent Council Revenue Budget.

Constituent Council's revenue budgets are under significant and constant pressure, with new pressures emerging from the impact of the Covid-19 pandemic. 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	7,314	8,563	11,774
3	82,952	21,941	25,690	35,321
5	138,253	36,568	42,817	58,868
10	276,507	73,136	85,634	117,737

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 2021/22 GAE figures at the time of writing this report. Therefore, it is proposed that the 2020/21 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 2021/22 is detailed in Appendix B. The 2021/22 requisitions are based on the 2020/21 Grant Aided Expenditure data for each Council.

5 **CONCLUSION**

The Provisional 2021/22 Revenue Budget is enclosed in order that the Tayside Valuation Joint Board may approve the budget, and agree the 2021/22 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

14 JANUARY 2021

GREGORY COLGAN
TREASURER

14 JANUARY 2021

TVJB REVENUE BUDGET 2021/2022

APPENDIX A

EXPENDITURE BY BUDGET HEAD	2020 - 2021 REVENUE BUDGET	PROPOSED SAVINGS)	PROPOSED 2021-2022 REVENUE BUDGET
STAFF COSTS			
GROSS PAY			
CHIEF OFFICER	258,444	(5,166)	263,610
PRINCIPAL OFFICER	825,104	(7,350)	832,454
ADMIN	182,067	(4,360)	186,427
GENERAL DIVISION	410,422	(12,654)	423,076
TECHNICAL	292,094	(66,059)	358,153
TRAINEE	146,201	91,448	54,753
	2,114,332	(4,141)	2,118,473
N INSURANCE			
CHIEF OFFICER	32,092	(649)	32,741
PRINCIPAL OFFICER	92,431	(626)	93,057
ADMIN	16,134	(2,319)	18,453
GENERAL DIVISION	29,341	(1,250)	30,591
TECHNICAL	28,401	(5,222)	33,623
TRAINEE	14,222	9,091	5,131
	212,621	(975)	213,596
SUPERANNUATION			
CHIEF OFFICER	43,935	(879)	44,814
PRINCIPAL OFFICER	140,268	(1,249)	141,517
ADMIN	29,764	(1,929)	31,693
GENERAL DIVISION	69,772	(2,151)	71,923
TECHNICAL	43,900	(11,115)	55,015
TRAINEE	24,854	15,546	9,308
	352,493	(1,777)	354,270
TOTAL SALARY COSTS	2,679,446	(6,893)	2,686,339
SLIPPAGE (4%)	(109,847)	(2,393)	(107,454)
STRAIN ON FUND COSTS	19,500	(500)	20,000
IMPLEMENTATION OF BARCLAY REVIEW	329,000	26,622	302,378
NET SALARY COSTS	2,918,099	16,836	2,901,263
ADDL ELECTORAL REGISTRATION DUTIES	27,000	-	27,000
OVERTIME	5,000	-	5,000
COURSES/CONFERENCES	5,000	-	5,000
TRAINING COURSES	12,000	1,500	10,500
ADVERTISING EMPLOYMENT etc	1,000	-	1,000
NET STAFF COSTS	2,968,099	18,336	2,949,763
PROPERTY			
RATES - WM WALLACE HSE	25,000	-	25,000
RATES - PERTH	26,000	-	26,000
REPAIRS AND MAINTENANCE	3,000	-	3,000
FIXTURES/FITTINGS	500	-	500
CLEANING DSO	6,000	-	6,000
WATER/SEWER	8,000	-	8,000
ACCOMMODATION - WM WALLACE HSE	75,000	-	75,000
ACCOMMODATION - PERTH	78,000	-	78,000
TOTAL PROPERTY COSTS	221,500	-	221,500

TVJB REVENUE BUDGET 2021/2022

APPENDIX A (CONTINUED)

EXPENDITURE BY BUDGET HEAD	2020 - 2021 REVENUE BUDGET	PROPOSED SAVINGS)	PROPOSED 2021-2022 REVENUE BUDGET
SUPPLIES/SERVICES			
EQUIPMENT - OFFICE	500	-	500
FURNITURE - PURCHASE	500	-	500
MAINTENANCE	7,500	-	7,500
PRINTING	8,000	-	8,000
PRINTING REGISTER OF ELECTORS	13,000	-	13,000
TELEPHONE REGISTRATION	4,600	-	4,600
STATIONERY	6,000	-	6,000
PHOTOCOPYING	500	-	500
REF BOOKS	9,000	-	9,000
AUDIT FEE	7,800	-	7,800
INTERNAL AUDIT SERVICES	7,000	-	7,000
LEGAL FEES	12,500	-	12,500
TELEPHONE RENTALS	7,500	-	7,500
POSTAGES	85,000	-	85,000
MISC SUPPLIES ETC	5,500	-	5,500
EXHIBITION OF LISTS	500	-	500
INSURANCE /RISK MGT	25,000	-	25,000
COMPUTER SERVICE	65,000	-	65,000
ELECTORAL - IT LICENCES Etc.	16,000	-	16,000
CENTRAL SUPPORT SERVS	39,300	(800)	40,100
HEALTH AND SAFETY	2,000	-	2,000
TOTAL SUPPLIES/SERVICES	322,700	(800)	323,500
TRANSPORT			
SUBSISTENCE	-	-	-
CONTRACT CAR SUBSIDY	4,000	-	4,000
CAR ALLOWANCES	45,000	-	45,000
TOTAL TRANSPORT COSTS	49,000	-	49,000
VALUATION APPEAL COMMITTEE	50,000	-	50,000
TOTAL EXPENDITURE	3,611,299	17,536	3,593,763
INCOME			
BARCLAY FUNDING	329,000	26,622	302,378
ADDL ELECTORAL REGISTRATION DUTIES	27,000	-	27,000
SURVEY FEES	100	-	100
SALE VALUATION ROLE / COUNCIL TAX LIST	200	-	200
SALE REGISTER OF ELECTORS	8,000	-	8,000
INTEREST ON BALANCE	2,000	-	2,000
NET INCOME	366,300	26,622	339,678
REGISTRATION RECHARGE	453,931	(9,079)	463,010
TOTAL INCOME	820,231	17,543	802,688
NET EXPENDITURE	2,791,068	(7)	2,791,075
USE OF BALANCES	26,000	(7)	26,007
PROVISIONAL NET BUDGET	2,765,068	-	2,765,068

**APPENDIX B
TAYSIDE VALUATION JOINT BOARD**

REVENUE BUDGET 2021/2022

REQUISITION APPORTIONMENTS FOR CONSTITUENT COUNCILS

Council	Grant Aided Expenditure 2020/21			Total GAE and Requisition Apportionment
	Land Valuation	Council Tax Valuation	Total Grant Aided Expenditure	
Angus	373	217	590	26.45%
Dundee City	405	286	691	30.97%
Perth & Kinross	671	279	950	42.58%
	1,449	782	2,231	100.00%

PROPOSED REVENUE BUDGET 2021/22 REQUISITIONS

Council	Valuation Apportionment	Requisition	Registration Recharge	Additional ER Duties Recharge	Total Sum due to Tayside Valuation Joint Board
Angus	26.45%	731,360	202,394	11,500	945,254
Dundee City	30.97%	856,342	0	0	856,342
Perth & Kinross	42.58%	1,177,366	260,616	15,500	1,453,482
	100.00%	2,765,068	463,010	27,000	3,255,078

REVENUE BUDGET 2020-2026

APPENDIX C

	2020/21 Final Revenue Budget £000	2021-2022 Proposed Revenue Budget £000	2022-2023 Indicative Revenue Budget £000	2023-2024 Indicative Revenue Budget £000	2024-2025 Indicative Revenue Budget £000	2025-2026 Indicative Revenue Budget £000
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Staff Costs

Gross Pay	2,114	2,118	2,161	2,204	2,248	2,293
Superannuation	352	354	361	369	376	383
National Insurance	213	214	218	222	227	231
Target Slippage Salary Cost Saving	(110)	(107)	(110)	(112)	(114)	(116)
Overtime	5	5	5	5	5	5
Barclay Review Costs	329	302	307	318	332	343
Supplementary Superannuation Charges	19	19	19	19	19	19
Apprenticeship Levy	0	0	0	0	0	0
Additional Electoral Registration Duties	27	27	27	27	27	27
Other Staff Costs	18	16	16	16	7	7

Total Staff Costs	2,967	2,948	3,004	3,068	3,127	3,192
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Property Costs	222	222	223	224	225	226
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Supplies and Services	323	324	324	324	324	324
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Transport Costs	49	49	49	49	49	49
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Third Party Payments	50	50	50	50	50	50
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Gross Expenditure	3,611	3,593	3,650	3,715	3,775	3,841
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Income

Registration Recharge	(454)	(463)	(472)	(482)	(491)	(502)
Council Barclay Funding	(329)	(302)	(307)	(318)	(332)	(343)
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	(820)	(802)	(816)	(837)	(860)	(882)
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Net Expenditure	2,791	2,791	2,834	2,878	2,915	2,959
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Use of Balances	(26)	(26)	0	0	0	0
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Property Review Target Saving	0	0	0	0	0	0
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Provisional Net Budget - Requisition	2,765	2,765	2,834	2,878	2,915	2,959
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Annual Percentage Increase		0.0%	2.5%	1.6%	1.3%	1.5%
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