



Orkney & Shetland Valuation Joint Board



Clerk to the Board: Jan-Robert Riise

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Date: 2 November 2017

Dear Sir/Madam

You are invited to the following meeting:

Reconvened Orkney and Shetland Valuation Joint Board (by video conference)
The Bunker, Council Offices, Kirkwall, and
Council Chamber, Town Hall, Lerwick
Wednesday 8th November 2017 at 11.30am

Apologies for absence should be notified to Louise Adamson at the above number, or
by e-mail to louise.adamson@shetland.gov.uk

Yours faithfully

J R Riise
Clerk to the Board

AGENDA

- (a) Hold circular calling the meeting as read.
- (b) Apologies for absence, if any.
- 1. Barclay Review Recommendations Report (enclosed)

2. Management Accounts for Orkney and Shetland Valuation Joint Board 2017/18 – Projected Outturn at Quarter 2 (enclosed)
3. Budget Strategy 2018/19 (enclosed)



Orkney & Shetland Valuation Joint Board



To: Orkney and Shetland Valuation Joint Board

08 November 2017

Report Subject: Barclay Review Recommendations Report

From: Assessor & Electoral Registration Officer

1 INTRODUCTION

- 1.1 The Barclay Review Group was set up to undertake a review of Non-Domestic Rates and to provide recommendations that seek to enhance and reform the business rates system in Scotland, support growth and investment, reflecting marketplace changes and remaining revenues neutral to ensure fair funding of services. The Barclay Review report was published on 22nd August 2017. The full report can be viewed at the following web link: <http://www.gov.scot/Publications/2017/08/3435> A summary of the 30 recommendations are contained within Appendix 1.

2 BACKGROUND INFORMATION

- 2.1 The Local Government (Scotland) Act 1947, section 216, states “Every joint committee or joint board the expenses of which are defrayed in whole or in part by the local authorities concerned shall, notwithstanding anything in any enactment, order or agreement, [by such date as may be prescribed], cause a requisition to be sent to each of the authorities concerned requiring the authority to pay to the joint committee or joint board the sum specified in the requisition, being the authority’s proportion of the expenses of the joint committee or joint board; and the authority shall, at such intervals and by such instalments [as may be prescribed], pay over to the joint committee or joint board the sum so requisitioned, so far as payable by the authority, without any deduction whatever, so however that the last instalment shall be payable not later than the first day of May in the year first occurring after the date of the requisition, and any provisions contained in any enactment or statutory order inconsistent with this subsection shall cease to have effect.

2.2 In this section -

- (a) references to a joint committee or joint board shall be construed as references to a joint committee or joint board all the members of which, other than ex officio members, are appointed by one or more local authorities;
- (b) “prescribed” means prescribed by regulations made by the Secretary of State under section 111 of the Local Government (Scotland) Act 1973.

- 2.3 The Scottish Assessors Association (SAA) Executive met with Derek Mackay the Cabinet Secretary and Scottish Government officials on 27th September 2017 to discuss the Barclay Review recommendations and the SAA's proposed Recommendation 12 Action Plan (Appendix 2). At that meeting the Cabinet Secretary has asked Assessors to converse with finance officials and Valuation Joint Boards, as part of the annual budget process, to establish if there is an unwillingness to 'fund' the additional duties/overheads of delivering on the SAA Action Plan and the wider Barclay recommendations.

3 BRIEFING ON BARCLAY REVIEW RECOMMENDATIONS (Appendix 1)

- 3.1 The Barclay Reviews 30 Recommendations are listed in full along with the potential impact on the statutory valuation service with further estimated financial implications associated with each recommendation made.
- 3.2 As can be seen the greatest financial impact comes from Recommendation 2, where the Revaluation cycle will be reduced from 5 years to 3 years. This recommendation will compress the Revaluation cycle into a shorter timescale while still undertaking the full requirements of a statutory Non-Domestic Revaluation. Legislation will be required to be laid in order for this to come into force, however the recommended effective date is from 2022 onwards.

4 SAA RECOMMENDATION 12 ACTION PLAN (Appendix 2)

- 4.1 In an effort to address Recommendation 12 in the Barclay Review Report the Scottish Assessors Association prepared an Action Plan for implementation which was presented to the meeting with the Cabinet Secretary on 27th September. The Action Plan has been agreed by all fourteen Assessors. Assessors are keen to drive forward with the recommendations made by the Barclay Review Group. This Action Plan was published on the SAA website on Friday 29th September.

5 FINANCIAL IMPLICATIONS

5.1 Barclay Report Recommendations

- 5.1.1 The estimated expected financial implications for each Barclay recommendation is listed in Appendix 1. As can be seen the most significant is under Recommendation 2 where the Revaluation cycle is reduced from 5 years to 3 years. Estimated increase in staffing costs under Recommendation 2 range from £99,402 to £140,488. These financial estimates cover recommendations 6, 22, 24, 27 and 30. There is currently no timeline established for the introduction of the above recommendations by the Scottish Government.

5.2 SAA Recommendation 12 Action Plan

- 5.2.1 The estimated expected financial implications from implementation of the SAA Recommendation 12 Action Plan (Appendix 2) are listed in the above report on the Barclay Review recommendations (Appendix 1). In summary two factors may require resources, namely the provision of increased demand for estimated rateable values under 4.63(g) and any increase in SAA Portal contributions under 4.63(h).
- 5.2.2 Estimated rateable values are already part of the service provided by Orkney and Shetland VJB as part of our business as usual response. To date this has not caused unmanageable pressure on existing resources as requests are infrequent or at a level that has proved achievable. Future request levels are unknown.
- 5.2.3 Orkney and Shetland VJB already contribute to the SAA Portal service provision on a pro-rata basis related to the number of subjects in each Valuation area. Our contribution was £1312 for this financial year 2017-18. There may be a cost pressure relating to the SAA Recommendation 12 Action Plan but as it stands I believe any reasonable increase will be managed and resourced within existing budget provisions.

6 ACTIONS AND CONSIDERATIONS

- 6.1 The Orkney & Shetland Valuation Joint Board is requested to form an answer to the Cabinet Secretary's question on whether there is an unwillingness to fund the wider Barclay Review Recommendations.
- 6.2 The Orkney & Shetland Valuation Joint Board is requested to note the contents of the SAA Recommendation 12 Action Plan as willingness by the Scottish Assessors Association to address recommendation 12 of the Barclay Review which states "Assessors should provide more transparency and consistency of approach. If this is not achieved voluntarily, a new Scotland wide Statutory Body should be created which would be accountable to Ministers".

Dennis M Stevenson
Assessor and Electoral Registration Officer
1 November 2017

BRIEFING ON THE BARCLAY REVIEW ON NON-DOMESTIC RATES (08-11-2017)

In 2016, the Scottish Government asked Ken Barclay to lead an external review of non-domestic rates, and report by summer 2017. The report containing 30 recommendations was published on 22nd August 2017. The following is a list of the recommendations accepted by Scottish Government, recommendations which require further consideration and recommendations which will not be taken forward, and the likely impact they may have for the Orkney & Shetland Valuation Joint Board.

RECOMMENDATIONS ACCEPTED BY SCOTTISH GOVERNMENT

**recommendations numbered as per Barclay report*

Recommendation	Assessor's Response	Resource & Revenue Implications
1. A Business Growth Accelerator - to boost business growth. From 1 st April 2018 year a new-build property will not pay rates until it is occupied, and its tenants will then benefit from one year without rates through the growth accelerator. Assessors have agreed to the principle of delaying the entry of new property on to the valuation roll. The 2009 completion notice guidance that is issued to Directors of Finance is also being withdrawn.	This will not affect our current survey programme, however it will impact upon our administrative processes and we will require greater liaison with Revenue Services to ensure both new build and extended properties are dealt with according to the recommendations.	No extra financial implications expected.
2. After the 2022 revaluation, revaluations will take place every 3 years. The tone date will be brought forward from two years prior to one year prior. In combination, those measures will help to ensure that the rating system is more flexible in the	3 yearly Revaluations from 2022 will have a significant impact on our service delivery. Under current legislation the valuation date or 'tone date' is two years prior to Revaluation. A one year window to issue forms of return for rental and cost information; analyse the evidence; prepare schemes of valuation and	This recommendation will have the greatest impact on the Boards resources. While this is very early in the implementation process and will require Legislation to be laid,

<p>changing economic circumstances that businesses face, and they will reduce large shocks, such as those that some ratepayers experienced earlier this year.</p>	<p>complete the valuation process will create a real pressure on existing staff resources. For 2017 the Scottish Government required draft valuations by September 2016, 6 months prior to the 2017 Revaluation. Clearly we could not work to such timescales with a one year time date but the timing for any draft valuations will have a bearing on this exercise. The impact will be particularly acute during the first 3 year Revaluation however I expect the shorter period between Revaluations will improve our rental and cost information which should lessen the impact in subsequent Revaluations. The shorter period may also reduce appeal levels in later years. Additional staff resources will be required to cope with the pressures of a 3 yearly Revaluation cycle. The shorter period will increase our administrative burden. Preparations for the 2022 Revaluation will run in parallel with the Scottish Parliament Election in May 2021 and the UK Parliamentary Election in May 2022. This will be an extremely testing period and may require staff to work additional hours.</p>	<p>effectively it is compressing the current 5 yearly Revaluation cycle into 3 years.</p> <p>Initial staffing estimates would require one extra Career Graded Valuer post in each area office. Full costs to the Board associated with these posts range from a minimum entry level of £32,446 to maximum level of £52,989 one year after fully qualified per post.</p> <p>In addition to the above potential training course fees may be applicable depending on the level of qualifications held by the post holder. College of Estate Management (CEM) fees amount to £17,255 for the BSc in Estate Management qualification covering 4.5 years of study. Royal Institution of Chartered Surveyors Corporate membership would be required after the CEM qualification.</p> <p>Timing of the appointments would have to be made to maximise the contribution to the first 3 yearly Revaluation cycle from 2022 onwards. While it would not be necessary for post holders to be fully qualified by 2022 they would need significant experience to enable contribution to the workloads.</p>
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4. A new relief for day nurseries will be introduced from 1 st April 2018 to support childcare provision. The relief will be a full 100% relief.	This will have no particular impact on the Assessor.	No extra financial implications expected.
5. Town centres should be supported by expanding Fresh Start Relief. From 1 st April 2018 this relief will increase from 50 to 100 per cent for the first year of new occupation and it will be available after a property has been empty for 6 months rather than the current 12 months. These changes are to help bring empty town centre properties back into use. To stimulate the whole economy and reduce the number of properties that are sitting vacant, relief will also be available for all types of property, including industrial property.	This will have no particular impact on the Assessor.	No extra financial implications expected.
6. There will be a separate review of Plant and Machinery valuations with particular focus on the renewable energy sector valuations and statutory improvements to property including sprinkler systems.	There will be no immediate impact on the Assessor's services however we would expect to have an input into the Plant & Machinery regulations through the Scottish Assessors Association and any subsequent changes will have a bearing on workload for the 2022 Revaluation process.	Any extra financial implications expected would be covered by number 2 above.
7. The effectiveness of the small Business Bonus Scheme should be evaluated.	This will have no particular impact on the Assessor.	No extra financial implications expected.

8. The Scottish Government should provide a 'road map' to explain changes to the rating system and should consult whenever possible on those changes, prior to implementation.	The Scottish Assessors Association (SAA) will work with Government to implement this.	No extra financial implications expected.
9. There should be better information on rates made available to ratepayers - co-ordinated by Scottish Government.	The SAA will be working on these areas in conjunction with Scottish Government, however the impact should not be significant in local terms.	No extra financial implications expected.
10. A full list of recipients of rates relief should be published to improve transparency.	No particular implications.	No extra financial implications expected.
11. A "rateable value finder" product should be used - to identify properties that are not currently on the valuation roll, so as to share the burden of rates more fairly.	Depends upon where the burden falls for the use of this product. It may have resource implications on the Assessor depending upon the product and its functionality and any integration work required.	It is unknown if any extra financial implications are expected for this recommendation until clarification is clear where the burden falls.
12. Assessors should provide more transparency and consistency of approach. If this is not achieved voluntarily, a new Scotland wide Statutory Body should be created which would be accountable to Ministers.	The SAA has met with the Cabinet Secretary and are now working on an action plan to address the Barclay recommendations. It is too early to assess the implications for the Assessor. However, it is expected that additional resources will be required to support the adoption of the Barclay Recommendations.	The Scottish Assessors Association have created an Action Plan relating to recommendation 12 (Appendix 2) on how all Assessors will address implementation. Possible extra financial implications will emerge from 4.63(g) where estimated Rateable Values are sought. However this is already provided in Orkney &

		<p>Shetland on demand and is not a new service requiring resourcing, however any increased impact will be monitored.</p> <p>Under Action Plan element 4.63(h) any extra financial implications may come in the form of extra Portal contributions to the SAA setup. Any estimate at this early stage is difficult but may be in the region of up to £500 per annum.</p>
13. The current criminal penalty for non-provision of information to Assessors should become a civil penalty and Assessors should be able to collect information from a wider range of bodies.	It is unclear at this stage if the provision of civil penalties will have an impact, although there will be increased administration flowing from this.	It is unknown if any extra financial implications are expected for this recommendation until clarification is clear where the burden falls.
14. Standardised rates bills should be introduced across Scotland.	No particular impact.	No extra financial implications expected.
15. Ratepayers should be incentivised to sign up for online billing where available except in exceptional circumstances.	No particular impact.	No extra financial implications expected.
16. A new civil penalty for non-provision of information to councils by ratepayers should be created.	This may have an impact on the Assessor, as administration of the process will be required.	It is unknown if any extra financial implications are expected for this recommendation until clarification is clear where the burden falls.
17. Councils should refund overpayments to ratepayers more quickly.	This will have no particular impact on the Assessor other than strengthening existing	No extra financial implications expected.

	lines of communication with Revenue Services.	
18. Councils should be able to initiate debt recovery at an earlier stage.	This will have no particular impact on the Assessor.	No extra financial implications expected.
19. Reform of the appeals system is needed to modernise the approach, reduce the volume and ensure greater transparency and fairness.	The Cabinet Secretary announced that Tribunals will have the power to increase values at hearings however the detail is unclear at this stage. Whilst this announcement is welcomed it does not have significant implications at the moment, but the move to the Tribunals Service could be more onerous for the Assessor.	Potential increase in each area's appeal hearing costs as the 5 yearly cycle will be compressed into 3 years. If one extra hearing is required each year this may increase costs by £500 each area per annum.
20. A general Anti-Avoidance Rule should be created to reduce avoidance and make it harder for loopholes to be exploited in future.	No immediate impact on Assessor.	No extra financial implications expected.
21. To counter a known avoidance tactic, the current 42 days reset period for empty property should be increased to 6 months in any financial year.	No impact on Assessor.	No extra financial implications expected.
22. To counter a known avoidance tactic for second homes, owners or occupiers of self-catering properties must prove an intention to let for 140 days in the year and evidence of actual letting for 70 days.	This would create additional resource pressure in terms of the ongoing scrutiny of applications to have properties moved from Council Tax to NDR.	Any extra financial implications expected would be covered by number 2 above.

23. The Scottish Government should be responsible for checking rates relief awarded, to ensure compliance with legislation.	No impact.	No extra financial implications expected.
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RECOMMENDATIONS WHICH THE SCOTTISH GOVERNMENT CONSIDERS REQUIRE FURTHER CONSIDERATION & ENGAGEMENT

24. Charity relief should be reformed/restricted for a small number of recipients.	Pending any decision on this in the future, the loss of charitable status may cause additional valuation and administration work in merging valuations that have been split from larger subjects to form ALEO's for example.	Any extra financial implications expected would be covered by number 2 above.
25. To focus relief on economically active properties, only properties in active occupation should be entitled.	No implication for Assessor.	No extra financial implications expected.
26. To encourage bringing empty property back into economic use, relief should be reformed to restrict relief for listed buildings to a maximum of 2 years and the rates liability for property that has been empty for significant periods should be increased.	No implication for Assessor.	No extra financial implications expected.

27. Sports club relief should be reviewed to ensure it supports affordable community-based facilities, rather than members clubs with significant assets which do not require relief.	Further consultation required before a decision is made therefore no impact at present.	Any extra financial implications expected would be covered by number 2 above.
30. Commercial activity on current exempt parks and Local Authority (Council) land vested in recreation should pay the same level of rates as similar activity elsewhere so as to ensure fairness.	Further consultation required before a decision is made therefore no impact at present. Removal of this exemption will create additional survey, valuation and administration work for the Assessor.	Any extra financial implications expected would be covered by number 2 above.

RECOMMENDATION WHICH THE SCOTTISH GOVERNMENT WILL CONSIDER IN THE CONTEXT OF FUTURE BUDGETS

3. The large business supplement should be reduced.	This will have no particular impact on the Assessor.	No extra financial implications expected.
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RECOMMENDATIONS WHICH THE SCOTTISH GOVERNMENT PROPOSES NOT TO TAKE FORWARD

28. All property should be entered on the valuation roll (except public infrastructure such as roads, bridges, sewers or domestic use) and current exemptions should be replaced by a 100% relief to improve transparency.	The Cabinet Secretary announced that he will not be adding farms or agricultural processing subjects to the valuation roll. Not implemented therefore no impact, although if after consultation it is decided to bring other classes of property into non-domestic rating then this will have resource implications.	Any extra financial implications expected would be covered by number 2 above.
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29. Large scale commercial processing on agricultural land should pay the same level of rates as similar activity elsewhere so as to ensure fairness.	As announced by the Cabinet Secretary on Tuesday, commercial processing subjects will not be considered for NDR therefore no impact.	No extra financial implications expected.
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Barclay Review Group Report published 22 August 2017 – SAA

Recommendation 12 Action Plan

Para	Recommendation	Action Plan 29 September 2017	Action Plan Timeline
Rec 12	Assessors should provide more transparency and consistency of approach. If this is not achieved voluntarily, a new Scotland wide Statutory Body should be created which would be accountable to Ministers	Detail provided for 4.63(a)-(j)	Immediate
4.63(a)	All ratepayers should have access to consistent levels of service and advice, regardless of where they are located in Scotland	SAA will undertake an audit to identify variations in current service standards. Where significant differences are identified an issues log shall be created, maintained and action taken to provide mitigation and remedy. In addition the SAA shall undertake consultation with key stakeholders with a view to identify perceived service standard inconsistencies with a view to establishing a suite of national service standards.	Issues log established 1 October 2017. Initial consultation with stakeholders 1 November 2017 to 31 December 2017 Progress to be reported to the Scottish Ratepayers Forum and anticipated Scottish Rating Surveyors Forum. Outcome to be reported in SAA Annual Report.
4.63(b)	Assessors should consider an account manager based approach with named individuals in an Assessor's office given the role of key contact for individual sectors or property types within an individual area	At the national level a system of property category coordinators who could be considered "national account managers" is already in place through the SAA committee structure, working groups and practice note authors. SAA will publish on the SAA website the contact details for each national property category coordinator. At the local level Assessors shall provide contact names for each locality.	National property category coordinators list updated and checked for publication by 1 November 2017. Local contact names for each locality to be published online by 1 November 2017. Online publication may involve website development costs.
4.63(c)	Where local practice notes are used for valuation of any property, these must be made available online to all ratepayers	Currently where they exist Local Practice Notes are in the main made available on individual Assessor web sites. In order to improve the stakeholder journey the SAA shall conduct an audit of all existing Local Practice Notes with a view to making these accessible on the SAA website as an overall suite of national and local Practice Notes.	Audit completed by 1 November 2017. Publication by 1 January 2018. Online publication may involve website development costs.

Barclay Review Group Report published 22 August 2017 – SAA

Recommendation 12 Action Plan

Para	Recommendation	Action Plan 29 September 2017	Action Plan Timeline
4.63(d)	Where the Assessors propose to change valuation practice notes this must be done in consultation with relevant external bodies and draft notes must be published online for comment for an appropriate period before they are finalised;	In advance of revaluations the SAA commits to undertake consultation, within the limitations which the revaluation timetable imposes, on proposed SAA Valuation Practice Notes, drawing particular attention to instance of significant change. Where published Practice Notes are subject to change following representation, appeal activity, or harmonisation requirements the SAA shall give notification of these changes through the SAA web site.	Notification of changes will be made from 1 October 2017. Consultation will precede the 2022 revaluation and will be timetabled as part of the R2022 plan.
4.63(e)	The point at which new build property is added onto the valuation roll should be consistent	The SAA has provided its support to the policy to see new build properties enter the Valuation Roll on occupancy and action on this matter has already been taken. The SAA would welcome the opportunity for discussions with the Government in order to establish clarity and examine the practical implications of this policy.	Immediate hold on new entries for unoccupied properties. Clarity on policy proposals required for 1 October 2017 with the practical implications closely examined in the short term. Legislative measures are likely to be required in the medium of long term
4.63(f)	The Scottish Assessors Association (SAA) should produce and publish an annual report on valuation practice and outcomes. This is particularly important in a revaluation year where the report should be substantive and highlight the average and range of movements in rateable value across council areas and sectors, any changes to valuation methodologies and summarise engagement with national and local trade bodies.	The SAA shall publish its first annual report during June 2018. In addition a report specifically reflecting on revaluations and their implications shall also be published at the appropriate time.	30 June 2018

Barclay Review Group Report published 22 August 2017 – SAA Recommendation 12 Action Plan

Para	Recommendation	Action Plan 29 September 2017	Action Plan Timeline
4.63(g)	Assessors should work through the SAA to standardise the level of service they provide, in particular to assist those ratepayers looking to build new or improve existing property to help them determine the potential estimated rateable value that will result	While the provision of estimated values is currently a non-statutory activity the SAA recognises the significance and potential benefits to both small and large non-domestic property occupiers. The capacity to meet this requirement is limited due to the requirement to continue to operate statutory functions in a challenging budgetary environment.	Clarity on the legal mandate to provide estimated values and indemnity for Assessors providing estimates is required and the SAA will work with Government and RICS to reach this clarity with immediate effect. As soon as this issue is resolved all Assessors will provide estimated values. SAA will monitor demand and timeframe for delivery which will be conditional upon resources with particular reference to the willingness of valuation authorities to fund non-statutory activities.
4.63(h)	The Assessors should provide more information on the evidence used at each revaluation to support valuations. While we appreciate that this will require detailed consideration in terms of what can be made available within the boundaries of data protection and commercial sensitivity, at the minimum ratepayers should be informed which comparator rental properties were used to inform their valuation	SAA recognises the need to make more information surrounding the valuation levels adopted accessible and shall, following detailed consideration of data protection and commercial sensitivity issues along with consultation with stakeholders provide details of how this may be taken forward.	Online publication will involve website development costs and may require a legal gateway.
4.63(i)	Appointments to the SAA should be more transparent	The current Constitution of the SAA that provides for the appointment of office-bearers shall be made available on the SAA website along with the names and contact details of the present office-holders.	1 October 2017

Barclay Review Group Report published 22 August 2017 – SAA

Recommendation 12 Action Plan

Para	Recommendation	Action Plan 29 September 2017	Action Plan Timeline
4.63(j)	Minutes of meetings with sector representatives should be published (with any commercially sensitive data redacted as necessary).	Minutes of meetings held between the SAA and the Scottish Ratepayers Forum are already published on the SAA website. The SAA intends to overhaul its consultation framework to increase accessibility and widen reach. SAA shall review the current position with the intention of publishing minutes of all meetings with external bodies, organisations and stakeholders, subject to the approval of parties present.	Complete review of consultation framework by 1 December 2017 Publication of minutes of all meetings held after 1 October 2017. Online publication may involve website development costs.



Orkney and Shetland Valuation Joint Board



Agenda Item

2

Meeting(s):	Orkney and Shetland Valuation Joint Board	8 November 2017
Report Title:	Management Accounts for Orkney and Shetland Valuation Joint Board 2017/18 – Projected Outturn as at Quarter 2	
Reference Number:	VF-008-F	
Author / Job Title:	Treasurer to the Board	

1.0 Decisions / Action required:

- 1.1 That the Orkney and Shetland Valuation Joint Board (“the Board”) reviews the management accounts showing the projected outturn position as at the end of Quarter 2 (Appendix 1).

2.0 High Level Summary:

- 2.1 The report sets out the Board’s financial position as at Quarter 2. This shows that expenditure on services is expected to be £641k against a budget of £652k; a projected underspend of £11k.
- 2.2 This is largely due to an underspend on employee costs owing to staff vacancies; see Appendix 1 for further detail.

3.0 Corporate Priorities and Joint Working:

- 3.1 Reduction in funding may impact on the Board’s ability to deliver service priorities. In 2017/18 there was a significant constraint on local authority funding and it is essential that the Board is able to plan and measure its outcomes and their associated costs.

4.0 Key Issues:

- 4.1 On 17 February 2017 (O&SVJB Min Ref: 08/17), the Board approved the 2017/18 revenue budget with a net expenditure of £652k. It is vital to the economic wellbeing of the constituent authorities that the Board’s financial resources are managed effectively and that expenditure and income is delivered in line with the budget, as any overspends will result in a further draw on the reserves of constituent authorities.
- 4.2 On 17 February 2017 (O&SVJB Min Ref: 06/17), the Board approved 5-year Corporate and Service Plans. This details the operations and activities undertaken in relation to the Boards’ statutory function and other service provisions.
- 4.3 Funding will be claimed from the Cabinet Office to meet the Board’s additional costs of Individual Electoral Registration (IER). To date, Cabinet Office funding has proved to be sufficient to meet the full cost of IER incurred by the Board.

5.0 Exempt and/or confidential information:	
5.1	None.
6.0 Implications :	
6.1 Service Users, Patients and Communities:	None.
6.2 Human Resources and Organisational Development:	The vacant Assistant Assessor post is currently being covered by consultancy services and the extended duties of other staff. This is a temporary arrangement that still requires to be resolved, but it is being managed within existing budgets.
6.3 Equality, Diversity and Human Rights:	None.
6.4 Legal:	None.
6.5 Finance:	<p>The Board is wholly funded by its constituent authorities: Orkney Islands Council and Shetland Islands Councils.</p> <p>The Board's projected outturn position as at Quarter 2 is £641k against a budget of £652k, an underspend of £11k.</p> <p>This results in a reduced requisition to Orkney Islands Council of £6k and Shetland Islands Council of £5k.</p>
6.6 Assets and Property:	None.
6.7 ICT and new technologies:	None.
6.8 Environmental:	None.
6.9 Risk Management:	<p>From a financial management perspective, risks are an integral part of future planning, as assumptions must be made. These can be affected by many internal and external factors, such as demand, which could have a significant financial impact.</p> <p>The Board maintains a Risk Register and its primary risk is a lack of sufficient funding that could result in the Board not meeting statutory duties.</p> <p>This report is part of the framework that provides assurance, or recognises any deviation from the budget that could put the Board in a financially challenging position and require remedial action.</p> <p>A net overspend will have an adverse impact on the budgets of both constituent authorities.</p>
6.10 Policy and Delegated Authority:	Overall stewardship of the Board's resources rests with the Orkney and Shetland Valuation Joint Board.

6.11 Previously considered by:	n/a	n/a
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Contact Details:

Christine McCourt, Financial Accountant, Christine.McCourt@shetland.gov.uk,
26 October 2017

Appendices:

Appendix 1 – Revenue projected outturn position 2017/18 as at Quarter 2

Background Documents:

17 February 2017 – Orkney & Shetland Valuation Joint Board Budget 2017/18 report

17 February 2017 – Orkney & Shetland Valuation Joint Board Corporate Plan

17 February 2017 - Orkney & Shetland Valuation Joint Board Service Plan

Orkney and Shetland Valuation Joint Board

1. Revenue Projected Outturn Position 2017/18 as at Quarter 2

Income & Expenditure Summary	2017/18 Revised Annual Budget £	2017/18 Projected Outturn at QTR 2 £	Budget v Projected Outturn Variance (Adv) / Pos £
EXPENDITURE:			
Basic Pay	359,152	322,086	37,066
Overtime	1,380	1,380	-
National Insurance	37,242	34,919	2,323
Pension Costs	134,606	130,199	4,407
Allowances	26,413	27,991	(1,578)
Liability Insurance	4,932	4,932	-
Employee Costs	563,725	521,507	42,218
Administration	85,126	84,695	431
Agency Payments	8,208	40,878	(32,670)
Property and Fixed Plant	31,625	31,572	53
Supplies and Services	3,850	5,145	(1,295)
Transport and Mobile Plant	34,642	31,477	3,165
Recharges for Shetland Islands Council	13,637	13,637	-
Operating Costs	177,088	207,404	(30,316)
TOTAL EXPENDITURE	740,813	728,911	11,902
INCOME:			
Sales/Agency Income	(33,400)	(32,900)	(500)
IER Funding	(55,001)	(55,001)	-
TOTAL INCOME	(88,401)	(87,901)	(500)
NET EXPENDITURE	652,412	641,010	11,402
CHARGE TO CONSTITUENT AUTHORITIES:			
Orkney Islands Council	(333,048)	(326,493)	(6,555)
Shetland Islands Council	(319,364)	(314,517)	(4,847)
TOTAL CHARGE TO CONSTITUENT	(652,412)	(641,009)	(11,402)

An explanation for the main variances for Quarter 2 are set out below.

1.1 Employee Costs – projected outturn underspend £42k (7.5%)

This projected underspend relates to the vacant Assistant Assessor post, offset by the current arrangement of extending the duties of other staff to cover core vacancies. The Assistant Assessor post remains vacant following a recent advertisement. The post is anticipated to be vacant until January 2018 at the earliest.

1.2 Operating Costs – projected outturn overspend of (£30k) (17.1%)

This overspend relates to the ongoing use of external consultants in lieu of an internal Assistant Assessor.



Orkney & Shetland Valuation Joint Board



Agenda Item

3

Meeting(s):	Orkney & Shetland Valuation Joint Board	8 November 2017
Report Title:	2018/19 Budget Strategy	
Reference Number:	VF-010-F	
Author / Job Title:	Executive Manager - Finance	
1.0 Decisions / Action required:		
1.1 That the Board AGREES that the budget strategy for 2018/19 shall be a standstill position, subject to pay cost pressures.		
2.0 High Level Summary:		
2.1 The Assessor and ERO have prepared a Corporate and Service Plan to demonstrate the purpose and functions of the Board and to provide a framework for performance management.		
2.2 Subsequently, and in discussion with the Assessor and ERO, it is proposed that the budget strategy to be followed will be that of a standstill position, subject to pay cost pressures.		
2.3 Standstill refers to the existing organisational structure remaining in place, with the additional provision of 1.25% pay award on staff costs. Pension costs will be reviewed in line with the triennial valuation of the Shetland Islands Council Pension Fund, anticipated in early 2018.		
2.4 Individual Electoral Registration (IER) funding from central government has been secured until 2020, therefore this is also built into the 2018/19 budget.		
2.5 Revenue estimates will be prepared on this basis and presented to the Board for consideration and approval in February 2018.		
3.0 Corporate Priorities and Joint Working:		
3.1 The budget strategy is designed to support the ongoing delivery of the function and responsibilities of the Board.		
3.2 Continuing with current office locations and staffing structures results in certain fixed costs. Therefore, any reduction in funding may impact on the Board's ability to deliver its service priorities.		
3.2 The Assessor and ERO have prepared Corporate and Services Plans to support the planning and performance management of the functions which are the responsibility of the Board; the budget strategy is aligned to these plans.		

4.0 Key Issues:

- 4.1 The budget strategy is reviewed annually to ensure that all known commitments and cost pressures are taken into consideration in the preparation of revenue estimates.
- 4.2 The 2018/19 budget strategy recommends a standstill budget position, adjusted for pay cost pressures of 1.25% as well as the anticipated individual electoral registration (IER) spend. The expected IER spend of £56,991 will be fully funded by central government and therefore has no impact on the following budget figures:

Standstill Budget + 1.25% pay cost pressures	Orkney £	Shetland £	Total £
Direct Costs	46,645	36,907	83,552
50% share of Joint Costs	287,880	287,879	575,759
Total	334,525	324,786	659,311

- 4.3 The strategy should be viewed in the context of the available budgets of the constituent local authorities, who continue to face government funding reductions. The financial settlement for 2018/19 is not yet available, however reductions in 2017/18 amounted to 3.3% for Shetland Islands Council and 3.5% for Orkney Islands Council.
- 4.4 One area of concern for 2018/19 is that of operational resilience in the face of the ongoing vacancy of the Assistant Assessor post. The Board have considered plans to address this separately.

5.0 Exempt and/or confidential information:

- 5.1 None.

6.0 Implications :

6.1 Service Users, Patients and Communities:	A clear Corporate and Service Plan aligned to the budget enables better evidence of governance and performance management and provides assurance to the constituent authorities that the functions and services of the Board meet expectations and achieve best value.
6.2 Human Resources and Organisational Development:	None.
6.3 Equality, Diversity and Human Rights:	None.
6.4 Legal:	The Board is required to set a balanced budget and to determine the level of requisition to be sought from its constituent authorities.
6.5 Finance:	The strategy recognises the Board's limited scope for structural change to achieve the underlying savings targets that constituent authorities are facing. However, a

	standstill position, taking account of pay cost pressures will provide the authorities with the services they require.
6.6 Assets and Property:	None.
6.7 ICT and new technologies:	None.
6.8 Environmental:	None.
6.9 Risk Management:	<p>There is a risk that the Board will be unable to fulfil its statutory duties should insufficient funding be requisitioned from constituent authorities. The budget strategy needs to reflect the best value cost of delivering these services.</p> <p>A legislative response to the Barclay review of national non-domestic rates has not yet been described by the government. If this happens then it may place additional duties on the Assessor that add cost and these will have to be considered in the future, as the Scottish Government's response to the review is more specifically defined.</p>
6.10 Policy and Delegated Authority:	Overall stewardship of the Board's finances rests with the Valuation Joint Board.
6.11 Previously considered by:	Not applicable.

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30/10/2017

Appendices: *None*

Background Documents: *None*