

AYRSHIRE VALUATION JOINT BOARD

Minutes of the meeting held on Tuesday 3 March 2020 at 10.30 a.m. within South Ayrshire Council Headquarters, County Buildings, Wellington Square, Ayr.

Item 1 - Sederunt

Present:

- East Ayrshire: Councillors: Gordon Jenkins, John McFadzean (Chair), Maureen McKay, and Jacqui Todd.
- North Ayrshire: Councillors: John Easdale, Margaret George, Donald Reid, and Jean McClung.
- South Ayrshire: Councillors: Siobhian Brown, Andy Campbell, Iain Campbell and Martin Dowey.
- In Attendance: Helen McPhee, Assessor and Electoral Registration Officer (ERO); John McConville, Head of Valuation Services and Assistant ERO; Harry McCormick, Principal Admin and IT Development Officer; Tom Simpson, Service Lead - Corporate Accounting (SAC); Wynne Carlaw, Service Lead – Democratic Governance (SAC) (Clerk); Pat Kenny, External Auditor, Deloitte LLP and Alison Nelson, Co-ordinator – Democratic Support (SAC).
- Apologies: Councillor Jim McMahon (East Ayrshire Council; Councillor John Glover (North Ayrshire Council); and Councillor William Grant (South Ayrshire Council).

Item 1 – Sederunt

As detailed above.

Item 2- Declarations of Interest

There were no declarations of interest by Members in terms of the Councillors' Code of Conduct.

Item 3 – Minutes of the Previous Meeting

The Minutes of the meeting of the Ayrshire Valuation Joint Board (the Board) held on 14 January 2020 were submitted.

The Board

Decided: to approve the Minutes of the Board meeting held on 14 January 2020.

Item 4 – Matters Arising

There were no matters arising from the Minutes of the meeting held on the 14 January 2020.

Item 5 – Revenue budget Monitoring Report 2019/20 – Position Statement as at 31 January 2020

There was submitted a report (circulated) dated 24 February 2020 by the Treasurer to the Ayrshire Valuation Joint Board (the Board) of the income and expenditure for the period ended 31 January 2020 (monitoring period 10) as compared with the approved revenue budget.

Appendix 1 of the report compared the year-to-date budget for each main account heading with actual expenditure and income.

The main variances were:

Employee Costs – a year-to-date underspend of £132,000 was almost entirely attributed to vacancies, partly due to the impact of new posts arising from the Barclay Review. This underspend was projected to increase only slightly at the year-end to £133,000.

Property Costs – a year-to-date overspend of £5,000 was attributed to roof repairs and preparatory work for anticipated renovations. A full year overspend of £14,000 was currently projected as a consequence of anticipated repairs and maintenance charges.

Supplies and Services Costs – a year-to-date overspend of £37,000 was attributed to expenditure on hardware and software associated with the new operating system and the digitisation (document scanning) project £20,000. A full year overspend of £59,000 was currently projected based on anticipated expenditure, elements of which are expected to be capitalised.

Administrative Costs – a year-to-date underspend of £17,000 was attributed to printing and training costs. Additional printing and postage costs in relation to Barclay Review and absent voters are anticipated before the year-end, resulting in a projected full year overspend of £1,000.

Third Party Payments – a £15,000 year-to-date underspend on the cost of valuation appeals was projected to continue until the year-end.

Income – the Scottish Government recently announced the release of additional funding in the current financial year for the impact of the Barclay Review, which would result in an additional £60,000 for the Board. Income from Individual Electoral Registration (IER) grant funding was £24,000 higher than anticipated in the budget. Year-to-date positive variances of £2,000 for each of sales and other income was projected to continue to the year-end. A £7,500 shortfall in rental income recognised the lack of market support for letting part of the building. In summary, a surplus of income against budget of £81,000 was currently projected at the year-end.

At monitoring period 10, the Board's net expenditure was underspent by £149,000 against budget, as outlined above. At the year-end, net expenditure was currently projected to underspend against budget by £157,000.

The impact of the full-year underspend would be a reduction in the Board's contribution from reserves in the current financial year, set at £198,493 in the approved budget to approximately £42,000.

The Board

Decided: to approve the Report.

Item 6 – Planning Report on the 2019/20 Audit

There was submitted a report (circulated) dated 24 February 2020 by the Treasurer to the Board on the presentation by Deloitte LLP of their Planning Report to the Board on the 2019/20 Audit (the Planning Report).

Pat Kenny, External Auditor, Deloitte LLP advised the Members of the quality objectives for the audit namely;

1. a robust challenge of the key judgements taken in the preparation of the financial statements;
2. a strong understanding of the Board's internal control environment; and
3. a well-planned and delivered audit that raises findings early with those charged with governance.

Deloitte LLP had assessed the risks facing the Board, and planned their audit work accordingly. Significant risks affecting the financial statements had been identified as; occurrence of income and management override of controls. The audit would go beyond providing assurance on the financial statements and the Board's internal control environment. The Code of Audit Practice sets out four audit dimensions which set a common framework for all public sector audits in Scotland; financial sustainability, financial management, governance and transparency and value for money.

Due to the size and scale of the functions delivered by the Board in comparison with other public sector bodies, Deloitte LLP had concluded that the full wider scope of the audit would not be appropriate. Their work in this area would therefore be restricted to:

- a. the appropriateness of the disclosures in the governance statement; and
- b. the financial sustainability of the Board and the services it delivers over the medium to longer term.

Full details of the remit of the audit were contained in Appendix 1 of the Report - Planning report to the Board on the audit for the year ending 31 March 2020.

The Board

Decided: to agree the Planning Report to the Board on the 2019/20 Audit.

Item 7 – 2020/21 Revenue and Capital Budgets

There was submitted a report (circulated) dated 24 February 2020 by the Treasurer to the Board seeking approval from Members of the Board for the 2020/21 revenue and capital budgets.

Revenue Budget

The Service Lead – Corporate Accounting reported that in March 2019, the Board approved its 2019/20 revenue budget based on no change in the level of revenue requisition from that provided by the constituent authorities in 2018/19, following a series of reductions in previous years.

2019/20 was the final year of a two year agreement to maintain funding levels, which required support from the Board's reserves of £198,493 in order to balance the budget.

In addition, the constituent authorities also agreed to maintain capital funding of £70,000 for financial year 2019/20.

The Assessor and Treasurer were requested to discuss future funding arrangements with the constituent authorities. Following financial analysis, forecasting and meetings with the three constituent authority Chief Executive Officers, a collective agreement was reached in principle to increase the level of annual revenue requisition as follows: 2020/21 and 2021/22 up to a maximum of 5% and 2022/23 up to a maximum of 2%.

The 2020/21 revenue budget has been prepared jointly by the Assessor and the Treasurer. In keeping with previous years, a one-year budget was formally proposed at this time, which would allow the Assessor to consider the full impact on the Board's operations of the Barclay Review implications.

In the 2020/21 revenue budget, provision has been made for the following:

A pay award increase of 3% in line with national agreements, including a living wage of £9.30 per hour representing an overall increase of £60,000.

The budgets for supplies and services costs and administrative costs would be increased by £5,000 in line with anticipated costs for postage and audit fees.

Savings of £42,500 had been identified within postage, training and valuation appeal costs. This represented 1.85% of 2019/20 net revenue expenditure and the corresponding budgets within administrative costs and third party payments had been reduced accordingly.

The budget of £7,500 for property rental income had been removed to reflect the impact of current market conditions on the Board's ability to generate income from letting part of the property.

Non-recurring expenditure and income budgets of £25,000 each had been created for work on canvass reform to be undertaken during 2020/21. Costs would be incurred through a lead authority and subsequently reclaimed in full from the Scottish Government.

The Board received £125,000 from the Scottish Government (via the constituent authorities) as part of the 2019/20 revenue budget to implement the first stage of the Barclay Review implications. For 2020/21, budgets have been increased to reflect the next stage of the Barclay Review.

Existing budgets for IER funding have been removed to reflect the expected cessation of funding from the UK Cabinet Office in 2020/21.

All other budgets remained as approved in March 2019.

The anticipated net revenue expenditure of the Board for 2020/21 would be £2,759,736.

Capital Budget

Capital funding of £50,000 for financial year 2020/21 (2019/20: £70,000) would be provided to the Board as agreed by the constituent authorities in order to support the ongoing purchase and implementation of a new core operating system.

The Service Lead – Corporate Accounting explained that with **no increase in requisition**, the Board's reserves would be exhausted during 2021/22:

The Board's strategy on reserves would be to follow best practice, which indicated a level of uncommitted reserves of approximately £50,000. Therefore, in order to manage the planned reduction in the Board's reserves as smoothly and effectively as possible, the revenue requisition for 2020/21 would increase by 5% from 2019/20 levels. Financial analysis and modelling work would continue during 2020/21 in order to inform decisions on any increase in revenue requisition for 2021/22 and 2022/23.

The Service Lead – Corporate Accounting summarised the revenue and capital requisitions for 2020/21, based on a 5% increase in revenue requisition:

The resulting gap between anticipated net revenue expenditure and total revenue requisition for 2020/21 would be £168,707. It was proposed to use a draw on the Board's Reserves in order to bridge that gap.

At the end of 2020/21 the projected uncommitted reserve balance of £246,000 would be higher than that suggested by best practice. However, continued financial modelling and scenario planning would allow the Board to manage a planned reduction in reserves in order to help ensure that both the Board's and the constituent authorities' resources are used as effectively as possible.

A Member enquired as to how confident the Treasurer was, on the level of reserves, if the Assessor and ERO filled the current vacancies and the Service Lead – Corporate Accounting advised that additional funding had been received for the implementation of the Barclay Review, he also advised that the current vacant posts would not be filled immediately.

The Assessor and ERO intimated that she would like to seek the Board's approval to reconsider the current structure and to consider other opportunities, that would allow the filling of posts within budgetary constraints. A Member questioned why there was not a budget line for the costs associated with new/refurbished accommodation and the Assessor and ERO advised Members that she had looked at other properties but did not wish to consider this possibility until the new core system was in place. As the current server was old she did not wish to jeopardise the installation of the system by moving or refurbishing the property.

The Service Lead – Corporate Accounting indicated that the budget was set taking into account all capital and revenue funding and the likely expenditure the Board would have. Once the new system was in place the property would have more of a priority. He also advised that it would be unlikely that reserves would cover this and that discussion would require to take place with constituent authorities.

A Member enquired as to the recruitment process for the vacant posts and how the Assessor and ERO could ensure that she would be able to fill the posts. The Assessor and ERO advised that she would like to experiment with the structure to test the market and may create a promoted posts. She intimated that she would wish to implement a structure that could be sustained over the next 3-5 years.

The Chair enquired as to the level of reserves being set at 2%. The Service Lead – Corporate Accounting advised that it was within the Board's remit to change this level and that Audit Scotland recommended a level of between 2 – 4 %. After further discussion it was agreed to maintain the level of reserves at 2%.

The Board

Decided:

- (1) to approve the 2020/21 revenue budget as summarised at section 4 and as detailed in Appendix 1 of the Report;
- (2) to note that revenue requisition income from the Board's three constituent authorities would increase to £2,591,029 for financial year 2020/21. (referred to in paragraphs 4.6, 4.7 and Appendix 2 of the Report);
- (3) to note the impact on the Board's reserves arising from the budgeted funding gap in 2020/21 (referred to in paragraph 4.9 of the Report); and
- (4) to note the agreed capital funding of £50,000 from the constituent authorities for 2020/21 (referred to in paragraph 4.4 of the Report).
- (5) to authorise the Assessor and ERO to reconsider the current structure of AVJB and to pursue various options in relation to staff, recruitment and training.

Item 8 – Risk Management Strategy Report

There was submitted a report (circulated) dated 27 January 2020 by the Assessor and ERO presenting to the Board the rationale behind the Strategic Risk Register.

The Board

Decided: to note the content of the report.

Item 9 – Strategic Risk Register Report

There was submitted a report (circulated) dated 27 January 2020 by the Assessor and ERO which allowed the Board to compare the Strategic Risk Register with the Risk Management Strategy.

The Board

Decided: to note the content of the report.

Item 10 – Electoral Registration Report

There was submitted a report (circulated) dated 24 February 2020 by the Principal Admin and IT Development Officer updating Members on the position with regard to the Board's functions concerning Electoral Registration.

Appendix 1 provided detail on potential young electors, absent vote rejection at the UK Parliamentary General Election, the absent vote refresh, the 2020 canvas reform and registration activity. Appendix 2 of the report provided detail on the changes to the register.

The Board

Decided: to note the content of the report.

Item 11 – Valuation and Performance Report

There was submitted a report (circulated) dated 20 February 2020 by the Head of Valuation Services and Assistant ERO advising Members on progress achieved in Valuation and Council Tax for the period 1 April 2019 to 31 January 2020.

Appendix 1 of the report provided the detail in valuation and performance in both Council Tax and Non Domestic Rates. Councillor Easdale sought clarity on Appendix 1; 1.1 – Appeals Referred to the Lands Tribunal for Scotland and 1.2 – Outstanding Appeals Not Referred to the Lands Tribunal for Scotland and the Head of Valuation Services and Assistant ERO clarified the process.

The Board

Decided: to note the content of the report.

Item 12 – Proposed Schedule of Dates for AVJB Meetings 2020/21

Schedule of Meetings

There was circulated a notice of the proposed schedule of dates for the AVJB meetings for 2020/21.

The Board

Decided: to approve the schedule of dates for the AVJB meetings for 2020/21 as detailed below:

Tuesday 15 September 2020
Wednesday 13 January 2021
Tuesday 2 March 2021
Tuesday 1 June 2021

Item 13 – Any Other Competent Business

3 year Service Plan

The Assessor and ERO advised that she had intended to present the 3 year Service Plan to this meeting but as there were many unknown variables to consider at the moment, particularly in relation to Non Domestic Rates, she requested the Board's permission to submit the report to the September Meeting.

The Board

Decided: to agree that the Assessor and ERO submit the 3 year Service Plan to the September 2020 meeting of the Board.

Assessor and ERO's Annual Appraisal

The Clerk to the Board intimated that the Assessor and ERO's annual appraisal interview would require to be arranged. The Clerk also reminded the Board of the members of the Appraisal Panel and advised that Councillor Donald L Reid, North Ayrshire Council, who was a member of the Appraisal Panel, had resigned from the Board and a replacement could be sought from the remainder of the North Ayrshire Council members of the Board. After discussion it was agreed that Councillor Donald Reid was nominated onto the Appraisal Panel; proposed by Councillor Jean McClung and seconded by Councillor Margaret George, North Ayrshire Council.

The Board

Decided: to instruct the Clerk to arrange the Assessor and ERO's annual appraisal and report findings to the June meeting of the AVJB.

Item 14- Date and Time of Next Meeting

The Board noted that the next meeting would be held on **Tuesday 2 June 2020 at 10.30am** within the Robert Burns Room, East Ayrshire Council Headquarters, London Road, Kilmarnock.

The meeting ended at 11.15 am