

ANGUS COUNCIL

COMMUNITIES COMMITTEE – 28 FEBRUARY 2017

**APPOINTMENT OF RATING REVALUATION CONSULTANTS
PROCUREMENT AUTHORITY APPROVAL REQUEST**

REPORT BY HEAD OF TECHNICAL AND PROPERTY SERVICES

ABSTRACT

Report seeks authority for the proposed procurement of a rating re-valuation consultant on a 'no win, no fee' basis.

1. RECOMMENDATIONS

1.1 It is recommended that the Committee:

- (i) notes the appointment of a rating re-valuation consultant on a 'no win, no fee' basis for a period of three years from April 2017 to March 2020, and that the value of the fee will be on a % basis dependent on the consultants success on reducing the council's Rateable Values;
- (ii) notes that the procurement will be led by Dundee City Council on a collaborative basis;
- (iii) approves the procurement authority, as contained in this report, in accordance with the process stated in Section 16.8 of the Financial Regulations and the use of the Crown Commercial Service – Estates Professional Services Contract RM928 in accordance with Financial Regulation 16.6;
- (iv) notes that the funding for this project will be available from the reduction in the rates payable by the council based on revisions to the Rateable Values achieved by the consultant;
- (v) notes the financial implications included in Section 6 of this report.

2. ALIGNMENT TO THE ANGUS COMMUNITY PLAN/SINGLE OUTCOME AGREEMENT/COPORATE PLAN

2.1 This report contributes to the following local outcomes contained within the Angus Community Plan and Single Outcome Agreement 2013-2016:

- We have a sustainable economy with good employment opportunities
- Angus is a good place to live in, work and visit

3. BACKGROUND

3.1 In general non-domestic rates are a tax on the right to use and occupy commercial property and are based upon rental values which use evidence of actual rents to estimate the Rateable Values of property/ sites.

3.2 With some properties/ sites such as schools, children homes, offices, sports centres, etc there is little or no direct evidence of actual rents and in these circumstances Tayside Assessors may use an alternative method of valuation called the contractor's principle. The contractor's principle estimates the cost of replacing the building, makes an adjustment for obsolescence,

adds the capital value of the site; and then uses a decapitalisation rate to give an annual equivalent that is taken to be the Rateable Value.

- 3.3 Values and construction costs change over time and Rating Revaluations are undertaken on average on a five yearly basis to ensure that these changes are reflected in the non-domestic rates that occupiers and owners are required to pay. The latest Rating Revaluation has been carried out and will be implemented in 2017.
- 3.4 The latest Rating Revaluation is due to come into effect on 1 April 2017 and is based upon rental values and construction costs as at 1 April 2010. Depending on the extent of works and when they were carried out to council building since 2010 there may be substantial increases to the values of some buildings. This will only become apparent once the actual Rating Revaluation figures are available from the Tayside Valuation Joint Board which is due around May/ June 2017. For comparison in 2010 the initial Rateable Value figures submitted by the Tayside Valuation Joint Board indicated an increase in the region of 30%. As we have previously carried out a review of the Rateable Values in 2010 the new figures for 2017 are not anticipated to be at this level.
- 3.5 When the last Rating Revaluation was carried out Angus Council procured the services of Ryden LLP on a 'no win, no fee' basis. Details of this procurement are contained in Report 877/10 approved by the Corporate Services Committee on the 2 December 2010. Payments to the consultant were on the basis of a percentage of the savings achieved following successful rating appeals. The total fees paid under the last arrangement were approximately £25,000 which would have been based on savings of £500,000 in the Rateable Value.

4. SCOPE OF CONTRACT

- 4.1 The consultancy service requirement comprises undertaking a review of the ratings assessments provided by the Tayside Valuation Joint Board on all non-domestic properties/ sites held by Angus Council. The review is to determine the accuracy of the information used to inform the assessment, whether the rate liability represents an undervaluation or overvaluation of the premises/ sites and to inform the council of the viability and implications of an appeal. The consultant is to provide strategic advice to enable the selection of the most appropriate and effective methods of securing maximum rebates on the current assessments and where required any future assessments. This is to cover approximately 350 properties and sites held by the council and affected by the revaluation.
- 4.2 The appointed consultant is also to negotiate appeals with the relevant valuation Office Agency to secure the most advantageous position for the council. There are also to represent the council in the capacity of an appointed Rating Agent at any Valuation Tribunals.
- 4.3 The consultancy service is to be in place for a period of three years from April 2017 to March 2020.

5. PROCUREMENT AUTHORITY

Objectives

- 5.1 The main objective is to provide a service relating to the Rating Revaluations to Angus Council which cannot be met using current resources. This service should result in savings to the council's rates costs. The current value of rates paid by Angus Council (calculated on the Rateable Value) is in the region of £4.3m.

Sourcing Route/ Collaborative Opportunities

- 5.2 Tayside Procurement Consortium (TPC) has been contacted by Dundee City Council regarding this opportunity. In addition, Dundee were approaching other local councils to identify if they were interested in a joint arrangement. Dundee City Council are taking the lead on this procurement opportunity following discussions with TPC. The collaborative procurement opportunity has been investigated and Angus Council is working with Dundee City Council to procure a Rating Revaluation Consultant on a joint basis. Initial meetings have been held on the 19 December 2016 and the 9 January 2017 to take forward this process.

- 5.3 Dundee City Council will be taking the lead on this collaborative procurement exercise as they have the larger number of properties and higher overall Rateable Value. They are anticipating a minimum of a 5% reduction in their Rateable Values. It is anticipated that Angus Council can make the same level of reductions.
- 5.4 The procurement will be carried out using the Crown Commercial Service - Estates Professional Services RM928 framework agreement. A mini-competition will be run on the single lot in place requesting Rating Support Services and Rating Appeals which are included in the lot description. The suppliers have originally been appointed onto the framework agreement following the completion of an EU compliant open tendering exercise by Crown Commercial Services. The framework is open to all public bodies throughout the United Kingdom.
- 5.5 By working with Dundee City Council on a joint arrangement using the Crown Commercial Services framework it is anticipated that the following benefits are realised:
- larger portfolio of properties/sites attracts better rates.
 - use of larger estates surveying consultancies provided access to highly experienced specialist rating appeals staff.
 - improved justification of appeals by using a larger sample of comparable buildings in the local area comprising Dundee and Angus.
 - direct access to consultancies with national experience in rating appeals and a track record in winning appeals.
- 5.6 It is anticipated that 'mini-competition' documentation will be issued in by March 2017 by Dundee City Council and will follow their standard tender process. The conditions of contract will be the contract terms and conditions contained in the framework which must be used in the 'mini-competition' as they are intrinsic to the framework. Tender documentation will include details of the service requirement that is to be met. Tenders will be evaluated in accordance with Section 5.9 of this report and the projected date for award of contract is April 2017. The contract period is for three years to March 2020.
- 5.7 This report details the funding arrangements and procurement options which fall within the procurement authority requirements contained in Financial Regulations 16.6 and 16.8. This procurement is not considered to be a "major procurement" in terms of Financial Regulation 16.8.4. Approval of this report would mean that the contract can be accepted without the need for further approval by the relevant committees. In accordance with the current arrangements the contract award will be the subject of a Information Report in due course.

Procurement Procedure and Contract Award Criteria

- 5.8 The procurement of the service will follow the mini-competition route contained in the framework schedule. This comprises issuing a detailed service requirement to the suppliers in line with the procedures contained in the framework arrangement.
- 5.9 The tenders will be evaluated on the basis of the most economically advantageous tender (MEAT) in accordance with the framework schedule criteria which are weighted according to importance. In accordance with the framework already in place price is to be given a weighting of 30% (variable by +/-30%), with the other quality related criteria listed below to be given a total weighting of 70% (variable by +/-30%). The evaluation sub-criteria and final weightings are to be agreed with Dundee City Council prior to the issue of tender documents. As noted depending on the final agreement with Dundee City Council the split between price/quality can vary by up to 30% in accordance with the framework.

Quality Criterion – 70% (this can be modified by the Contracting Body within a variance level of +/-30%):

- Methodology - to ensure best/optimum solutions in accordance with the Customer's needs and meets the Schedule of Services requirements (sub-weighting to be agreed).
- Resourcing – qualifications, experience and provision of CV's for named individuals by the supplier to meet the requirements (sub-weighting to be agreed).
- Management of Sub-Contractors – identify sub-contractors and how they are to be managed. (sub-weighting to be agreed).
- Contracting Body's Specific Requirements – fair work practices, confirmation of no conflicts of interest, etc (sub-weighting to be agreed)

Price Criterion:

- The weighted price of 30% (this can be modified by the Contracting Body within a variance level of +/-30%) will be evaluated on the basis of the lowest total percentage offered. This will be basis of a 'no win, no fee' with the fee percentage applied to the reduction in Rateable Value achieved.

5.10 Once the tenders have been evaluated as noted above, then an acceptance will be issued to the tenderer providing the highest MEAT score.

6. FINANCIAL IMPLICATIONS AND ALLOWANCE IN ESTIMATES

6.1 It is not possible to assess the full financial implications arising from appointing a consultant as the fee will be based on the degree of success in negotiating a reduction in the Rateable Value to be set in the 2017 revaluation.

6.2 Experience of the last Revaluation in 2010, when Ryden LLP acted on behalf of Angus Council, indicates that the total fees payable should not exceed £50,000 as it is considered that the opportunity for significant reductions in the 2017 values will be difficult to achieve. Any fees payable due to a successful appeal will be met by the holding Directorate for that property/ site. These fees will result from actual savings achieved by the consultant based on the properties/sites Rateable Value. Angus Council's current rates charges are in the region of £4.3million which excludes exempt Angus Alive properties.

6.3 Any increase the Rateable Value will only become apparent once the revaluation information is received by the council from the Tayside Valuation Joint Board. Based on previous experience it is anticipated that this information will be available from May 2017. From the last revaluation in 2010 the overall budget issue was identified at £636k, however this was offset by savings resulting in the Rateable Value of approximately £500k.

6.4 It is not envisaged that the latest revaluation will result in the same level of increase in the Rateable Value. The appointment of a specialist rating revaluation consultant on a 'no win, no fee' basis will allow the council to minimise any rates charges without incurring unnecessary consultancy costs. It is anticipated by Dundee City Council and Angus Council that a reduction of 5% of an increase to the Rateable Value should be achievable following successful appeals.

6.5 No additional allowances are in place within the council's revenue budgets to cover any significant increases in rates charges. It should be noted however that the overall position on rates will be investigated by the Head of Corporate Improvement and Finance once all 2017/18 rates bills have been paid.

7. OTHER IMPLICATIONS

Risks

7.1 No significant risks have been identified with this procurement exercise, however an initial assessment of risk for this procurement has initially identified the follow issues:

Risk	Mitigating Actions
Unable to agree collaborative arrangements with Dundee City Council	Angus Council can proceed with procuring specialist consultant on a stand-alone basis. This may result in less favourable rates being received with increased consultancy charges.
Mini-competition doesn't provide suitable level of fee based on the level of savings anticipated	No requirement to proceed with appointing a specialist consultant if not cost effective. Alternative procurement arrangement to be considered.
Level of savings not achieved by the specialist consultant	Specialist consultant appointed on a 'no win, no fee' basis. In the event that savings are not achieved the cost of specialist consultancy to the council is minimised.
Continuity of Service	Due to the nature of this consultancy the use of a single supplier is not considered to be a significant risk.

NOTE: The background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) which were relied on to any material extent in preparing the above report are:

- Corporate Services Committee 2/12/10
- Report No 877/10 – Appointment of Rating Revaluation Consultants

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