

## RENFREWSHIRE VALUATION JOINT BOARD

**To:** Renfrewshire Valuation Joint Board

**On:** 19 January 2018

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**Report by:** The Treasurer

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**Heading:** Revenue Estimates 2018/19 to 2020/21

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### 1. Background

- 1.1 The following report has been prepared by the Treasurer, in consultation with the Assessor, to present the Revenue Estimates of Renfrewshire Valuation Joint Board including the requisition of constituent authorities for the financial year 2018/19 and indicative planning figures for 2019/20 and 2020/21.

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### 2 Recommendations

- 2.1 It is recommended that members:

- (a) approve the 2018/19 Revenue Estimates as submitted at Appendix 1 and the requisitions for constituent authorities as submitted at Appendix 2;
- (b) approve the utilisation of balances during 2018/19 as detailed in Appendix 1;
- (c) note the indicative estimates for 2019/20 and 2020/21.

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### 3 Background

- 3.1 The Annual Revenue Estimates process each year outlines the summary revenue budget position for the organisation. The budget estimates provided in the attached Appendix 1 outline the proposed requisition for 2018/19, and also outlines an indicative projected position for 2019/20 and 2020/21 for member's information and as an aid to constituent authorities financial

planning. The assumptions used in developing these projections are outlined in section 4 below.

- 3.2 The financial environment in which the Valuation Joint Board and member authorities operate continues to be characterised by significant demand and cost pressures, compounded by reducing levels of government grant support. The Scottish Budget and local government settlement announced on 14 December 2017 again reflected a revenue grant cut for local authorities. The settlement announced was for a single financial year only, adding some uncertainty to financial forecasts. However, it is recognised that over the medium term, local government in Scotland is likely to face further contraction in available resources, relating predominantly to the provision of revenue grant from the Scottish Government. In this context, the Valuation Joint Board will continue to seek operational savings to ensure financial sustainability.
- 3.3 Following the introduction of Individual Electoral Registration in 2014/15, the Cabinet Office has provided funding for any additional costs incurred as a result of additional duties undertaken during the lifetime of this Parliament. However, this funding is diminishing and in addition the Board may have to apply on an annual basis should there be any costs not met from the Cabinet office's initial allocation through a Justification Led Bid in the January of each financial year. Should this be required it should be noted that this funding cannot be relied on as a certainty. Recent developments have seen the Cabinet Office set up pilot schemes throughout the UK to trial ways of reducing costs for the Annual Canvass, these will take place during 2017/18 and any resultant changes to the canvass are expected to come into force no earlier than 2019/20 to allow for suitable evaluation of the pilots and consultation on suggested changes. Given this programme there is therefore a serious concern going forward with regards meeting the costs of the annual canvass and having to rely on submitting and being successful for a Justification Led Bid should that be necessary.

## **4 Budget Assumptions**

- 4.1 The budget has been constructed on the basis of the following assumptions:-
- A budget provision of 3% in relation to the 2018/19 pay award has been included in the budget forecast, recognising the removal of the 1% cap on public sector pay awards (3% has also been assumed in the indicative 19/20 and 20/21 forecasts). It is recognised that national pay negotiations for local government are ongoing however these are likely to be materially influenced by the Scottish Government public pay policy outlined in the Budget in December 2017, which proposed a 3% pay award. Should the agreed position be in excess of or less than this budget provision an appropriate adjustment will require to be made to the 2018/19 budgeted reserves balance;
  - In line with previous years' practice no inflation adjustment has been made to all non-pay expenditure lines;

- Adjustments have been made to specific budget lines to reflect operational experience in relation to:
  - employee costs - a budgeted staffing turnover assumption of 4% has been applied;
  - property costs – increase is due to the Board requiring insurance cover in its own right as opposed to being covered by Renfrewshire Council arrangements;
  - supplies and services – increased due to rising IT maintenance costs;
  - administration costs – reduced due to reduction in SLA for support services from Renfrewshire Council;
  - other income – rental income has been assumed from sub-letting surplus office space within the Robertson Centre. The use of this space is being discussed with Renfrewshire Council who may have a use for the space; however if this does not transpire then a commercial sub-let will be explored. There is some risk around this proposal and it will be carefully monitored in 2018/19;
  - requisitions – requisition levels have been increased by 3% - see 5.4 below.

4.2 Account has been taken of the ongoing costs of implementing the Individual Electoral Registration scheme during 2018/19 and this has been matched by additional budgeted income. In the event that match funding is not provided by either the Cabinet Office or the Scottish Government, a draw on reserves may be required to meet these costs.

4.3 The Assessor will continue to control expenditure on a "bottom line" basis in order that the effective management of RVJB operational finances continues. This allows the Assessor some flexibility in controlling expenditure within the agreed overall budget to ensure that the statutory obligations are met. Any significant factors which affect either expenditure or income would be reported to Members at the earliest opportunity.

## 5 Financial Overview

5.1 The funding settlement for 2019/20 and beyond is uncertain and it is recognised that over the medium term the funding position of local government across Scotland is likely to involve a further period of contraction. However, it is currently anticipated that the Board will require to identify further recurrent savings from 2019/20.

5.2 The Revenue Estimates paper for 2017/18 agreed a review of the current operations in order to develop further efficiency proposals. This review is practically complete and several key workstreams within the service have been analysed. With investment in key ICT systems such as document management and electoral management, it is anticipated that over the medium term efficiencies will be generated from these areas and the

indicative estimates for 2019/20 and 2020/21 include an assumed level of saving over this period of up to £120,000.

- 5.3 In terms of other financial risks, the Board will continue to face pressures associated with the ongoing Non Domestic Revaluation plus the ongoing additional costs of Electoral Registration. In addition, there is the potential of additional work arising from the restoration of Shootings and Deer Forests into the Valuation Roll and also importantly work flowing from the Barclay Review of Non Domestic Rates and the implementation plans outlined by the Scottish Government in the Budget papers. Also with the introduction of the new General Data Protection Regulations in Spring 2018, the Board will need to appoint a Data Protection Officer and provide training to this officer. This may have an impact on resources in terms of cost of training and staff time. Finally, there are potential risks associated with the ongoing appeals from the 2017 revaluation and the risk of an unexpected electoral event which the Board would require to respond to quickly.
- 5.4 The projected reserves position of the Joint Board at the end of the 2018/19 financial year is estimated to fall to 5% of turnover. This is at the floor of the level deemed prudent by the Treasurer in terms of ensuring financial sustainability and managing the financial risks outlined above facing the Joint Board. Therefore it is proposed that members requisition will increase by 3% in 2018/19, with a further planned increase of 1% within financial years 2019/20 and 2020/21 to ensure the core operations of the Joint Board remain sustainable.

## 6 Requisitions payable by Member Councils

- 6.1 As approved by the Joint Board at a meeting on 18 February 2000 the allocation of the requisition across the constituent authorities will be based on the percentage proportions of the GAE. The analysis of the 2017/18 GAE for constituent member authorities is as follows:-

Council	Council Tax Valuation	Land Valuation	Electoral Registration	TOTAL	Total %
East Renfrewshire	150,000	139,000	101,000	390,000	20.60%
Inverclyde	152,000	185,000	102,000	439,000	23.10%
Renfrewshire	335,000	508,000	225,000	1,068,000	56.30%
<b>TOTAL RVJB</b>	<b>637,000</b>	<b>832,000</b>	<b>428,000</b>	<b>1,897,000</b>	

- 6.2 The proposed overall requisition level for member authorities is £2,222,700 which is a 3% increase against 2017/18 requisition levels. Individual member requisition levels are detailed in Appendix 2 and contain planned requisition levels until 2020/21. The planned figures represent a further requisition increase of 1% for financial years 2019/20 and 2020/21.

**RENFREWSHIRE VALUATION JOINT BOARD**

**REVENUE ESTIMATES 2018/19 to 2020/21**

**OVERVIEW**

	Approved Total 2017/18	Proposed Core 2018/19	Proposed IER 2018/19	Proposed Total 2018/19	Indicative Total 2019/20	Indicative Total 2020/21
	£					
<b>Expenditure</b>						
Employee costs	1,748,700	1,701,400	60,800	1,762,200	1,776,800	1,787,500
Property costs	217,500	237,900	-	237,900	237,900	237,900
Supplies and Services	81,900	91,900	-	91,900	91,900	91,900
Contractors	25,000	25,000	-	25,000	25,000	25,000
Administration costs	279,300	229,500	29,800	259,300	254,300	249,300
Payments to Other Bodies	19,700	19,700	-	19,700	19,700	19,700
Required Saving					(23,000)	(5,200)
<b>Total Expenditure</b>	<b>2,372,100</b>	<b>2,305,400</b>	<b>90,600</b>	<b>2,396,000</b>	<b>2,382,600</b>	<b>2,406,100</b>
<b>Income</b>						
Sales, fees and charges	5,000	5,000	-	5,000	5,000	5,000
Temporary interest	1,000	1,000	-	1,000	1,000	1,000
Lease Income	-	10,000	-	10,000	40,000	40,000
Income from IER scheme	89,500	-	90,600	90,600	91,700	92,800
<b>Total Income</b>	<b>95,500</b>	<b>16,000</b>	<b>90,600</b>	<b>106,600</b>	<b>137,700</b>	<b>138,800</b>
<b>Net Expenditure</b>	<b>2,276,600</b>	<b>2,289,400</b>	<b>-</b>	<b>2,289,400</b>	<b>2,244,900</b>	<b>2,267,300</b>
<b>Funded by</b>						
Requisitions	2,158,000	2,222,700	-	2,222,700	2,244,900	2,267,300
Transfer from /(to) Balances	118,600	66,700	-	66,700	-	-
	<b>2,276,600</b>	<b>2,289,400</b>	<b>-</b>	<b>2,289,400</b>	<b>2,244,900</b>	<b>2,267,300</b>
Balance	-	-	-	-	-	-
<b>Application of Balances</b>						
Surplus brought forward	193,447	183,447	-	183,447	116,747	116,747
Application of balances	0	(66,700)	-	(66,700)	-	-
Projected Overspend	(10,000)	-	-	-	-	-
<b>Surplus carried forward</b>	<b>183,447</b>	<b>116,747</b>	<b>-</b>	<b>116,747</b>	<b>116,747</b>	<b>116,747</b>
% of Net Expenditure	8%	5%		5%	5%	5%
	<b>Total 2017/18</b>	<b>Core 2018/19</b>	<b>IER 2018/19</b>	<b>Total 2018/19</b>	<b>Total 2019/20</b>	<b>Total 2020/21</b>
	£					
<b>Requisition Analysis</b>						
East Renfrewshire	444,600	457,900	-	457,900	462,400	467,100
Inverclyde	502,800	513,400	-	513,400	518,600	523,700
Renfrewshire	1,210,600	1,251,400	-	1,251,400	1,263,900	1,276,500
	<b>2,158,000</b>	<b>2,222,700</b>	<b>-</b>	<b>2,222,700</b>	<b>2,244,900</b>	<b>2,267,300</b>



**Member Requisitions for Financial Years 2018-19 to 2020-21  
Renfrewshire Valuation Joint Board**

		2017/18 Requisition £	2018/19 Requisition £	2019/20 Requisition £	2020/21 Requisition £
EAST RENFREWSHIRE	20.60%	444,600	457,900	462,400	467,100
INVERCLYDE	23.10%	502,800	513,400	518,600	523,700
RENFREWSHIRE	56.30%	1,210,600	1,251,400	1,263,900	1,276,500
		2,158,000	2,222,700	2,244,900	2,267,300

**Requisition Payable by Member Councils on 1st October each financial year**