

RENFREWSHIRE VALUATION JOINT BOARD

To: Renfrewshire Valuation Joint Board

On: 20 January 2017

Report by: The Treasurer

Heading: Revenue Budget 2017/18

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 for 2017/18 and to establish the 2017/18 requisition.

2 **Recommendations**

- 2.1 It is recommended that members:

- (a) approve the 2017/18 Revenue Estimates as submitted at Appendix 1 and the requisitions for constituent authorities as submitted at Appendix 2;
 - (b) note that the 2018/19 revenue budget and associated requisition levels will be developed in future years once member council grant levels have been confirmed;
 - (c) request the Assessor continue to review service delivery to in order to ensure the service remains sustainable and affordable in the context of the local government financial environment and to work with the Treasurer in this regard; and to ensure reserves remain appropriate to the financial risks facing the Board.
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3 Background

- 3.1 It is recognised that over the medium term, local government in Scotland is likely to face a further contraction in available resources, relating predominantly to the provision of revenue grant from the Scottish Government. In this context the Renfrewshire Valuation Joint Board will continue to seek operational savings where possible, and also continue to assess service delivery to ensure it remains sustainable and affordable.
- 3.2 The local government grant settlement position for 2017/18 was issued by the Scottish Government on 15 December 2016. While some clarification is still being sought, the settlement has resulted in a (like-for-like cash basis) cut to revenue grant funding to local authorities averaging in excess of 4%. The settlement is for a single year only. In this context and recognising the uncertainty over the level of financial contraction which local government is likely to face over the medium term, no indicative budget figures are provided for 2018/19. However, to provide some context for member authorities, each 1% movement in the proposed 2017/18 requisition for the Renfrewshire Valuation Joint Board amounts to circa £21,000, while a 1% pay award would cost circa £17,000.
- 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 has to apply for any costs not met through a Justification Led Bid in the January of each financial year. This money is subject to approval and 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 and any resultant changes to the canvass are expected to come into force no earlier than 2019 to allow for suitable evaluation of the pilots and consultation on suggested changes. Given this programme it is therefore a serious concern going forward about meeting the costs of the annual canvass and having to rely on submitting and being successful for a Justification Led Bid.

4 Budget Assumptions

- 4.1 The budget has been constructed on the basis of the following assumptions:-
- A budget provision for inflation on employee costs has been included at an estimated 1% for 2017/18. It is recognised that national pay negotiations remain ongoing and should the agreed position be in excess of this budget provision an appropriate adjustment will require to be made to the 2017/18 position;
 - 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; incremental pay uplifts have been included, as has a pay pressure relating to the grading of trainees; a saving related to service changes has also been applied and a cost relating a service review (see 5.4 and 5.5 below)
 - property costs – decreased in line with the loan period extension as agreed by the Board in November 2016; but offset by a significant increase (£14,000) in NDR costs.
 - supplies and services – increased due to rising IT maintenance costs;
 - administration costs – reduced due to reduction in SLA;
 - requisitions – requisition levels have been reduced by 2.5% as a contribution towards the impact of the contraction in local government funding. This includes a contribution to support a service review – see 5.5 below.
- 4.2 Account has been taken of the ongoing costs of implementing the Individual Electoral Registration scheme during 2017/18 and this has been matched by additional budgeted income. In the event that the requirements of the scheme continue to be met by the Joint Board but matching funding is not provided by either the Cabinet Office or the Scottish Government, a draw on reserves may be required to meet these costs. In 2016/17 it is predicted that £0.057m will require to be drawn from reserves to fund the current projected shortfall in funding.
- 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 As mentioned above in 3.3, the local government grant settlement position for 2017/18 resulted in a cash basis cut to revenue grant funding in excess of 4%. Recognising the financial pressures on councils, the requisition income available to the Renfrewshire Valuation Joint Board has been modelled on a 2.5% reduction, equating to £0.055m, in 2017/18.
- 5.2 The funding settlement for 2018/19 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 2018/19 and, to this end, the Assessor will undertake a further review of the service in order to identify saving options.

- 5.3 The Board will continue to face pressures associated with the ongoing Non Domestic Revaluation plus the ongoing additional costs of Electoral Registration highlighted at 4.2 above. In addition, there is the potential of additional work arising from the restoration of Shootings and Deer Forests into the Valuation Roll and any work following from the Commission on Local Tax Reform and the NDR Review announced by the Deputy First Minister on 16 December 2015.
- 5.4 At the Board meeting on the 18 November 2016 members agreed that the senior management structure of the Board would be revisited when the new Assessor and Electoral Registration Officer is appointed. On the assumption that this is the case, a saving of £60,000 has been assumed within the projected staffing costs. The new Assessor and ERO will require to agree with the Board proposals to achieve this saving early in their appointment.
- 5.5 The projected reserves position of the Joint Board at the end of the 2017/18 financial year is estimated to fall to 6% 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 facing the Joint Board. Therefore the Assessor will require to work with the Treasurer over the course of 2017/18 to ensure ongoing close monitoring of this position; and it is further proposed that the Treasurer supports the Assessor to review the operation of the service with a view to supporting any change required to ensure the efficient delivery of services. The formal scope of the review will be developed with the agreement of the Board, however it is anticipated the review would aim to highlight areas of best practice and, potentially, opportunities for improved working practice, which may require investment by constituent authorities to realise longer term savings. The costs of this review (estimated at £20,000) have been included within staffing costs.

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 2016/17 GAE for constituent member authorities is as follows:-

Council	Council Tax Valuation	Land Valuation	Electoral Registration	TOTAL	Total %
East Renfrewshire	150,000	140,000	101,000	391,000	20.60%
Inverclyde	153,000	186,000	103,000	442,000	23.30%
Renfrewshire	334,000	504,000	225,000	1,063,000	56.10%
TOTAL RVJB	637,000	830,000	429,000	1,896,000	

- 6.2 The proposed overall requisition level for member authorities is proposed at £2,158,000 which is a 2.5% reduction against 2016/17 requisition levels; this

includes a contribution towards the costs of the review outlined at 5.5 above. Individual member requisition levels are detailed in Appendix 2.

RENFREWSHIRE VALUATION JOINT BOARD

REVENUE ESTIMATES 2017/18

OVERVIEW

	Approved Core 2016/17	Approved IER 2016/17	Approved Total 2016/17	Proposed Core 2017/18	Proposed IER 2017/18	Proposed Total 2017/18
						£
Expenditure						
Employee costs	1,695,400	105,600	1,801,000	1,689,000	59,700	1,748,700
Property costs	241,500	-	241,500	217,500	-	217,500
Supplies and Services	79,900	-	79,900	81,900	-	81,900
Contractors	25,000	-	25,000	25,000	-	25,000
Administration costs	267,300	52,800	320,100	249,500	29,800	279,300
Payments to Other Bodies	19,700	-	19,700	19,700	-	19,700
Total Expenditure	2,328,800	158,400	2,487,200	2,282,600	89,500	2,372,100
Income						
Sales, fees and charges	5,000	-	5,000	5,000	-	5,000
Temporary interest	1,000	-	1,000	1,000	-	1,000
Income from IER scheme	-	158,400	158,400	-	89,500	89,500
Total Income	6,000	158,400	164,400	6,000	89,500	95,500
Net Expenditure	2,322,800	-	2,322,800	2,276,600	-	2,276,600
Funded by						
Requisitions	2,213,300	-	2,213,300	2,158,000	-	2,158,000
Transfer from /(to) Balances				118,600		118,600
	2,213,300	-	2,213,300	2,276,600	-	2,276,600
Balance	109,500	-	109,500	-	-	-
Application of Balances						
Surplus brought forward	466,704	-	466,704	247,004	-	247,004
Application of balances	(109,500)	-	(109,500)	(118,600)	-	(118,600)
Projected Overspend	(55,400)	(54,800)	(110,200)	-	-	-
Approved during the year						-
Surplus carried forward	301,804	(54,800)	247,004	128,404	-	128,404
% of Net Expenditure	13%		11%	6%		6%
	Core 2016/17	IER 2016/17	Total 2016/17	Core 2017/18	IER 2017/18	Total 2017/18 £
Requisition Analysis						
East Renfrewshire	455,900	-	455,900	444,600	-	444,600
Inverclyde	515,700	-	515,700	502,800	-	502,800
Renfrewshire	1,241,700	-	1,241,700	1,210,600	-	1,210,600
	2,213,300	-	2,213,300	2,158,000	-	2,158,000

APPENDIX 2**Estimates of Expenditure and Income for the Year Ended 31st March 2018
Renfrewshire Valuation Joint Board**

		2016/17 Requisition £	2017/18 Requisition £
EAST RENFREWSHIRE	20.60%	455,900	444,600
INVERCLYDE	23.30%	515,700	502,800
RENFREWSHIRE	56.10%	1,241,700	1,210,600
		2,213,300	2,158,000

Requisition Payable by Member Councils on 2nd October 2017