

RENFREWSHIRE VALUATION JOINT BOARD

To: Renfrewshire Valuation Joint Board

On: 26 February 2021

Report by: The Treasurer

Heading: Revenue Estimates 2021/22 to 2023/24

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 2021/22 and indicative planning figures for 2022/23 and 2023/24.
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2 Recommendations

- 2.1 It is recommended that members:
- a) approve the 2021/22 Revenue Estimates as submitted at Appendix 1;
 - b) approve the recommendations with regards requisitions for constituent authorities outlined in section 6
 - c) note the indicative estimates for 2022/23 and 2023/24.
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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 Appendix 1 outline the proposed requisition for 2021/22 along with an indicative projected position for 2022/23 and 2023/24 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 Renfrewshire Valuation Joint Board ("the Board") and member authorities operate has seen radical changes over the past year owing to the ongoing COVID-19 pandemic. Financial year 2021/22 brings further uncertainty until the vaccination programme is

complete. It also brings Scottish Parliamentary elections, currently scheduled for May 2021.

- 3.3 The Scottish Budget statement delivered on 28 January included further resources relating to specific ongoing pressures caused by the pandemic. The settlement announced was for a single financial year only, adding some uncertainty to financial forecasts. It is recognised that local government in Scotland is likely to face a challenging recovery over the short to medium term and could face further contraction in available resources, relating to the provision of revenue grant from the Scottish Government. In this context, the Board will continue to seek operational savings to ensure financial sustainability.

4 Budget Assumptions

- 4.1 The budget has been constructed on the basis of the following assumptions:

- A budget provision for 2021/22 pay inflation of 3% for those earning up to £25,000 and 1% thereafter has been included in the budget forecast, in line with the proposed public pay policy; pay inflation of 1.5% is assumed in the indicative 2022/23 and 2023/24 forecasts
- Following the latest triennial valuation of the Strathclyde Pension Fund, employer contributions have increased from 20.2% to 25% for the three budgeted years.
- Employee turnover is assumed at 4%, meaning that a net 96% of the total required employee cost is budgeted;
- In line with previous years' practice, no inflation allowance has been made for any non-pay expenditure lines.

- 4.2 The estimates presented for 2021/22 and beyond assume a level of funding from the constituent authorities towards the cost of implementing recommendations from the Barclay Review. This is outlined in the local government settlement from the Scottish Government as follows:

Member Council	2021/22
East Renfrewshire Council	£0.094m
Inverclyde Council	£0.105m
Renfrewshire Council	£0.256m
Total	£0.455m

For clarity, this funding will be passed through by each Council to the RVJB in full, in addition to the requisition outlined in Section 6 below.

5 Financial Overview

- 5.1 The funding settlement beyond 2021/22 is uncertain and it is recognised over the medium term that the funding position of local government across Scotland is likely to involve further contraction. However, the Board has, in recent years, identified recurring efficiencies through investment in both document management and electoral management systems in order to remain sustainable and to keep requisition increases to a minimum and it will continue to do so.
- 5.2 The Board will continue to face pressures associated with COVID-19 appeals, which must be disposed of by 31 December 2021. There are around 3,000 of these appeals, almost in line with 2017 revaluation levels, but with a far shorter timeframe for disposal.
- 5.3 A further pressure is valuation work relating to Fixed Line Telecommunications (FLT). The Assessor for Renfrewshire is the “Designated Assessor” for FLT throughout Scotland and should there be an appeal against any of the valuations for these subjects, the Board could incur substantive legal costs defending it. There is also the potential for significant costs relating to the preparation of some of these valuations in 2022, arising from the tone year for Scotland moving to a later date than England and Wales. This means that economic modelling work carried out for the UK will require to be updated for Scotland.

For both of these potential cost areas, negotiations would be pursued with the Scottish Government regarding funding, therefore no costs have been incorporated into the revenue estimates that affect council requisitions.

- 5.4 From 1 April 2021, a civil penalties regime will come into effect, empowering assessors to levy civil penalties for the failure to comply with Assessors’ Information Notices. Any monies raised will be paid into a Scottish Consolidated Fund, with a deduction allowed for reasonable expenses, meaning that this activity should be cost-neutral to the Board.
- 5.4 The projected reserves position of the Joint Board at the end of the 2020/21 financial year is estimated to amount to 17% of turnover. This is mainly due to the advance receipt of £195k of government funding in relation to the May 2021 elections, and also the timing of Barclay funding received to date. The election funding will be received in February 2021 for carry forward in reserves and is expected to be spent in full in 2021/22.

- 5.5 The level deemed prudent by the Treasurer in terms of ensuring financial sustainability and managing the financial risks outlined above facing the Joint Board is 5% of net expenditure.

6 Requisitions payable by Member Councils

- 6.1 As approved by the Board on 29 May 2020, the allocation of the requisition across the constituent authorities is based on the percentage proportions of GAE constituents used in 2019/20. This agreement arose from the distorting effect of a large self-storage facility based in Renfrewshire which skewed the GAE figures, and the position was to be reviewed annually. The Assessor has confirmed that the position remains as was the case in setting the 2020/21 budget therefore it is recommended that the requisition shares remain unchanged, as follows:

Local Authority	Council Tax Valuation	Land Valuation	Electoral Registration	Total	Total %
East Renfrewshire	£ 150,000	£ 133,000	£ 101,000	£ 384,000	20.67%
Inverclyde	£ 151,000	£ 176,000	£ 101,000	£ 428,000	23.04%
Renfrewshire	£ 335,000	£ 485,000	£ 226,000	£ 1,046,000	56.30%
Total	£ 636,000	£ 794,000	£ 428,000	£ 1,858,000	100.00%

- 6.2 It should also be noted that owing to a change in GAE methodology in 2020/21, the constituent for land valuation has been merged with collection; and the constituent for council tax valuation has also been merged with local tax collection. It is therefore recommended that the requisition shares across all three elements are based on the new GAE methodology being adopted in full from 2022/23.
- 6.3 The proposed overall 2021/22 requisition level for member authorities is £2,318,990, which is a 1.8% increase on 2020/21 requisition levels. Individual council requisitions are outlined below. These figures also incorporate draft requisition increases of 2.5% for 2022/23 and 2023/24; these are indicative only and will be kept under review over the next two years. As increases at this level are significantly above the likely movement in the local government settlement, they are recognised as being challenging for councils to fund. Consequently, it is likely that increasingly flexible use of reserves and a requirement for ongoing efficiency measures will continue to feature in setting future budgets.

- 6.4 The total requisitions payable by each authority for 2021/22, including the full pass-through of Barclay funding, are:

Member Council	Barclay Funding	Requisition 2021/22	Total
East Renfrewshire	£ 94,000	£ 479,275	£ 573,275
Inverclyde	£ 105,000	£ 534,191	£ 639,191
Renfrewshire	£ 256,000	£ 1,305,524	£ 1,561,524
Total	£ 455,000	£ 2,318,990	£ 2,773,990

**RENFREWSHIRE VALUATION JOINT BOARD
REVENUE ESTIMATES 2021/22 to 2023/24**

	Approved Budget	Forecast Outturn	Proposed Budget	Electoral Registration	Indicative Budget	Indicative Budget
	2020/21	2020/21	2021/22	2021/22	2022/23	2023/24
Expenditure						
Employee costs	2,050,754	1,777,146	2,126,003	74,541	2,206,751	2,262,951
Premises Related	165,115	189,418	187,530	0	187,530	187,530
Supplies and Services	432,201	540,490	427,850	120,435	417,850	407,850
Support Services	96,880	101,081	96,880	0	96,880	96,880
Transfer Payments	21,620	22,419	22,822	0	23,226	23,507
Transport Related	19,500	19,500	20,000	0	20,000	20,000
Depreciation/Loans	0	0	0	0	0	0
Total Expenditure	2,786,070	2,650,054	2,881,085	194,976	2,952,237	2,998,718
Income						
Sales, fees and charges	(25,500)	(26,500)	(25,500)	0	(25,500)	(25,500)
Temporary interest	(1,000)	0	(1,000)	0	(1,000)	(1,000)
Government Funding	0	(84,452)	0	0	0	0
Election Government Funding	0	(194,976)	0	0	0	0
Total Income	(26,500)	(305,928)	(26,500)	0	(26,500)	(26,500)
Net Expenditure	2,759,570	2,344,126	2,854,585	194,976	2,925,737	2,972,218
Funded by						
Core Requisition	(2,278,570)	(2,278,570)	(2,318,990)	0	(2,376,965)	(2,436,390)
Barclay Requisition	(471,000)	(471,000)	(455,465)	0	(455,465)	(455,465)
Transfer to/(from) Reserves	(10,000)	405,444	(80,130)	(194,976)	(93,307)	(80,363)
	(2,759,570)	(2,344,126)	(2,854,585)	(194,976)	(2,925,737)	(2,972,218)
Balance	0	0	0	0	0	0
Requisition movement			1.8%		2.5%	2.5%
Revenue Reserve						
Reserves at 1 April	(399,064)	(399,064)	(609,532)	(194,976)	(529,402)	(436,095)
Transfer from/(to) Reserves	10,000	(405,444)	80,130	194,976	93,307	80,364
Reserves at 31 March	(389,064)	(804,508)	(529,402)	0	(436,095)	(355,730)
% of Net Expenditure	14%	34%	19%	0%	15%	12%
Requisition Analysis	Total 2020/21 £		Total 2021/22 £		Total 2022/23 £	Total 2023/24 £
East Renfrewshire	(470,454)	20.67%	(479,275)	20.48%	(486,802)	(498,973)
Inverclyde	(522,044)	23.04%	(534,191)	21.55%	(512,236)	(525,042)
Renfrewshire	(1,286,072)	56.30%	(1,305,524)	57.97%	(1,377,927)	(1,412,375)
	(2,278,570)		(2,318,990)		(2,376,965)	(2,436,390)