

RENFREWSHIRE VALUATION JOINT BOARD

To: Renfrewshire Valuation Joint Board

On: 28 February 2020

Report by: The Treasurer

Heading: Revenue Estimates 2020/21 to 2022/23

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 2020/21 and indicative planning figures for 2021/22 and 2022/23.

2 Recommendations

2.1 It is recommended that members:

- a) approve the 2020/21 Revenue Estimates as submitted at Appendix 1;
 - b) approve the total requisitions for constituent authorities outlined in paragraph 6.4;
 - c) approve the proposal to maintain each Council's share of the land valuation element of the distribution mechanism at 2019/20 levels as an interim position while a revised distribution basis is developed, as outlined at 6.2;
 - d) note the indicative estimates for 2021/22 and 2022/23.
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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 2020/21 along with an indicative projected position for 2021/22 and 2022/23 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 continues to be characterised by significant demand and cost pressures, compounded by reducing levels of government grant support.
- 3.3 The Scottish Budget and local government settlement announced on 6 February 2020 again reflected a core 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 Board will continue to seek operational savings to ensure financial sustainability.
- 3.4 Following the introduction of Individual Electoral Registration (IER) in 2014/15, the Cabinet Office provided funding for costs incurred as a result of additional duties undertaken during the lifetime of the Parliament. This funding comes to an end on 31 March 2020 and the Joint Board will be expected to meet the costs of the annual canvas from its core budget. These costs are currently estimated at £70k for 2020/21.
- 3.5 With no obligation to repay unspent funding received to date, underspends of IER funding carried forward from previous years amounting to £76k will be transferred into Revenue Reserves at the end of 2019/20. This will be drawn down over the next three years to contribute to ongoing canvassing costs, which will now form part of the Board’s Core activities.

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 2020/21 pay award has been included in the budget forecast, in line with the current pay agreement; pay inflation of 3% is also assumed in the indicative 2021/22 and 2022/23 forecasts
 - In line with previous years’ practice, no inflation allowance has been made for any non-pay expenditure lines;
 - Adjustments have been made to specific budget lines to reflect operational experience in relation to:
 - employee costs – as well as pay inflation, a budgeted staffing turnover assumption of 4% has been applied;

- requisitions – proposed requisition levels have taken account of additional Barclay funding allocated to the Board through the Scottish local government settlement to Councils (see 4.4 below). For 2020/21 the Board is proposing a 1.0% reduction in requisition, however this direction is not sustainable into future years, owing to increasing pressure arising from pay inflation and the increased resources required to work to 3-year revaluation cycles under the new Barclay regime.

4.2 The estimates presented for 2020/21 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	2020/21	2019/20
East Renfrewshire Council	£0.097m	£0.041m
Inverclyde Council	£0.109m	£0.046m
Renfrewshire Council	£0.265m	£0.113m
Total	£0.471m	£0.200m

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.

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 2021/22 and beyond is uncertain and it is recognised that 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 the ongoing Non-Domestic Revaluation. Furthermore, there are potential risks associated with the ongoing appeals from the 2017 revaluation, which must be disposed of by

31 December 2020, as well as the risk of an unexpected electoral event that the Board would require to respond to quickly.

- 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 face substantive legal costs defending it. There is also the potential for significant costs relating to the preparation of these valuations in 2022.
- 5.4 The projected reserves position of the Joint Board at the end of the 2019/20 financial year is estimated to amount to 11% of turnover. This is mainly due to the delayed filling of posts associated with Barclay activity, as expected. It should be noted that 5% of net expenditure is the level deemed prudent by the Treasurer in terms of ensuring financial sustainability and managing the financial risks outlined above facing the Joint Board.

6 Requisitions payable by Member Councils

- 6.1 As approved by the Board on 18 February 2000, the allocation of the requisition across the constituent authorities is based on the percentage proportions of GAE constituents in relation to council tax valuation, land valuation (i.e. NDR rateable subject numbers) and electoral registration as a proxy for the workload demand on the Assessor in relation to each authority.
- 6.2 There has occurred an anomalous position with the number of rateable subjects in Renfrewshire increasing significantly due to a large self-storage facility based in Renfrewshire (the only facility of this type in Scotland), securing authority based on an English court decision to classify each individual self-storage area as a rateable subject – adding circa 3,000 additional subjects to the Renfrewshire number, which is an increase of approximately 55%. This distortion is not reflective of the principle by which the original shares were agreed; therefore it is proposed that while this position remains, the land valuation element of the requisition distribution agreed for 2019/20 remains in place, with the other elements (Council Tax valuation and electoral registration) being updated as per normal practice.

The Treasurer will discuss with each authority a fair basis for future distribution which is not distorted by such exceptional issues. The basis for shares is therefore proposed as per the table below:

Local Authority	Council Tax Valuation (20/21 GAE)	Land Valuation (19/20 share)	Electoral Registration (20/21 GAE)	Total	Total %
East Renfrewshire	£ 149,000	£ 133,000	£ 101,000	£ 383,000	20.65%
Inverclyde	£ 149,000	£ 176,000	£ 100,000	£ 425,000	22.91%
Renfrewshire	£ 336,000	£ 485,000	£ 226,000	£ 1,047,000	56.44%
Total	£ 634,000	£ 794,000	£ 427,000	£ 1,855,000	100.00%

- 6.3 The proposed overall requisition level for member authorities is £2,278,570, which is a 1% reduction on 2019/20 requisition levels. Individual member requisition levels are outlined below. These figures represent planned requisition increases of 1.8% for 2021/22 and 2.5% for 2022/23; this is indicative only and will be kept under review over the next two years.

Member Council	Allocation	2019/20	2020/21	2021/22	2022/23
East Renfrewshire	20.65%	£ 473,930	£ 470,454	£ 478,800	£ 490,697
Inverclyde	22.91%	£ 531,370	£ 522,044	£ 531,305	£ 544,507
Renfrewshire	56.44%	£ 1,295,200	£ 1,286,072	£ 1,308,885	£ 1,341,408
Total	100.0%	£ 2,300,500	£ 2,278,570	£ 2,318,990	£ 2,376,612

- 6.4 The total requisitions payable by each authority, including the full pass-through of Barclay funding, is therefore:

Member Council	Barclay Funding	Requisition 20/21	Total
East Renfrewshire	£ 97,000	£ 470,454	£ 567,454
Inverclyde	£ 109,000	£ 522,044	£ 631,044
Renfrewshire	£ 265,000	£ 1,286,072	£ 1,551,072
Total	£ 471,000	£ 2,278,570	£ 2,749,570

APPENDIX 1

Renfrewshire Valuation Joint Board

Revenue Estimates 2020/21 to 2022/23

	Approved Total 2019/20	Forecast Total 2019/20	Proposed Total 2020/21	Indicative Total 2021/22	Indicative Total 2022/23
Expenditure					
Employee costs	1,768,509	1,781,118	2,040,754	2,109,870	2,183,423
Premises Related	121,800	124,906	122,115	122,115	122,115
Supplies and Services	413,300	447,794	401,500	392,500	382,500
Support Services	116,500	105,300	116,500	116,500	116,500
Transfer Payments	32,700	26,651	42,201	42,505	42,815
Transport Related	0	22,971	20,000	20,000	20,000
Depreciation/Loans	43,000	43,000	43,000	43,000	43,000
Total Expenditure	2,495,809	2,551,740	2,786,070	2,846,490	2,910,353
Income					
Sales, fees and charges	(5,000)	(21,822)	(25,500)	(25,500)	(25,500)
Temporary interest	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Income from IER scheme	(81,500)	(93,838)	0	0	0
Total Income	(87,500)	(116,660)	(26,500)	(26,500)	(26,500)
Net Expenditure	2,408,309	2,435,080	2,759,570	2,819,990	2,883,853
Funded by					
Core Requisition	(2,300,500)	(2,300,500)	(2,278,570)	(2,318,990)	(2,376,612)
Barclay Requisition	(200,000)	(200,456)	(471,000)	(471,000)	(471,000)
Transfer (from) / to Balances	92,191	65,876	(10,000)	(30,000)	(36,241)
	(2,408,309)	(2,435,080)	(2,759,570)	(2,819,990)	(2,883,853)
Balance	0	0	0	0	0
Movement in Requisition			-1.0%	1.8%	2.5%
Revenue Reserve					
Reserves at 1 April	(130,335)	(130,335)	(272,452)	(262,452)	(232,452)
IER Carry forward 2018/19	0	(76,241)	0	0	0
Transfer from/(to) Reserves	(92,191)	(65,876)	10,000	30,000	36,241
Reserves at 31 March	(222,526)	(272,452)	(262,452)	(232,452)	(196,211)
% of Net Expenditure	9%	11%	10%	8%	7%