



Renfrewshire Valuation Joint Board

Report to: Renfrewshire Valuation Joint Board

Meeting on: 18th November 2016

Subject: Financial Outlook and Savings proposals

Author: Assessor & Electoral Registration Officer

Introduction

The purpose of this report is to provide an update on the Board's financial position and the medium term financial outlook facing the Board; and also to provide further information with regards measures being proposed to ensure the Board remains financially sustainable.

Background

The level of Requisition Funding available to the Board has declined over the past 6 years as follows:

Year	Requisition	Reserves used
2010/11	£2,459,800	£77,400
2011/12	£2,361,400	£47,000
2012/13	£2,321,300	£33,500
2013/14	£2,281,800	£22,800
2014/15	£2,281,800	£0
2015/16	£2,281,800	£41,100
2016/17	£2,213,300	£109,500

This is a reduction, in cash terms, of 10% since 2011 and approximately 16.66% in real terms due to the requirements of meeting increasing costs from a declining budget. The most significant of these inflationary costs has been salary and National Insurance contributions. During this period, the general reserves available to the Board have been maintained at a prudent level (reserves used as outlined above have generally been replaced through good budgetary control); with a draw on reserves being planned for 2016/17 as agreed by the Board in January 2016.

The number of staff employed by the Board has reduced by 17% from 52 in 2011 to 43 at present. This reduction has been reached by non-filling of vacancies and, in the last year, VR/VER.

Current Financial Position

The current financial position is outlined in detail in a separate report on this agenda; however it is projected that in addition to the agreed draw on reserves of £110k, a further overspend of potentially £85k is forecast due to workload pressures associated with the 2017 Non-Domestic Rating Revaluation and reduced Cabinet Office income associated with IER. This would bring the level of general reserves down to circa £270k, or 10% of turnover. Further information on reserves is outlined below.

Financial Outlook

The Board has, as outlined above, made considerable efforts to meet the financial challenges facing both the Board and its requisitioning authorities since the financial crisis of 2008 triggered the ongoing austerity measures put in place by the UK government. The level of requisition has as outlined above either been held in cash terms or reduced in successive years.

During this period the Board has also managed the effects of changes to National Insurance contributions, pay awards and changes in pension contributions; in addition to managing a challenging workload and new obligations in terms of IER.

The outlook in the medium term is characterised by uncertainty. At this point both major areas of risk for the Board – the level of pay award and the level of requisition income (broadly linked to the movement in the level of grant available to local government) – are unknown. The Chancellor has announced an intention to review the 2015 Comprehensive Spending Review; while the Scottish Government Cabinet Secretary for Finance & the Constitution has in the recent past limited local government settlement information to single years. This will be the case again for 2017/18; again continuing the uncertain financial environment for the Board.

Further uncertainty for the local government settlement arises from enhanced powers for Scotland under the Scotland Act 2016; and also significantly from the Brexit vote.

However; while the exact impact of these issues for the Board cannot be forecast with certainty; there is a general consensus that prospects for economic growth have deteriorated, placing further ongoing pressure on public spending. Estimates of potential cuts to the 2017/18 local government settlement range across Scotland; however they are broadly in the 3-5% range.

Ability to meet Statutory Obligations

The Assessor and ERO has statutory obligations to maintain the Valuation Rolls, the Council Tax Valuation Lists and the Electoral Registers. These are tasks that are not optional.

The Assessor has responsibility for:

- 10,406 entries in the Valuation Rolls accounting for £338 million in terms of Rateable Value (this will increase significantly on 1st April 2017).

- 171,000 entries in the Council Tax Valuation Lists
- 260,000 electors in the Electoral Rolls

Reduced staffing levels limit resilience in terms of long-term absence and unexpected workloads such as an unexpected influx of appeals or a snap election. The recently completed exercise to compile a draft Revaluation Roll was only achieved through the use of overtime allied to the commitment and dedication of the staff.

The Board also faces additional workload in terms of implementing changes to valuations as the result of a Supreme Court decision. We will also be required to make entries in the Valuation Rolls for "Shootings and Deer Forests" and, while the Joint Board area is not a hotspot for such Sporting Rights, investigatory work will be required for all agricultural holdings in the area.

The financial pressures surrounding Electoral Registration and the Annual Canvass have been debated at earlier meetings of the Board.

Reserves

As outlined above, the Board has agreed to utilise reserves to mitigate reduced income levels and to fund VR/VER.

The level of reserves held by the Board has increased in the past 7 years largely as the result of non-filling of vacancies or, when circumstances permitted, a delay in the filling of vacant posts. Increased efficiencies in non-payroll costs have also contributed to the inflow to Reserves.

It has been highlighted by the Board's Auditors that the level of Reserves, while understandable, is verging upon being too great for the size of the organisation. With this in mind, reserves have been used to fund cost pressures and, in 2015-16, to fund the release of staff through VR/VER as part of the transition towards a sustainable structure.

Depletion of Reserves is acceptable to a point but it must be borne in mind that a safety net needs to remain in place for potentially expensive appeal litigation; and a minimum level of reserves of 5-10% of turnover is recommended.

Levels of Reserves held by the Board

Year	Reserves
2011/12	£357,674
2012/13	£496,334
2013/14	£463,991
2014/15	£591,440
2015/16	£466,704
2016/17*	£271,000

* Estimated closing balance

Potential for Further Savings

The potential to save on expenditure on items other than staff costs is limited, and there remains a risk that further reductions in staff numbers beyond that proposed by this report may have a detrimental impact on one or more statutory obligations.

Scenario Planning

In line with Audit Scotland best practice, 2 possible scenarios which may face the Board over the next financial year are outlined below.

Scenario 1

Best case would be that requisition income from the 3 constituent councils is frozen. However, it is likely that there will be a pay award and for this scenario a 1% pay award has been assumed.

Requisition Income (same as 16/17)	£2,213,300
Pay Award @1%	-£20,000
Actual Budget	£2,199,900
(Net loss of £20,000 from existing budget)	

Scenario 2

Given the challenges facing Scottish Local Authorities assume after the Comprehensive Spending Review requisition income from 3 councils is cut 3.5%, and pay award is still 1%.

Requisition Income (3.5% less than 16/17)	£2,135,800
Pay Award @1%	-£20,000
Actual Budget	£2,115,800
(Net loss of £97,500 from existing budget)	

Given the financial outlook information outlined above, Scenario 2 is considered to be the more likely outcome for 2017/18.

Proposed Savings

Discussion with Renfrewshire Council officers with regards the lease of the Robertson Centre has resulted in a proposal that the current lease be extended from its current expiry date in 2020 for a further 4 years to 2024. This may result in an increased rental cost. However, it is not anticipated that this will result in a significant change to the current rent being charged by Renfrewshire Council. This provides the Board with certainty over the medium term with regards its office accommodation and also allows the costs of refurbishment works undertaken in 2010 to be paid down over a longer period; reducing the cost to the Board by potentially £43k per annum. These discussions are preliminary at this stage however they will be progressed with the Board's permission; with a final recommendation to the Board being considered at the January 2017 meeting. Renfrewshire Council will also require to formally agree to the extension and the Head of Property Services is taking steps to request this authority from the relevant Policy Board.

Further, in order to allow a resilient and sustainable staffing structure to be put in place and, given the possibility of Scenario 2 becoming the reality for the next financial year, it is proposed that the post of Depute Assessor will be deleted. This could generate net savings of £60,000 per annum. However, this saving may be offset in the event supporting posts require to be re-evaluated in consideration of additional responsibilities arising from the deletion of the Depute Assessor Post. This saving may also be offset by one-off exit costs, which would require to be funded through reserves.

However, discussions with HR will need to take place in consideration of the effects on the remaining posts. I would intend to take this forward with HR after the Board has given its approval to the removal of the Depute Assessors post.

The Depute Assessor post would be deleted from 1 April 2017; around the same time as the Assessor intends to retire. The Assessor would require to put in place measures to secure a replacement and handover period prior to his leaving date. The impending vacancy must be advertised and filled after interview of all suitable candidates. The interviews, as the post is a Chief Officer position, must be carried out by a specially convened sub-committee of the Board.

Recommendations

The Board notes the information in the report;

The Board agrees to the Assessor concluding discussions with Renfrewshire Council with regards extending the current lease for Robertson House, with a further report to be presented to the Board in January 2017;

The Board agrees the proposed revised staffing structure as outlined in the report and sets in train the process of establishing an Appointments Sub-Committee.

Alasdair MacTaggart
Assessor & ERO
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For further information please contact Alasdair MacTaggart on 0141-618-5900 or via email at alasdair.mactaggart@renfrewshire-vjb.gov.uk