

RENFREWSHIRE VALUATION JOINT BOARD

To: Renfrewshire Valuation Joint Board

On: 18 January 2019

Report by: The Treasurer

Heading: Revenue Estimates 2019/20 to 2021/22

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 2019/20 and indicative planning figures for 2020/21 and 2021/22.
-

2 Recommendations

- 2.1 It is recommended that members:
- (a) approve the 2019/20 Revenue Estimates as submitted at Appendix 1 and the requisitions for constituent authorities as submitted at Appendix 2;
 - (b) note the indicative estimates for 2020/21 and 2021/22.
 - (c) Approve the share of one-off funding as outlined in paragraph 4.1
-

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 2019/20, and also outlines an indicative projected position for 2020/21 and 2021/22 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 12 December 2018 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 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. This funding will cease from 2020/21 and the Joint Board will be expected to meet the costs of the annual canvass from its core budget. These costs are currently estimated at £75,000 each year. The UK Government intend to amend legislation governing the annual canvass during 2019 with the changes taking effect from the start of 2020 which ties in with the removal of funding from 2020/21. As demonstrated in Appendix 1, meeting the costs of the annual canvass will put the Joint Board under severe financial pressure and will require further significant savings.

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 2019/20 pay award has been included in the budget forecast, with a further 3% also been assumed in the indicative 20/21 and 21/22 forecasts in line with the current employer offer. It is recognised that national pay negotiations for local government are ongoing but should the agreed position be in excess of or less than this budget provision an appropriate adjustment will require to be made to the 2019/20 budgeted reserves balance;
 - In line with previous years' practice no inflation adjustment has been made to all non-pay expenditure lines;
 - The purchase of an Electoral Management System and Non Domestic Rates System was approved by Members at a previous meeting on 23rd November 2018. It is anticipated that these 2 systems will enable the Joint Board to generate efficiency savings over the next 3 year period. The EMS costing £25,000 with part year maintenance costs of £6,000 will be purchased in 2018/19 funded from a forecast underspend, and the annual licensing and maintenance costs of both systems have been reflected in future years budgets.

The purchase cost of the NDR system has not been reflected in the 2019/20 budget as Members have already agreed to contribute towards this as a one off cost of £25,000. This cost will be split on the same basis as the revenue requisition, with respective share being:

Renfrewshire Council £14,100

Inverclyde Council £5,800

East Renfrewshire Council £5,100

- 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; 3 Clerical grade posts have been put forward as savings;
 - property costs – reduced as a result of the Board occupying the ground floor only of the Robertson Centre;
 - supplies and services – increased due to annual licensing and maintenance costs associated with the new EMS and NDR systems, as well as a Disaster Recovery Solution;
 - administration costs – these costs have reduced however the detail of ICT support arrangements from Renfrewshire Council requires to be finalised;
 - requisitions – requisition levels have been increased by 3.5% in 2019/20 (3% has been assumed in the indicative 20/21 and 21/22 forecasts) - see 5.4 below.

4.3 Account has been taken of the ongoing costs of implementing the Individual Electoral Registration scheme during 2019/20 and this has been matched by additional budgeted income. In 2019/20, it is anticipated that there will be a 10% reduction in the amount of income and funding will cease completely in 2020/21 but the Joint Board will still incur all of the administrative and staffing costs associated with the canvass.

4.4 The estimates presented for 2019/20 outline a saving requirement of £29,600 which the Assessor will require to achieve during the course of the year. It is not recommended that this shortfall is met from reserves as the reserves balance is at 5% which is the minimum level recommended by the Treasurer to be held in order to mitigate against financial risks. Early discussion with the Assessor suggests vacancy management will continue to be strictly controlled, and further opportunities for efficiencies will continue to be explored in order to achieve the saving required, however additional income may be secured from the Scottish Government in relation to the Barclay Review. This is further detailed below.

4.5 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 2020/21 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, the Board will require to identify significant recurrent savings from 2019/20.
- 5.2 Following the Barclay Review, the Scottish Government have announced that there will be £3m of funding available to allow the agreed recommendations to be implemented. It has not been confirmed as yet how this funding will be allocated or for what purpose, nor how much each Board will receive. It should be noted that Council's too will incur costs in relation the implementation of the Barclay Review recommendations therefore it should not be assumed the full £3m will be allocated to Valuation Joint Boards. It is also not clear at this stage whether the £3m is recurring funding or is only available in 2019/20.
- 5.3 In terms of other financial risks, the Board will continue to face pressures associated with the ongoing Non Domestic Revaluation plus the continued additional costs of Individual Electoral Registration. 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 3.5% in 2019/20, with a further planned increase of 3% within financial years 2020/21 and 2021/22 to ensure the core operations of the Joint Board remain sustainable.
- 5.5 The Joint Board will need to generate savings each year from 2019-2022 as highlighted in Appendix 1. It is expected that this will be achieved through efficiencies in staffing etc as a result of the implementation of the EMS and NDR systems. However, the Joint Board may not be able to achieve the level of savings required and a review of member requisitions may be required to ease the financial pressures facing the Joint Board.

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 2018/19 GAE for constituent member authorities is as follows:-

Council	Council Tax Valuation	Land Valuation	Electoral Registration	TOTAL	Total %
East Renfrewshire	150,000	133,000	101,000	384,000	20.60%
Inverclyde	151,000	176,000	101,000	428,000	23.10%
Renfrewshire	335,000	485,000	226,000	1,046,000	56.30%
TOTAL RVJB	636,000	794,000	428,000	1,858,000	

- 6.2 The proposed overall requisition level for member authorities is £2,300,500 which is a 3.5% increase against 2018/19 requisition levels. Individual member requisition levels are detailed in Appendix 2 and contain planned requisition levels until 2021/22. The planned figures represent a further requisition increase of 3% for financial years 2020/21 and 2021/22. However, in light of the savings requirements for years 2020/21 and 2021/22 and the recommendation to maintain a minimum level of reserves at 5%, the level of requisition will require to be kept under review.

RENFREWSHIRE VALUATION JOINT BOARDREVENUE ESTIMATES 2019/20 to 2021/22OVERVIEW

	Approved Total 2018/19	Proposed Core 2019/20	Proposed IER 2019/20	Proposed Total 2019/20	Indicative Total 2020/21	Indicative Total 2021/22
	£					
Expenditure						
Employee costs	1,762,200	1,686,620	51,680	1,738,300	1,877,200	1,940,300
Property costs	237,900	164,800	-	164,800	164,800	164,800
Supplies and Services	91,900	176,900	-	176,900	176,900	176,900
Contractors	25,000	25,000	-	25,000	25,000	25,000
Administration costs	259,300	262,800	29,800	292,600	262,800	262,800
Payments to Other Bodies	19,700	20,000	-	20,000	20,000	20,000
Required Savings		(29,600)		(29,600)	(151,180)	(143,200)
Total Expenditure	2,396,000	2,306,520	81,480	2,388,000	2,375,520	2,446,600
Income						
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	-	-	-	-	-
Income from IER scheme	90,600	-	81,500	81,500	-	-
Total Income	106,600	6,000	81,500	87,500	6,000	6,000
Net Expenditure	2,289,400	2,300,500	-	2,300,500	2,369,520	2,440,600
Funded by						
Requisitions	2,222,700	2,300,500	-	2,300,500	2,369,520	2,440,600
Transfer from/(to) Balances	66,700					
	2,289,400	2,300,500	-	2,300,500	2,369,520	2,440,600
Balance	-	-	-	-	-	-
Application of Balances						
Surplus brought forward	186,000	119,300	-	119,300	119,300	119,300
Application of balances	(66,700)					
Projected Overspend	0					
Surplus carried forward	119,300	119,300	-	119,300	119,300	119,300
% of Net Expenditure	5%	5%		5%	5%	5%
	Total 2018/19	Core 2019/20	IER 2019/20	Total 2019/20	Total 2020/21	Total 2021/22
	£					
Requisition Analysis						
East Renfrewshire	457,900	473,930	-	473,930	488,150	502,790
Inverclyde	513,400	531,370	-	531,370	547,310	563,730
Renfrewshire	1,251,400	1,295,200	-	1,295,200	1,334,060	1,374,080
	2,222,700	2,300,500	-	2,300,500	2,369,520	2,440,600

APPENDIX 2

**Member Requisitions for Financial Years 2019-20 to 2021-22
Renfrewshire Valuation Joint Board**

		2018/19 Requisition £	2019/20 Requisition £	2020/21 Requisition £	2021/22 Requisition £
EAST RENFREWSHIRE	20.60%	457,900	473,930	488,150	502,790
INVERCLYDE	23.10%	513,400	531,370	547,310	563,730
RENFREWSHIRE	56.30%	1,251,400	1,295,200	1,334,060	1,374,080
		2,222,700	2,300,500	2,369,520	2,440,600

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