

10.00am, Monday 7th September 2020

Period 4 Financial Statement 2020/21

1. Recommendations

The Board is recommended to:

- 1.1 note the projected outturn position for 2020/21;
- 1.2 note that a further 2020/21 budget update will be presented in November 2020.

Hugh Dunn,

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Period 4 Financial Statement 2020/21

2. Executive Summary

- 2.1 The forecast is for net expenditure to be in line with the approved revenue budget of the Board, based on the position at 31st July.

3. Background

- 3.1 The Board's Financial Regulations require presentation of quarterly expenditure monitoring statements. This report summarises the projected revenue budget outturn position to 31st March 2021, based on the position at 31st July 2020. The report has been prepared in consultation with the Assessor and ERO.

4. Main Report

- 4.1 The table below compares the projected revenue expenditure outturn for 2020/21 with the approved budget. The forecast, based on the position at 31st July, is for net expenditure to be in line with the approved budget.

	Core Budget			IER Budget			Total		
	Budget £'000	Forecast £'000	Variance £'000	Budget £'000	Forecast £'000	Variance £'000	Budget £'000	Forecast £'000	Variance £'000
Expenditure									
Employee costs	5,157	5,157	0	1	1	0	5,158	5,158	0
Premises costs	540	540	0	0	0	0	540	540	0
Transport costs	76	76	0	0	0	0	76	76	0
Supplies & Services	750	750	0	108	108	0	858	858	0
Third Party Payments	320	320	0	0	0	0	320	320	0
Support Services	67	67	0	0	0	0	67	67	0
Gross Expenditure	6,910	6,910	0	109	109	0	7,019	7,019	0
Income									
Sales, Fees & Charges	(43)	(43)	0	0	0	0	(43)	(43)	0
IER Grant	0	0	0	(109)	(109)	0	(109)	(109)	0
Interest	(3)	(3)	0	0	0	0	(3)	(3)	0
Total income	(46)	(46)	0	(109)	(109)	0	(155)	(155)	0
Planned Unallocated Reserve Drawdown	(657)	(657)	0	0	0	0	(657)	(657)	0
Net Expenditure	6,207	6,207	0	0	0	0	6,207	6,207	0

- 4.2 The revenue budget approved by the Board on 3rd February 2020 included a phased implementation of the Board's Transformation Programme between 2020 to 2024, with no change in council requisition from the 2019/20 requisition.

- 4.3 The budget made provision for the costs and financial benefits from potential 2020/21 leavers through the Board's Transformation Programme. A planned release of staff in 2020/21 is being progressed by the Assessor, with updates on the Transformation Programme being provided to the Board by the Assessor on a regular basis.
- 4.4 The approved budget required the balance of inescapable employee cost pressures and severance costs to be met by a drawdown of £0.657m from the Board's unallocated reserve.
- 4.5 At this stage of the financial year, net expenditure is forecast to be within the approved budget. A further 2020/21 budget update will be provided to the Board in November 2020.
- 4.6 Employees of the Board are currently working from home, in line with Scottish Government guidance. It is anticipated home working will create longer recruitment lead times, where posts are currently vacant. This may lead to a reduced level of employee costs, in comparison to the approved budget for 2020/21. The move to home working also required the Board to invest in additional ICT equipment and to provide support for lone working arrangements.
- 4.7 The Board has also incurred expenditure on office preparation costs, signage, hand sanitiser, etc and a revised third party office cleaning provision.
- 4.8 The forecast assumes that any employee turnover savings will contribute to offsetting additional ICT equipment costs. It is anticipated that office preparation costs will be met from within the approved budget.
- 4.9 In the event there is an overall net underspend, this will reduce the planned drawdown from the Board's unallocated reserve.
- 4.10 The Board has received 9,000 valuation appeals, as a consequence of the Coronavirus Pandemic. This represents an additional workload to the Board and reflects a national trend. The Scottish Government has recently extended the statutory disposal date to 31 December 2021, which will reduce the risk of additional costs being incurred to meet the original disposals deadline date.
- 4.11 The 2020/21 approved budget included £0.109m for delivery of Individual Electoral Registration (IER), with all costs met from Cabinet Office grant carried forward from 2019/20. On 25 June 2020, The Cabinet Office awarded the Board grant of £53,834, with the possibility of a top up at year end subject to justification. Total funding for IER of £0.162m is therefore currently available to fund IER costs 2020/21.
- 4.12 In February 2018 the Board approved a formal reserves policy based on holding a general reserve with a minimum value of 3% of annual requisition (£0.180m based on 2020/21 requisition). Balances held in excess of 3% require to be reviewed annually in-line with risk/identified commitments
- 4.13 The Board's unaudited general reserve balance currently stands at £0.897m. The general reserve would reduce to £0.240m at 31st March 2021 based on the forecast included in this report. An update on financial risks is included at Appendix 1.

5. Background reading/external references

None

6. Appendices

6.1 Appendix 1 – Financial Risk Analysis

Appendix 1 – 2020/21 Financial Risk Analysis

Risk	Detail	Mitigation
Funding for Additional costs of Non-Domestic Rates Reform	The estimate provided to the Scottish Government was for additional cost of £0.360m for 2020/21.	Local Government Settlement included funding to constituent councils. Councils have passed all this funding to the Board.
Cost of Individual Electoral Registration (IER)	Following process change, the Assessor and ERO anticipates the additional cost incurred on Individual Electoral Registration (IER) will reduce from 2020/21 and be met from the Board's core budget from 2021/22. A risk remains that additional costs shall continue to be incurred following the formal introduction of the new annual canvass procedure and the removal of Cabinet Office grant funding.	The Cabinet Office awarded the Board grant of £53,834, with the possibility of a top up at year end subject to justification.
Additional costs incurred to deliver services during Coronavirus Pandemic.	The Board continues to track all expenditure incurred during the Coronavirus Pandemic. The move to home working required the Board to invest in additional ICT equipment and to provide support for lone working arrangements.	Ongoing liaison with Scottish Assessor's Association and Scottish Government., in event additional costs cannot be managed within existing resources.
Elections/Referendums – budget risk £0.050m	The possibility of either elections or referendums being called within short timetables, or dual electoral events occurring within a year is a financial risk in terms of staff overtime or the use of short-term temporary staff to meet the demand placed on the electoral registration process at this time.	Ongoing tracking of cost throughout 2020/21.
Costs of Transformation Change	The cost of the Transformation Programme exceeding cost estimates.	Ongoing tracking and review of cost estimates.
Economic Changes	Annual values achieved within the non-domestic property sector may fall. Should the fall be significant, this may give rise to the right of appeal against rateable values. The receipt of large volumes of appeals would have significant impact on staff resources.	The Scottish Government has extended the statutory disposal date to 31 December 2021.
Council Tax Reform	Any major legislative change to Council Tax that impacted on the Board is unlikely to be managed within current budgetary provision.	Ongoing liaison with Scottish Assessor's Association and Scottish Government.