

**10.00am, Monday 6<sup>th</sup> September 2021**

**Period 4 Financial Statement 2021/22**

## **1. Recommendations**

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The Board is recommended to note:

- 1.1 the projected outturn position for 2021/22;
- 1.2 note that a further update of the 2021/22 budget will be presented to the Board in October 2021.

**Hugh Dunn,**

**Treasurer**

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## Period 4 Financial Statement 2021/22

### 2. Executive Summary

- 2.1 The forecast is for net expenditure to be £151,000 less than the approved revenue budget of the Board, based on the position at 31<sup>st</sup> July 2021.

### 3. Background

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

### 4. Main Report

- 4.1 The table below compares projected expenditure for 2021/22 with the approved budget. Based on the position at 31<sup>st</sup> July 2021, the forecast is for net expenditure to be £151,000 less than budget. This reflects an underspend on employee costs, principally due to an Assistant Assessor vacant post (£103,000) and non-employee cost forecasts reflecting ongoing working from home, with consequent cost reductions in e.g. office running costs (£21,000) and employee travel expenses (£8,000). Third Party Payments and Sales, Fees and Charges estimates reflect current expenditure and income forecasts and 2020/21 outturn.

	Core Budget			Non-Domestic Rates Reform Budget			Total		
	Budget £'000	Forecast £'000	Variance £'000	Budget £'000	Forecast £'000	Variance £'000	Budget £'000	Forecast £'000	Variance £'000
<b>Expenditure</b>									
Employee costs	4,319	4,207	(112)	313	313	0	4,632	4,520	(112)
Premises costs	540	519	(21)	0	0	0	540	519	(21)
Transport costs	76	68	(8)	40	40	0	116	108	(8)
Supplies & Services	750	759	9	18	18	0	768	777	9
Third Party Payments	141	108	(33)	0	0	0	141	108	(33)
Support Services	67	68	1	0	0	0	67	68	1
<b>Gross Expenditure</b>	<b>5,893</b>	<b>5,729</b>	<b>(164)</b>	<b>371</b>	<b>371</b>	<b>0</b>	<b>6,264</b>	<b>6,100</b>	<b>(164)</b>
<b>Income</b>									
Sales, Fees & Charges	(43)	(30)	13	0	0	0	(43)	(30)	13
Interest	(3)	(3)	0	0	0	0	(3)	(3)	0
<b>Total income</b>	<b>(46)</b>	<b>(33)</b>	<b>13</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(46)</b>	<b>(33)</b>	<b>13</b>
<b>Planned Unallocated Reserve Drawdown</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Expenditure</b>	<b>5,847</b>	<b>5,696</b>	<b>(151)</b>	<b>371</b>	<b>371</b>	<b>0</b>	<b>6,218</b>	<b>6,067</b>	<b>(151)</b>

- 4.2 The revenue budget approved by the Board on 15th February 2021 included provision for implementation of the Board's Transformation Programme between 2021 to 2025.
- 4.3 Subject to future workforce requirements, further Voluntary Early Release business cases will be progressed on a phased basis, with updates provided to the Board by the Assessor and ERO. At this stage, no business cases are planned to be progressed in 2021/22.
- 4.4 Employees of the Board continue to work from home, in line with Scottish Government guidance. Additional costs of home working e.g. investment in ICT infrastructure, are forecast to be contained within the approved budget, with savings in office running costs and transport costs forecast.
- 4.5 Constituent councils have funded £371,000 towards the Board's costs of implementing Non-Domestic Rates Reform (NDR) in 2021/22. This funding reflects the NDR reform funding included in the Scottish Government Local Government Finance Settlement 2021/22. It is forecast all this funding will be spent in 2021/22.
- 4.6 The Board has received 9,704 appeals as a consequence of the Coronavirus pandemic and approximately a further 7,000 'Material Change of Circumstances' appeals, which, though not specifically mentioning the Coronavirus pandemic, are likely to be related to the pandemic. The statutory disposal date has been extended by the Scottish Government to 31st December 2022. The Scottish Government have also intimated that they will likely legislate regarding appeals lodged because of the pandemic which may result in these appeals being declared invalid. However, it should be emphasised that any final decision regarding this is unknown at the current time.
- 4.7 At 1<sup>st</sup> April 2021, the Board had £181,000 available for future Individual Electoral Registration (IER) costs, reflecting Cabinet Office funding carried forward from previous years. The Board's approved budget for 2021/22 includes £92,000 for delivery of IER, with costs to be met from carried forward Cabinet Office grant. To date, no Cabinet Office funding has been advised for 2021/22. Any underspend on IER funding in 2021/22 will be applied to meet IER costs in future years.
- 4.8 In 2020/21 the Scottish Government allocated £487,812 to the Lothian Electoral Registration Officer to facilitate an expected increase in postal vote applications due to the impact of the Coronavirus pandemic. £311,237 was spent in 2020/21 with the balance of £176,575 forecast to be spent in 2021/22.
- 4.9 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 (£0.186m based on 2021/22 requisition). Balances held in excess of 3% require to be reviewed annually in-line with risk/identified commitments
- 4.10 The Board's unaudited general reserve balance at 1<sup>st</sup> April 2021 is £0.784m. The audited general reserve balance will be reported to the Board at its meeting on

27<sup>th</sup> October 2021, when the audited annual accounts are presented for approval. An update on financial risks is included at Appendix 1.

## **5. Background reading/external references**

- 5.1 [Revenue Budget 2021/22 and Indicative Financial Plan 2022/23 - 2024/25](#) – report to Lothian Valuation Joint Board 1<sup>st</sup> February 2021

## **6. Appendices**

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- 6.1 Appendix 1 – Financial Risk Analysis

## Appendix 1 – 2021/22 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 £0.371m for 2021/22.	Local Government Settlement funding has been passed to the Board.
Cost of Individual Electoral Registration (IER)	Following process change, the anticipated additional cost of Individual Electoral Registration (IER) will reduce from 2020/21. 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.	Unspent Cabinet Office grant of £181,000 from previous years is available to fund additional IER costs from 2021/22.
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 investment in ICT equipment and to provide support for lone working arrangements.	Ongoing liaison with Scottish Assessor's Association (SAA) and Scottish Government.
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 for additional overtime or the use of short-term temporary staff.	Ongoing tracking of cost throughout 2021/22.
Elections/Referendums – increase in uptake of postal voting	There is likely to be a very significant increase in postal votes due to the ongoing Coronavirus pandemic, with additional employee and ICT costs incurred.	In 2020/21, the Scottish Government provided funding to meet additional costs of preparing for an increased postal vote for the Scottish Parliamentary Election 2021. Ongoing liaison with Scottish Assessor's Association (SAA) and Scottish Government.
Economic Changes	Annual values achieved within the non-domestic property sector may fall. If the fall is significant, this may give rise to the right of appeal against rateable values. Receipt of large volumes of appeals would have a significant impact on staff resources.	The Scottish Government has extended the statutory disposal date to 31 December 2022.
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.