

**9.30am, Monday 5<sup>th</sup> September 2022**

**Period 4 Financial Statement 2022/23**

## **1. Recommendations**

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The Board is recommended to note:

- 1.1 the projected outturn position for 2022/23;
- 1.2 note that a further update of the 2022/23 projected outturn and financial risks will be reported to the Board on 24<sup>th</sup> October 2022.

**Hugh Dunn,**

**Treasurer**

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## Period 4 Financial Statement 2022/23

### 2. Executive Summary

- 2.1 The forecast is for net expenditure to be £35,000 greater than the approved revenue budget of the Board, based on the position at 31<sup>st</sup> July 2022. This will require to be funded from the Board's unallocated General Reserve, if this position is maintained until the end of 2022/23 financial year.

### 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 2023, based on the position at 31<sup>st</sup> July 2022. The report has been prepared in consultation with the Assessor and ERO.

### 4. Main Report

- 4.1 The table below compares projected expenditure for 2022/23 with the approved budget. The forecast is for net expenditure to be £35,000 greater than budget.

	Core Budget and Individual Electoral Registration			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	4,408	4,533	125	353	244	(109)	4,761	4,777	16
Premises costs	611	533	(78)	0	0	0	611	533	(78)
Transport costs	51	51	0	0	1	1	51	52	1
Supplies & Services	704	692	(12)	21	129	108	725	821	96
Third Party Payments	140	140	0	0	0	0	140	140	0
Support Services	67	67	0	0	0	0	67	67	0
<b>Gross Expenditure</b>	<b>5,981</b>	<b>6,016</b>	<b>35</b>	<b>374</b>	<b>374</b>	<b>0</b>	<b>6,355</b>	<b>6,390</b>	<b>35</b>
<b>Income</b>									
Sales, Fees & Charges	(42)	(42)	0	0	0	0	(42)	(42)	0
Interest	(3)	(3)	0	0	0	0	(3)	(3)	0
<b>Total income</b>	<b>(45)</b>	<b>(45)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(45)</b>	<b>(45)</b>	<b>0</b>
<b>Net Expenditure</b>	<b>5,936</b>	<b>5,971</b>	<b>35</b>	<b>374</b>	<b>374</b>	<b>0</b>	<b>6,310</b>	<b>6,345</b>	<b>35</b>

- 4.2 The forecast variance reflects a budget pressure on the employee budget. The approved budget includes an assumption of employee turnover savings of

£0.130m in 2022/23. There were savings of £0.248m in employee costs in 2021/22. At this stage of the financial year, limited turnover has occurred. This forecast will be subject to ongoing review throughout the year.

- 4.3 Following confirmation of the 2021/22 outturn, a realignment of budget heads has been undertaken to reflect the current operating costs of the Board. The realignment has taken account of an additional annual budget pressure of £47,000 occurring as a consequence of the first upward rent review of the Board's office accommodation at 17 South Gyle Crescent, Edinburgh, since taking occupancy in January 2007. The revised annual rental value has been independently assessed.
- 4.4 Constituent councils have funded £374,000 towards the Board's costs of implementing Non-Domestic Rates Reform (NDR) in 2022/23. This funding reflects the NDR reform funding included in the Scottish Government Local Government Finance Settlement 2022/23. It is forecast all this funding will be fully spent in 2022/23, with employee and ICT expenditure being incurred.
- 4.5 The Board's approved budget for 2022/23 includes £89,000 for delivery of Individual Electoral Registration (IER), with £80,000 to be met from an earmarked usable reserve and £9,000 from the core budget. No Cabinet Office funding has been advised for 2022/23.
- 4.6 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). Balances held in excess of 3% require to be reviewed annually in-line with risk and identified commitments.
- 4.7 The Board's unaudited general reserve balance at 1<sup>st</sup> April 2022 is £1.450m. £0.148m is earmarked for future costs of NDR Reform and £0.080m is earmarked for Individual Electoral Registration. The non-earmarked usable reserve balance is £1.222m. The audited general reserve balance will be reported to the Board at its meeting on 24<sup>th</sup> October 2022, when the audited annual accounts are presented for approval.
- 4.8 An update on the financial risks identified in the report to Lothian Valuation Joint Board's meeting of 7th February 2022 - [Revenue Budget 2022/23 and Indicative Financial Plan 2023/24 - 2026/27](#) - is included at Appendix 1.
- 4.9 Two additional financial risks have been added to the Risk Register to reflect:
  - 4.9.1 the current uncertainty as to the final value of the 2022/23 Local Government pay award. Following confirmation of the agreed pay award, liaison with constituent councils and a review of the Board's unallocated General Reserve will be undertaken, as required;
  - 4.9.2 potential additional energy costs, in view of the current increases in energy costs. The Board's office energy is procured as part of the City of Edinburgh Council's energy contracts. The City of Edinburgh Council is seeking to mitigate price increases in 2022/23 as far as possible.

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

- 5.1 [Revenue Budget 2022/23 and Indicative Financial Plan 2023/24 - 2026/27](#) – report to Lothian Valuation Joint Board 7th February 2022

## **6. Appendices**

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- 6.1 Appendix 1 – Financial Risk Analysis

## Appendix 1 – 2022/23 Financial Risk Analysis

Risk	Detail	Mitigation
Pay Award	The 2022/23 revenue budget makes provision for a pay award of 3%. Each additional 1% is estimated to cost £45,000.	Liaison with constituent councils and review of the Board's unallocated General Reserve.
Office Energy costs	Energy budgets are based on full office occupancy and include an uplift for anticipated price increases. Given the current volatility in energy costs, there is a risk of additional cost.	Ongoing tracking of cost throughout 2022/23. Liaison with City of Edinburgh Council Energy and Sustainability Team.
Funding for additional costs of Non-Domestic Rates Reform	The estimate provided to the Scottish Government for additional cost for the Board is £0.374m for 2022/23. Failure to receive Scottish Government funding will impact on delivery of the required changes.	Fully mitigated - constituent councils have paid the funding of £0.374m, which was included in the Local Government Settlement 2022/23 to the Board.
Cost of Individual Electoral Registration (IER)	Following process change, the Assessor and ERO anticipates the additional cost incurred on IER will require to be met from the core budget from 2023/24. A risk remains that additional costs shall continue to be incurred following the introduction of the annual canvass procedure.	Use of Cabinet Office IER grant funding carried forward from previous years to meet IER costs in 2022/23.  Ongoing tracking of cost throughout 2022/23.
Additional costs to deliver services during Coronavirus Pandemic.	The Board will continue to track all expenditure incurred during the COVID-19 Pandemic.	Ongoing tracking of cost throughout 2022/23. Liaison with Scottish Assessor's Association.
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.	Ongoing tracking of cost throughout 2022/23.
Transformation Change costs	The cost of the Transformation Programme exceeds estimates.	Ongoing tracking and review of cost estimates.
Economic Changes	An increase in the number of rateable value appeals would have a significant impact on staff resources to achieve disposal by the statutory date of 31 December 2023.	Legislative changes being progressed by the Scottish Government may mitigate this risk.
Council Tax Reform	Any major legislative change to Council Tax that impacts on the Board is unlikely to be managed within current budgetary provision.	Ongoing liaison with Scottish Assessor's Association and Scottish Government.