

10.00am, Monday 18th September 2023

Period 4 Financial Statement 2023/24

1. Recommendations

The Board is recommended to note:

- 1.1 the projected outturn position for 2023/24; and
- 1.2 based on current forecasts, reserves are forecast to be fully utilised during 2024/25. It is anticipated an increase in constituent council requisition will be required from 2024/25.

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Period 4 Financial Statement 2023/24

2. Executive Summary

- 2.1 The forecast is for expenditure on Assessor's services to be £6.551m, with expenditure of £0.216m on Non-Domestic Rates (NDR) Reform.
- 2.2 A reserve drawdown of £0.704m will be required to meet core expenditure. Forecast expenditure on Non-Domestic Rates Reform will enable a contribution of £0.158m to the Board's earmarked balance to meet future NDR Reform costs.

3. Background

- 3.1 The Board's Financial Regulations require presentation of quarterly expenditure monitoring statements. The report has been prepared in consultation with the Assessor and ERO.

4. Main Report

- 4.1 The table below compares projected expenditure for 2023/24 with the approved budget based on the position at 31st July 2023.

	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
Expenditure									
Employee costs	4,930	5,056	126	376	216	(160)	5,306	5,272	(34)
Premises costs	617	617	0	0	0	0	617	617	0
Transport costs	51	51	0	0	0	0	51	51	0
Supplies & Services	687	687	0	0	0	0	687	687	0
Third Party Payments	162	162	0	0	0	0	162	162	0
Support Services	67	67	0	0	0	0	67	67	0
Gross Expenditure	6,514	6,640	126	376	216	(160)	6,890	6,856	(34)
Income									
Government Grant	(22)	(22)	0	0	0	0	(22)	(22)	0
Sales, Fees & Charges	(44)	(44)	0	0	0	0	(44)	(44)	0
Interest	(23)	(23)	0	0	0	0	(23)	(23)	0
Total income	(89)	(89)	0	0	0	0	(89)	(89)	0
Expenditure less Income	6,425	6,551	126	376	216	(160)	6,801	6,767	(34)
FUNDING									
Council Requisition	(5,847)	(5,847)	0	(374)	(374)	0	(6,221)	(6,221)	0
Reserve (Drawdown)/Contribution	(578)	(704)	(126)	(2)	158	160	(580)	(546)	34
NET EXPENDITURE	0	0	0	0	0	0	0	0	0

- 4.2 The forecast is for expenditure of £6.551m on Assessor's services (core expenditure) and expenditure of £0.216m on Non-Domestic Rates Reform. A reserve drawdown of £0.704m will be required to meet core expenditure. Forecast expenditure on Non-Domestic Rates Reform will enable a contribution of £0.158m to the Board's earmarked balance to meet future NDR Reform costs.
- 4.3 At its meeting on 30th January 2023, the Board approved a revenue budget for 2023/24. The report [Revenue Budget 2023/24 and Indicative Financial Plan 2024/25 - 2026/27](#) refers. The approved budget required a drawdown of £0.578m from the Board's Reserve.
- 4.4 The Board approved the recommendations of the report [Continual Improvement Programme](#) at its meeting on 12th June 2023. Implementation of the new Organisation structure is forecast to achieve annual savings of £0.288m. The 2023/24 forecast includes Voluntary Early Retirement release costs of £0.446m and salary savings of £0.219m in 2023/24.
- 4.5 The Month Four forecast includes provision of £0.250m for a pay award uplift of 5.5%, reflecting the current COSLA pay award offer to local government employees. The approved budget made provision of £0.142m for a 3% pay award. The current offer results in a budget pressure of £0.108m for the Board.
- 4.6 The Board currently has 9.56 FTE budgeted vacant posts. Recruitment to a number of these posts is anticipated before financial year end, but it is anticipated vacancies will result in savings of £0.380m against the 2023/24 budget. The pay award pressure is forecast to be offset by vacant posts in 2023/24.
- 4.7 Constituent councils have funded £0.374m towards the Board's costs of implementing Non-Domestic Rates Reform (NDR) in 2023/24. This reflects funding included in the Scottish Government Local Government Finance Settlement. As noted at paragraph 4.6, vacant posts are leading to a forecast underspend of £0.160m in NDR Reform costs.
- 4.8 The Board has received funding of £21,725 from the Department of Levelling Up, Housing and Communities for new burdens arising from the Elections Act 2022 Electoral Integrity Programme. A further £67,100 has now been received for the Programme. It is forecast this funding will be fully spent in 2023/24 on costs of voter ID, accessibility, training and contact centre.
- 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 (£0.180m). Balances held in excess of 3% require to be reviewed annually in-line with risk and identified commitments.
- 4.10 The Board's audited general reserve balance at 1st April 2023 is £1.295m, with £0.311m of this earmarked for NDR Reform. Based on the Month Four forecast,

a reserve drawdown of £0.704m will be required to meet core expenditure in 2023/24. This would result in an un-earmarked reserve balance of £0.100m at 31st March 2024, after maintaining the Board's minimum level of unallocated reserve of £0.180m.

- 4.11 As noted at paragraph 4.10, the Board holds an earmarked reserve balance of £0.311m for future costs of NDR Reform. Based on the Month Four forecast, £0.158m will be contributed to this balance in 2023/24, resulting in an earmarked NDR Reform reserve balance of £0.469m at 31st March 2024. It is anticipated the balance will be applied to meet future NDR Reform costs, including addressing the implications of changes in law in the valuation of non-domestic rates for self-catering properties.
- 4.12 The Board's Indicative Financial Plan 2024 to 2027 has been updated for savings identified through the Continual Improvement Programme and for potential pay uplift of 5.5% in 2023/24. The average full year effect of the 2023/24 pay award offer is 7% from 2024/25. Pending confirmation of the pay award for 2023/24, pay awards for future years continue to be based on an award of 3%.
- 4.13 The Indicative Financial Plan is based on a 'flat-cash' Council requisition for Core services of £5.847m. The Board has maintained a council requisition of £5.847m since 2018/19, with the most recent increase in requisition being in 2009/10.
- 4.14 Based on current and forecast public sector pay awards, it is not anticipated the Board will be able to set a sustainable budget for 2024/25 and beyond, based on a 'flat-cash' settlement. Non-earmarked reserves are forecast to be fully exhausted during 2024/25, with a shortfall of £0.461m forecast.
- 4.15 After a succession of real-terms reductions in council requisitions and a consequent required drawdown from the Board's reserves, the [Revenue Budget 2023/24 and Indicative Financial Plan 2024/25 - 2026/27](#) report considered by the Board on 30 January 2023 pointed to an anticipated need for requisitions to increase from 2024/25.
- 4.16 The Indicative Financial Plan 2024 to 2027 indicates an increase in requisition of up to £0.935m (15%) will be required by 2026/27.
- 4.17 An update on the financial risks is included at Appendix 2.

5. Background reading/external references

- 5.1 [Revenue Budget 2023/24 and Indicative Financial Plan 2024/25 - 2026/27](#) – report to Lothian Valuation Joint Board, 30th January 2023
- 5.2 [Continual Improvement Programme](#) - report to Lothian Valuation Joint Board, 12th June 2023

6. Appendices

- 6.1 Appendix 1 – Update of Indicative Financial Plan 2024-2027
- 6.2 Appendix 2 – Financial Risk Analysis

Appendix 1 – Update of Indicative Financial Plan 2024-2027

	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000
Core/ Individual Electoral Registration	6,551	6,392	6,567	6,735
Non-Domestic Rates Reform	216	390	405	421
Total	6,767	6,782	6,972	7,156
Total Requisition	(6,221)	(6,221)	(6,221)	(6,221)
Operating shortfall/(surplus)	546	561	751	935
Use of Reserves				
General Reserve drawdown - Core	(704)	(100)	0	0
General Reserve contribution – NDR Reform	158			
Shortfall	0	461	751	935
Reserve Balances				
Unallocated Reserve	(984)	(100)	0	0
General Reserve Drawdown- Core	704	100	0	0
Approved Reserve Balance (3%)	(180)	(180)	(180)	(180)
Unallocated General Reserve - closing	(100)	0	0	0
NDR Reform				
Balance – 1 st April 2023	(311)			
Forecast contribution – NDR Reform	(158)			
Total Earmarked Reserve – NDR Reform	(469)			

Appendix 2 – 2023/24 Financial Risk Analysis

Risk	Detail	Mitigation
Pay Award	The 2023/24 revenue budget makes provision for a pay award of 3%. Each additional 1% is estimated to cost £47,000.	The financial impact of a 5.5% pay award is included in Month Four forecast.
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 2023/24. 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 2023/24. 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 2023/24 to the Board.
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 2023/24.
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.