

10.00am, Monday 6th November 2023

Revenue Budget 2023 - 2027

1. Recommendations

The Board is recommended to note:

- 1.1 the forecast of a reserve drawdown of £0.720m required to achieve a balanced Core budget for 2023/24;
- 1.2 the updated financial planning estimates for the period 2023/24 to 2026/27 included at Appendix One;
- 1.3 Board 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;
- 1.4 Financial plan estimates will be the subject of further update at the Board meeting of 6th February 2024.

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Treasurer

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2. Executive Summary

- 2.1 For 2023/24, it is forecast expenditure on Assessor's services will be £6.567m, with expenditure of £0.219m on Non-Domestic Rates (NDR) Reform.
- 2.2 The forecast is an increase in cost of £19,000 from the position reported to the Board on 18th September 2023. The increase is a consequence of the most recent COSLA pay award offer to local government employees, partly offset by vacant posts.
- 2.3 A reserve drawdown of £0.720m will be required to meet core expenditure. Forecast expenditure on Non-Domestic Rates Reform will enable a contribution of £0.155m to the Board's earmarked balance to meet future NDR Reform costs.
- 2.4 Financial plans have been updated for the period 2023 to 2027.

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 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.

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- 4.2 The forecast is for expenditure of £6.567m on Assessor's services (core expenditure) and expenditure of £0.219m on Non-Domestic Rates Reform. A reserve drawdown of £0.720m will be required to meet core expenditure. Forecast expenditure on Non-Domestic Rates Reform will enable a contribution of £0.155m to the Board's earmarked balance to meet future NDR Reform costs.
- 4.3 The forecast includes provision of £0.303m for a pay award uplift to reflect the most recent 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 £0.161m for the Board. The pay award

pressure is forecast to be offset on a one-off basis by vacant posts in 2023/24. The forecast underspend of £0.155m on NDR Reform is due to vacant posts.

4.4 The forecast includes Voluntary Early Retirement release costs of £0.446m and salary savings of £0.219m in 2023/24 arising from the approved [Continual Improvement Programme](#), as reported to the Board in the Period Four Finance Update on 18th September 2023.

4.5 The table below compares projected expenditure for 2023/24 with the approved budget based on the position at 30th September 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 | 5,072 | 142 | 376 | 219 | (157) | 5,306 | 5,291 | (15) |
| 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 | 228 | 228 | 0 | 0 | 0 | 0 | 228 | 228 | 0 |
| Support Services | 67 | 67 | 0 | 0 | 0 | 0 | 67 | 67 | 0 |
| Gross Expenditure | 6,580 | 6,722 | 142 | 376 | 219 | (157) | 6,956 | 6,941 | (15) |
| Income | | | | | | | | | |
| Government Grant | (88) | (88) | 0 | 0 | 0 | 0 | (88) | (88) | 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 | (155) | (155) | 0 | 0 | 0 | 0 | (155) | (155) | 0 |
| Expenditure less Income | 6,425 | 6,567 | 142 | 376 | 219 | (157) | 6,801 | 6,786 | (15) |
| FUNDING | | | | | | | | | |
| Council Requisition | (5,847) | (5,847) | 0 | (374) | (374) | 0 | (6,221) | (6,221) | 0 |
| Reserve (Drawdown)/Contribution | (578) | (720) | (142) | (2) | 155 | 157 | (580) | (565) | 15 |
| NET EXPENDITURE | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

4.6 Based on the forecast, a reserve drawdown of £0.720m will be required to meet core expenditure in 2023/24. This would result in an un-earmarked reserve balance of £0.164m at 31st March 2024, after maintaining the Board's minimum level of unallocated reserve of £0.180m.

4.7 All costs will be subject to ongoing review for the remainder of 2023/24.

4.8 It is forecast that £0.155m will be contributed to the NDR Reform earmarked balance in 2023/24, resulting in an earmarked NDR Reform reserve balance of £0.386m at 31st March 2024. The balance will be used 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.

Treasury Management

- 4.9 The Board's cash management is undertaken by the City of Edinburgh Council. Cash balances are offset by expenditure incurred by the Council on behalf of the Board. Interest on cash balances will be calculated in March 2024.

Financial Plan 2024-2027

- 4.10 The Board's Indicative Financial Plan 2024 to 2027 has been updated for:
- 4.10.1 the most recent COSLA pay award offer for 2023/24.
 - 4.10.2 annual savings of £0.288m identified through the Continual Improvement Programme, as reported to the Board on 12 June 2023.
- 4.11 A summary of the Financial Plan 2023 to 2027 is included at Appendix One.
- 4.12 Pending confirmation of the pay award for 2023/24, pay awards for future years are based on an award of 3%.
- 4.13 The 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 last increase in requisition being in 2009/10.
- 4.14 A deficit of £0.530m is forecast for 2024/25, based on forecast public sector pay awards and continuation of 'flat-cash' council funding. This rises to £1.050m by 2026/27. Non-earmarked reserves are forecast to be fully exhausted in 2024/25.
- 4.15 The [Revenue Budget 2023/24 and Indicative Financial Plan 2024/25 - 2026/27](#) report considered by the Board on 30 January 2023 pointed to a need for requisitions to increase from 2024/25.
- 4.16 The Indicative Financial Plan 2024 to 2027 indicates an increase in requisition of 8.5% (£0.530m) may be required to achieve a balanced budget in 2024/25.
- 4.17 An update on the financial risks is included at Appendix 2.
- 4.18 The Financial Plan will be the subject of ongoing review and development.
- 4.19 Potential options to develop the budget on a more sustainable basis include:
- 4.19.1 further development of the Board's Continual Improvement Programme;
 - 4.19.2 review of the outcome of the tri-ennial actuarial valuation of the Board's Pension Fund contributions;
 - 4.19.3 ongoing review of non-employee costs;
 - 4.19.4 discussion with constituent councils regarding future years' requisition.
- 4.20 Budget estimates will be updated in consultation with the Assessor and ERO to develop a budget for approval by the Board at its meeting on 6th February 2024.

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
- 5.3 [Period 4 Financial Statement 2023/24](#) - report to Lothian Valuation Joint Board, 18th September 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 | 6,567 | 6,541 | 6,723 | 6,897 |
| Non-Domestic Rates Reform | 219 | 374 | 379 | 394 |
| Total | 6,786 | 6,915 | 7,102 | 7,291 |
| Total Requisition | (6,221) | (6,221) | (6,221) | (6,221) |
| Operating shortfall/(surplus) | 565 | 694 | 881 | 1,070 |
| Use of Reserves | | | | |
| General Reserve drawdown - Core | (720) | (164) | 0 | 0 |
| General Reserve – NDR Reform | 155 | | (5) | (20) |
| Shortfall | 0 | 530 | 876 | 1,050 |
| Reserve Balances | | | | |
| Unallocated Reserve | (1,064) | (164) | 0 | 0 |
| General Reserve Drawdown- Core | 720 | 164 | 0 | 0 |
| Approved Reserve Balance (3%) | (180) | (180) | (180) | (180) |
| Unallocated General Reserve - closing | (164) | 0 | 0 | 0 |
| | | | | |
| NDR Reform | | | | |
| Balance – 1 st April 2023 | (231) | (386) | (386) | (381) |
| Forecast contribution/drawdown | (155) | 0 | 5 | 20 |
| Total Earmarked Reserve – NDR Reform | (386) | (386) | (381) | (361) |

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 the most recent COSLA pay award offer is included in Month Six 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. |
| Continual Change Programme costs | The cost of the Continual Change 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. |