

**10.00am, Monday 5 February 2024**

**Revenue Budget 2024/25 and Indicative Financial Plan  
2025/26 - 2026/27**

**1. Recommendations**

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The Board is recommended to:

- 1.1 approve the proposed core budget for 2024/25 and the issue of the core budget requisitions detailed at paragraph 4.28 to constituent councils;
- 1.2 approve requisition of funding of £0.385m included in the Local Government Finance Settlement as detailed at paragraph 4.28 to implement the recommendations of the Non-Domestic Rates Review;
- 1.3 note the indicative financial planning estimates for the period 2025/26 to 2026/27 included at Appendix 1 and
- 1.4 note the indicative financial planning estimates for 2025/26 to 2026/27 will be the subject of further update to the Board during 2024/25, as the Board's Continual Improvement Programme is progressed.

**Richard Lloyd-Bithell,**

**Treasurer**

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## **Revenue Budget 2024/25 and Indicative Financial Plan 2025/26 - 2026/27**

### **2. Executive Summary**

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- 2.1 A revenue budget has been developed for 2024/25 with a recommendation to approve an increase of £0.426m in core council requisition for 2024/25.
- 2.2 This would represent the first increase in core Council requisition since 2009/10.
- 2.3 A separate requisition to meet additional costs of £0.385m for Non-Domestic Rates Reform fully reflects funding included in the Local Government Finance Settlement.
- 2.4 Indicative financial planning estimates are provided for 2025/26 to 2026/27. These will be subject of ongoing review and development during 2024/25 as the Board's Continual Improvement Programme is progressed.

### **3. Background**

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- 3.1 This report seeks approval of a revenue budget for 2024/25. The report was prepared in consultation with the Assessor and Electoral Registration Officer.

### **4. Main Report**

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- 4.1 On 30th January 2023, the Board approved a one-year budget for 2023/24 of £6.801m. The approved budget was for the cost of core services and Non-Domestic Rates Reform (NDR Reform). As constituent council requisition remained fixed at a 'flat cash' contribution of £6.221m, the budget required a drawdown of £0.580m from the Board's General Reserve.
- 4.2 The 2024/25 Local Government Finance Settlement was announced by the Scottish Government on 19th December 2023. The Settlement sets out local authority funding allocations.
- 4.3 The 2024/25 budget includes funding of £0.385m for costs of NDR Reform – an increase of £11,000 from 2023/24. The Scottish Government's expectation is for this funding to be passed to Assessor Services.

## **Financial Planning Assumptions**

- 4.4 The proposed revenue budget for 2024/25 and indicative financial plan 2025/26 – 2026/27 is based on the following financial planning assumptions.
- 4.5 The full cost of the agreed Local Government pay award 2023/24 is £0.339m. This represents a 7.3% increase on the 2022/23 budget. As the approved budget for 2023/24 made provision of £0.142m for a 3% pay award, the proposed budget for 2024/25 makes additional provision of £0.197m for the full cost of the 2023/24 pay award.
- 4.6 Pay award provision of 3% (£0.148m) for 2024/25. Planning estimates include a further 3% pay award for 2025/26 and 2026/27.
- 4.7 Employee pay increments of £0.099m for 2024/25.
- 4.8 Continual Improvement Programme savings of £0.292m following release of three employees and removal of one senior post, as approved by the Board on 12th June 2023. The Assessor and Electoral Registration Officer will continue to progress the Continual Improvement Programme to develop sustainable savings.
- 4.9 A Modern Apprentice will be employed to support Non-Domestic Rates Reform activity (£0.030m). This was approved by the Board on 6<sup>th</sup> November 2023.
- 4.10 Other employee cost reductions of £0.079m reflect a full review of the employee budget, including changes to contractual hours of individual employees.
- 4.11 Unless the current UK Parliament is dissolved prior to 23<sup>rd</sup> February 2024, a General Election would be expected to take place during 2024/25. Additional costs of £0.050m are anticipated for overtime and postages.
- 4.12 The Lothian Pension Fund Actuarial Review 2023 has advised of a revised employer contribution rate of 17.6% for the three-year period 2024/25 to 2026/27. This is a reduction of 4.2% from the 2023/24 contribution rate of 21.8%. The reduction in employer contributions reflects future economic forecasts.
- 4.13 The reduction in employer contribution rate for 2024/25 reduces the Board's budgeted costs by £0.166m.
- 4.14 The change in employer contribution rate has no impact on pension benefits paid or accrued by current or future retired employees of the Board.

## **Non-Domestic Rates Reform**

- 4.15 The Local Government Finance Settlement 2024/25 included a national allocation of £5.4 million for Non-Domestic Rate Reform implementation costs, with the Scottish Government's expectation that constituent local authorities pass on their share of this amount to the Assessor service. The Board's share of the national allocation is £0.385m.

## **General Reserve**

- 4.16 On 5<sup>th</sup> February 2018, the Board approved a minimum General Reserve balance of 3% of annual council requisition. £0.180m is currently retained in the Board's

General Reserve in fulfilment of this requirement. Balances in excess of £0.180m were previously retained to support the Board's Continual Improvement Programme to meet employee release costs of severance business cases, where sustainable savings could be achieved.

4.17 The Reserve balance at 31<sup>st</sup> March 2024 is forecast to be £0.299m.

### **Summary of the Proposed Budget**

4.18 A summary of the proposed budget for 2024/25 together with the indicative financial plan for 2025/26 to 2026/27 is shown in Appendix 1.

4.19 The proposed Core budget for 2024/25 and indicative financial plan 2025/26 to 2026/27 identifies a funding shortfall of £0.525m for 2024/25. Based on a continuation of 'flat cash' funding and annual pay awards of 3%, the shortfall is forecast to increase to £0.854m by 2026/27.

4.20 Drawdown of an unallocated General Reserve balance of £0.099m will reduce the 2024/25 budget shortfall to £0.426m. The application of reserves to support service delivery offers a short-term solution for 2024/25, but will remove the financial capacity to progress future Continual Improvement Programme business cases in the short-term.

4.21 To address the remaining shortfall, an increase in constituent council requisition is recommended.

4.22 Given the recommended increase in council requisition, it is further recommended that the minimum General Reserve be increased to £0.200m to maintain a minimum General Reserve balance of 3% of annual council requisition over the three-year period to 2026/27.

### **Constituent Council Requisition**

4.23 A constituent council requisition of £6.118m was approved in 2009/10. In 2018/19, this was reduced by £0.271m to £5.847m, reflecting Transformation Programme savings. There has been no further change to the council requisition.

4.24 Since 2009/10, the Board has absorbed all pay awards, other inflationary cost pressures and the cost of providing Electoral Registration Services within the 'flat cash' council requisition noted at paragraph 4.23.

4.25 The requirement for a future increase in council requisition was first reported to the Board when the revenue budget for 2020/21 was approved. Subsequent revenue budget reports have re-stated the risk of an increase being required.

4.26 To maintain provision of statutory core services, including Electoral Registration Services for the forthcoming UK General Election, it is recommended that the constituent council core requisition be increased by £0.426m in 2024/25. This represents an increase of 7.3% in total council requisition.

4.27 The requisition to meet additional costs for Non-Domestic Rates Reform fully reflects constituent councils share of the Scottish Government's provisional

Grant-Aided Expenditure figures for 2024/25 included in the Local Government Finance Settlement.

4.28 The proposed requisitions are detailed in the table below.

<b>COUNCIL</b>	<b>CORE REQUISITION</b>	<b>NON-DOMESTIC RATES REFORM</b>	<b>TOTAL REQUISITION</b>	<b>%</b>
EDINBURGH	£3,826,813	£236,000	£4,062,813	61.02%
MIDLOTHIAN	£578,210	£35,000	£613,210	9.21%
EAST LOTHIAN	£697,412	£41,000	£738,412	11.09%
WEST LOTHIAN	£1,170,657	£73,000	£1,243,657	18.68%
<b>TOTAL</b>	<b>£6,273,092</b>	<b>£385,000</b>	<b>£6,658,092</b>	<b>100.00%</b>

4.29 The apportionment of the core budget 2024/25 requisition is based on the constituent councils share of the Scottish Government's provisional Grant-Aided Expenditure figures for 2024/25.

4.30 An analysis of change is shown in Appendix 2 and a cost analysis at Appendix 3.

4.31 The key financial risks facing the Board are summarised in Appendix 4. The Board will be provided with updates on the financial risks detailed in Appendix 4 throughout 2024/25.

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

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- 5.1 [Revenue Budget 2023/24 and Indicative Financial Plan 2024/25 - 2026/27](#) – report to Lothian Valuation Joint Board 30 January 2023
- 5.2 [Revenue Budget 2023 - 2027](#) – report to Lothian Valuation Joint Board 6 November 2023
- 5.3 [Continual Improvement Programme](#) – report to Lothian Valuation Joint Board 12 June 2023
- 5.4 [Assessor's Progress Report](#) – report to Lothian Valuation Joint Board 6 November 2023
- 5.5 [Revenue Budget 2018/19](#) – report to Lothian Valuation Joint Board 5 February 2018

## **6. Appendices**

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- 6.1 Appendix 1 – 2024/25 Revenue Budget and Indicative Financial Plan 2025/26 - 2026/27
- 6.2 Appendix 2 – Analysis of Budget Change 2024/25 – Core and Non-Domestic Rates Reform
- 6.3 Appendix 3 – Core Revenue Budget 2024/25 – Subjective Analysis
- 6.4 Appendix 4 – Financial Risk Analysis

## Appendix 1 – 2024/25 Revenue Budget and Indicative Financial Plan 2025/26 - 2026/27

	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000
<b>Core</b>	6,425	6,372	6,521	6,701
Council Requisition	(5,847)	(5,847)	(6,273)	(6,521)
<b>Operating shortfall/(surplus)</b>	<b>578</b>	<b>525</b>	<b>248</b>	<b>180</b>
VR - one-off severance/pension strain	0	0	0	0
<b>NET TOTAL COSTS</b>	<b>578</b>	<b>525</b>	<b>248</b>	<b>180</b>
<b>Use of Reserves</b>				
General Reserve drawdown	(578)	(99)	0	0
<b>Net Shortfall – Core</b>	<b>0</b>	<b>426</b>	<b>248</b>	<b>180</b>
<b>Proposed Incremental Requisition Increase</b>		<b>(426)</b>	<b>(248)</b>	<b>(180)</b>
Incremental Increase (percentage)		7.3%	3.9%	2.8%
<b>Budgeted FTE – Core</b>	<b>95.93</b>	<b>86.36</b>	<b>86.36</b>	<b>86.36</b>
<b>NDR Reform</b>				
Employees	376	427	456	483
Supplies and Services	0	0	0	0
<b>Total</b>	<b>376</b>	<b>427</b>	<b>456</b>	<b>483</b>
NDR funding included in LG Settlement	(374)	(385)	(385)	(385)
General Reserve (drawdown)/Contribution	(2)	(42)	(71)	(98)
<b>Net Shortfall – NDR Reform</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Budgeted FTE – NDR Reform</b>	<b>9.0</b>	<b>10.90</b>	<b>10.90</b>	<b>10.90</b>
<b>Reserve Balances</b>				
Forecast opening balance – non-earmarked	1,064	(299)	0	0
General Reserve Drawdown- Core	765	99	0	0
Approved Reserve Balance (3%)	(200)	(200)	(200)	(200)
<b>Unallocated General Reserve - closing</b>	<b>(99)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>NDR Reform</b>				
Forecast opening balance	(231)	(391)	(350)	(279)
Drawdown/(Contribution)	(160)	41	71	98
<b>Closing NDR Reform Reserve balance</b>	<b>(391)</b>	<b>(350)</b>	<b>(279)</b>	<b>(181)</b>

## Appendix 2 - Analysis of Budget Change 2024/25 – Core and Non-Domestic Rates Reform

	£'000	£'000	£'000	% Change
<b>CORE BUDGET 2023/24</b> (prior to Reserve Drawdown of £0.578m)			6,425	
<b>Employee budget</b>				
Pay Award 2023/24 – additional cost	173			
Pay Award 2024/25 (3%)	136			
Increments	85			
Other adjustments to Employee costs	(63)			
Continual Improvement Programme – removal of four posts	(292)			
Employer Pension Fund contributions – reduction from 21.8% to 17.6% (Actuarial Review 2023)	(152)	(113)		
Reduction in Interest Earned on Revenue Balances		10		
General Election 2024/25 – overtime and postage costs		50		
<b>NET CORE BUDGET MOVEMENTS</b>			(53)	<b>-(0.82%)</b>
<b>CORE BUDGET 2024/25</b>			6,372	
<b>General Reserve</b> - 2024/25 reserve drawdown			(99)	
<b>CORE BUDGET 2024/25</b>			6,273	
<b>NON-DOMESTIC RATES REFORM BUDGET 2023/24</b> (prior to Reserve Drawdown of £0.002m)			376	
Pay Award 2023/24 – additional cost		24		
Pay Award 2024/25 (3%)		12		
Increments		14		
Other adjustments to Employee costs		(16)		
Modern Apprentice post		30		
Employer Pension Fund contributions – reduction from 21.8% to 17.6% (Actuarial Review 2023)		(14)		
<b>NON-DOMESTIC RATES REFORM BUDGET MOVEMENT</b>			50	
<b>NON-DOMESTIC RATES REFORM BUDGET</b>			426	
<b>FUNDING INCLUDED IN LOCAL GOVERNMENT SETTLEMENT</b>			(385)	
<b>NDR REFORM RESERVE DRAWDOWN</b>			(41)	

### Appendix 3 – Core Revenue Budget 2024/25 – Subjective Analysis

<b>Subjective analysis</b>	<b>Budget 2024/25</b>
<b><u>Employee Costs</u></b>	<b>£'000</b>
Wages and Salaries	3,706
National Insurance	385
Superannuation	639
Early retirement pension costs	120
Agency Staff	14
Allowances	3
	<b>4,867</b>
<b><u>Premises Costs</u></b>	
Rents	352
Rates	184
Cleaning & Domestic Supplies	18
Energy Costs	25
Water Services	10
Premises Insurance	5
Grounds Maintenance Costs	4
	<b>598</b>
<b><u>Transport Costs</u></b>	
Car Allowances	37
Staff transport costs (canvassing, surveys etc)	9
Transport Insurance	5
	<b>51</b>
<b><u>Supplies &amp; Services</u></b>	
ICT and Telephony	280
Postages	300
Printing, Stationery and Office Expenditure	30
Other Expenses	8
Audit fee	9
Insurance	25
Legal fees	30
Training and conferences	10
Convener/Vice Convener remuneration	12
	<b>704</b>
<b><u>Third Party Payments</u></b>	
Valuation Appeals Committee fees	80
Facilities costs (security, maintenance etc)	60
	<b>140</b>
<b><u>Support Services</u></b>	
CEC support Service Level Agreement	<b>67</b>
<b><u>Income/Funding</u></b>	
Customer and Client Receipts	(42)
Interest on revenue balances	(13)
General Reserve drawdown	(99)
	<b>(154)</b>
<b>Total</b>	<b>6,273</b>



## Appendix 4 – Financial Risk Analysis

Risk	Detail	Mitigation
Pay Award	The 2024/25 budget makes provision for a pay award of 3%. Each additional 1% is estimated to cost £50,000.	Liaison with constituent councils and review of the Board's unallocated 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 costs.	Ongoing tracking of cost. Liaison with City of Edinburgh Council Energy and Sustainability Team.
The cost of Non-Domestic Rates Reform exceeding funding	Additional cost incurred on Non-Domestic Rates Reform beyond the funding of £0.385m included in the Local Government Settlement.	Mitigated in 2024/25 - funding of £0.385m included in the Local Government Settlement. An earmarked balance of NDR Reform funding is maintained.
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.	The proposed revenue budget makes provision of £50,000 for the costs of a General Election in 2024/25.
Cost of Continual Improvement Programme.	The proposed budget fully utilises the Board's unallocated General Reserve, removing funding available for any severance business cases through the Board's Continual Improvement Programme.	Ongoing tracking and review of all cost estimates.
Pension Fund annual employer contributions	The Pension Fund Actuarial Review 2023 confirms employer contribution rates until 2026/27. This risk relates to 2027/28 and later years.	The Pension Fund Actuarial Review 2023 confirms employer contribution rates until 2026/27. Annual updates of pension fund assets / liabilities and ongoing liaison with Lothian Pension Fund.
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.