

**10.00am, Monday 5<sup>th</sup> February 2024**

**Period 9 Financial Statement 2023/24**

## **1. Recommendations**

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The Board is recommended to note:

- 1.1 the projected outturn position for 2023/24;
- 1.2 the forecast of a reserve drawdown of £0.765m required to achieve a balanced Core budget for 2023/24 and
- 1.3 the final outturn will be reported when the Annual Accounts are reported to the Board during 2024.

**Richard Lloyd-Bithell**

**Treasurer**

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## Period 9 Financial Statement 2023/24

### 2. Executive Summary

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- 2.1 The forecast is for a Reserve drawdown of £0.765m, based on the position at 31<sup>st</sup> December 2023. This represents an increase of £0.187m from the drawdown approved for the 2023/24 revenue budget and principally reflects the increased cost of the Local Government pay award for 2023/24.

### 3. Background

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- 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 2024, based on the position at 31<sup>st</sup> December 2023. The report has been prepared in consultation with the Assessor and ERO.

### 4. Main Report

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- 4.1 The forecast is for expenditure of £6.612m on Assessor's services (core expenditure) and expenditure of £0.216m on Non-Domestic Rates Reform. A reserve drawdown of £0.765m will be required to meet core expenditure. Forecast expenditure on Non-Domestic Rates Reform will enable a contribution of £0.160m to the Board's earmarked balance to meet future NDR Reform costs.
- 4.2 The approved budget made provision of £0.142m for a 3% pay award. The Local Government pay award 2023/24 resulted in a budget pressure of £0.186m. The forecast underspend of £0.160m on NDR Reform is due to vacant posts, offset by essential expenditure on ICT infrastructure.
- 4.3 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. This was reported to the Board in the Period Four Finance Update on 18<sup>th</sup> September 2023.
- 4.4 Based on the forecast, a reserve drawdown of £0.765m will be required to meet core expenditure in 2023/24. This would result in an un-earmarked reserve balance of £0.299m at 31<sup>st</sup> March 2024, before accounting for the Board's minimum level of unallocated reserve of £0.180m.
- 4.5 The table below compares projected expenditure for 2023/24 with the approved 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	4,930	5,116	186	376	159	(217)	5,306	5,275	(31)
Premises costs	617	618	1	0	0	0	617	617	0
Transport costs	51	51	0	0	0	0	51	51	0
Supplies & Services	687	687	0	0	57	57	687	744	57
Third Party Payments	228	228	0	0	0	0	228	228	0
Support Services	67	67	0	0	0	0	67	67	0
<b>Gross Expenditure</b>	<b>6,580</b>	<b>6,767</b>	<b>187</b>	<b>376</b>	<b>216</b>	<b>(160)</b>	<b>6,956</b>	<b>6,982</b>	<b>26</b>
<b>Income</b>									
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
<b>Total income</b>	<b>(155)</b>	<b>(155)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(155)</b>	<b>(155)</b>	<b>0</b>
<b>Expenditure less Income</b>	<b>6,425</b>	<b>6,612</b>	<b>187</b>	<b>376</b>	<b>216</b>	<b>(160)</b>	<b>6,801</b>	<b>6,827</b>	<b>26</b>
<b>FUNDING</b>									
Council Requisition Reserve	(5,847)	(5,847)	0	(374)	(374)	0	(6,221)	(6,221)	0
(Drawdown)/Contribution	(578)	(765)	(187)	(2)	158	160	(580)	(607)	26
<b>NET EXPENDITURE</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>

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

4.7 It is forecast that £0.160m will be contributed to the NDR Reform earmarked balance in 2023/24, resulting in an earmarked NDR Reform reserve balance of £0.391m 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.

4.8 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.

4.9 The Board's audited general reserve balance at 1<sup>st</sup> April 2023 is £1.295m. £0.231m is earmarked for NDR Reform. Based on a requirement for a drawdown of £0.765m to meet core expenditure in 2023/24 a reserve balance of £0.299m is forecast at 31<sup>st</sup> March 2024 (5% of annual requisition).

4.10 An update on the financial risks is included at Appendix 1.

## **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, 12<sup>th</sup> June 2023
- 5.3 [Revenue Budget 2023 – 2027](#) – report to Lothian Valuation Joint Board, 6<sup>th</sup> November 2023
- 5.4 [Period 4 Financial Statement 2023/24](#) - report to Lothian Valuation Joint Board, 18<sup>th</sup> September 2023

## **6. Appendices**

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- 6.1 Appendix 1 – Financial Risk Analysis

## Appendix 1 – 2023/24 Financial Risk Analysis

<b>Risk</b>	<b>Detail</b>	<b>Mitigation</b>
Pay Award	The 2023/24 revenue budget makes provision for a pay award of 3%. Each additional 1% is estimated to cost £45,000.	2023/24 Pay Award now agreed. The financial impact is included in Month Nine 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 costs.	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.
Cost of Individual Electoral Registration (IER)	Additional costs incurred on IER require to be met from the core budget in 2023/24. A risk remains that additional costs shall continue to be incurred following the introduction of the annual canvass procedure.	Ongoing tracking of cost throughout 2023/24.
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.