

Period 7 Financial Statement 2017/18

20th November 2017

1 Purpose of report

This report summarises the projected revenue budget outturn position to 31st March 2018, based on the position at period ending 31st October 2017. The report has been prepared in consultation with the Assessor.

2 Main Report

Projected Revenue Outturn 2017/18 – Core Budget

- 2.1 The table below compares projected revenue outturn 2017/18 with the budget. The forecast variance, based on the position at 31st October, is an under spend of £0.084m. This represents an increase of £0.022m to that reported in August. The reduction in expenditure forecast relates to amendments to the employee estimate, specifically around the filling of vacant posts which have been superseded by the ongoing Transformation and Cultural Change Programme review.

	Core Budget £'000	Forecast £'000	Variance £'000
Expenditure			
Employee costs	4,570	4,386	(184)
Premises costs	599	515	(84)
Transport costs	96	96	0
Supplies & Services	750	750	0
Third Party Payments	82	266	184
Support Services	67	67	0
Gross Expenditure	6,164	6,080	(84)
Income			
Sales, Fees & Charges	(43)	(43)	0
Interest	(3)	(3)	0
Requisition	(6,118)	(6,118)	0
Total income	(6,164)	(6,164)	0
Net Expenditure	0	(84)	(84)

Forecasts to 31st March 2018 – Core Budget

- 2.2 At this stage, the projected outturn indicates a forecast under spend of £0.084m. With the exception of employee costs, premises costs and Third Party Payments, all other budget headings have been forecast on budget. It is anticipated there will be changes between the forecast and final 2017/18 cost outturn but the variance to budgets are not considered to be material at this stage.

2.3 The principal reason for the budget under spends reported is as follows:

- Employee costs - £0.184m under spend - the interim acting arrangements for the Assessor and Depute Assessor has resulted in the non-recruitment to the post of Head of Valuation Services. This position has been forecast for the full year and would result in a saving of £0.093m. The balance relates mainly to savings on staff who have reduced their working hours as well as vacant posts not being filled as a result on the ongoing Transformation and Cultural Change Programme. The Assessor and ERO will provide a separate update to the Board on this.
- Premises costs - £0.084m under spend - following the 2017 Revaluation, the rateable value of the Board's premises was reduced downwards in common with many other office properties throughout the Lothians.
- Third Party Payments - £0.184m refund - in February 2017 the Board approved the refund of £0.184m from the Board's General Reserve.

Individual Electoral Registration (IER)

2.4 The 2017/18 budget assumes that all costs will be met by grant from the Cabinet Office. Grant of £0.354m has been awarded for 2017/18 from the Cabinet Office and unspent grant of £0.265m was carried over from 2016/17. Total grant of £0.619m is therefore currently available to fund IER costs 2017/18. It should be noted that further grant awards are possible during 2017/18, the Board will be updated in future reports. IER costs 2017/18 will not exceed grant, for reporting purposes the current forecast assumes that all IER funds will either be fully spent during 2017/18 or any balance carried forward to 2018/19.

2.5 As reported to the Board previously, the introduction of the IER process has resulted in additional costs to the Board of approximately £0.400-£0.500m annually. These costs have so far been fully funded by Cabinet Office grant. The IER process remains under review and a funding commitment until 2019/20 was agreed by the previous UK Parliament. The Cabinet Office has not advised on any change to the annual grant funding arrangements until 2019/20. The IER process remains under review and any improvements to the process that would enable the Board to reduce the current annual cost of IER will be reported when information becomes available.

Transformational and Cultural Change Programme

2.6 A separate report will be presented by the Assessor on this agenda. Due to the timing of the programme, VR business case reviews are ongoing and an update cannot be provided to the board at this time in terms of the financial impact 2017/18. The Board will therefore be provided with an update in February 2018. It should be noted that VR business cases will be approved by both the Assessor and ERO and the Treasurer based on cost/savings tests. The one-off exit costs associated with Transformational change programme will be met through the Board's reserve.

General Reserve

- 2.7 The Board's general reserve balance currently stands at £1.011m. A formal reserves policy will be considered as part of the 2018/19 budget report which will be presented in February 2018. This report will include cost/savings information emerging from Transformational Change VR business cases.

3 Conclusions

- 3.1 At this stage, there is a projected net under spend of £0.084m relating to Financial Year 2017/18.

4 Recommendations

- 4.1 The Board is recommended to:
- 4.1.1 note the projected outturn position for 2017/18;

**Hugh Dunn,
Treasurer.**