

10.00am, Monday 1st February 2021

**Revenue Budget 2021/22 and Indicative Financial Plan
2022/23 - 2024/25**

1. Recommendations

The Board is recommended to:

- 1.1 approve the proposed core budget for 2021/22 and the issue of 'flat-cash' core budget requisition requests from the Treasurer to constituent councils as detailed at paragraph 4.16;
- 1.2 recommend that funding included in the Local Government Finance Settlement for implementing the recommendations of the Non-Domestic Rates Review be fully passed onto the Board. This may mean a supplementary requisition during 2021/22, dependent on the timing of confirmation of funding;
- 1.3 note the indicative financial planning estimates for the period 2022/23 to 2024/25 included at Appendix 1 and
- 1.4 note the indicative financial planning estimates for 2022/23 to 2024/25 will be the subject of further update to the Board during 2021/22 and beyond.

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Treasurer

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2. Executive Summary

- 2.1 A revenue budget has been developed for 2021/22 with a recommendation to approve a 'flat-cash' council requisition for 2021/22. A further requisition will be issued to meet the additional costs of Non-Domestic Rates Reform in 2021/22 in line with funding allocated in the Local Government Finance Settlement.
- 2.2 Indicative financial planning estimates are provided for 2022/23 to 2024/25. These will be subject of ongoing review and development as the Board's Transformation Programme is progressed.

3. Background

- 3.1 This report seeks approval of a revenue budget for 2021/22. The report was prepared in consultation with the Interim Assessor and Electoral Registration Officer (ERO).

4. Main Report

- 4.1 On 3rd February 2020, the Board approved a one-year core budget for 2020/21 of £5.847m. This represented no change in council requisition from 2019/20.
- 4.2 The Board also requisitioned additional funding of £0.361m for costs of Non-Domestic Rates Reform. This reflected funding included in the 2020/21 Local Government Finance Settlement for costs of Non-Domestic Rates Reform and was in line with Scottish Government expectation that this funding be passed to Assessor services.
- 4.3 The draft Local Government Finance Settlement is due to be announced by the Scottish Government on 28th January 2021. It is anticipated that a Finance Circular will be issued on this date, setting out draft local authority allocations.
- 4.4 The proposed budget is for 2021/22. Indicative financial plans are provided for the period 2022/23 to 2024/25.
- 4.5 The proposed budget makes provision for £0.129m of inescapable employee cost pressures for pay award (estimated at 2%), increments and employers pension fund contribution rates. The pension fund contribution rate for the period 2021 to 2024 is confirmed at 21.8%, following the 2020 Actuarial Valuation.

- 4.6 In 2019, as part of the Board's Transformation Programme, potential employee releases were identified in line with the Board's Voluntary Early Release Arrangement Policy. Five business cases were approved for release during 2020/21, resulting in savings of £0.250 million in 2021/22. Subject to future workforce requirements, further business cases will be progressed on a phased basis, with updates provided to the Board by the Assessor and ERO.
- 4.7 The proposed revenue budget for 2021/22 and indicative financial plan from 2022 to 2025 is based on a 'flat cash' council requisition of £5.847m for core service provision. The Board has maintained a requisition of £5.847m since 2018/19. The most recent increase in Council requisition was in 2009/10.
- 4.8 The following assumptions have been applied to the 2021/22 budget and 2022/23 to 2024/25 indicative financial plan:
- 4.8.1 The Board maintains a minimum unallocated Reserve balance of £0.180m (3%) for the period 2021 - 2025;
- 4.8.2 the Local Government Finance Settlement 2020/21 included a national allocation of £5.3 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 proposed budget assumes the same will apply for 2021/22 and future years. Subject to confirmation in the Local Government Settlement, additional Barclay Review implementation funding for the Board is anticipated to be £0.371m for 2021/22;
- 4.8.3 Following process change, the Interim Assessor and ERO anticipates the additional cost incurred on Individual Electoral Registration (IER) will be fully met from the Board's core budget by 2024/25. IER costs until 2023/24 will be funded from Cabinet Office grant for IER carried forward from previous years, until the carry forward is fully utilised.
- 4.9 A summary of the proposed budget for 2021/22 together with the indicative financial plan for 2022/23 to 2024/25 is shown in Appendix 1.
- 4.10 An analysis of change is shown in Appendix 2 and a cost analysis at Appendix 3.
- 4.11 The report [Revenue Budget 2020/21](#) to the Board on 3rd February 2020 identified an indicative funding shortfall of £169,000 in 2021/22, increasing to £1.036m in 2022/23 as the Transformation Programme progressed. The report noted it would be unlikely that the previous years of no increase in council requisition could be sustained over the period 2021 to 2024.
- 4.12 The proposed budget for 2021/22 and indicative financial plan 2022/23 to 2024/25 identify that a funding shortfall of £0.439m is not now forecast until 2024/25. The proposed revenue budget for 2021/22 and indicative financial plan take account of:
- 4.12.1 an update of all employee cost forecasts, including a revision of pay award provision to 2%;
- 4.12.2 full utilisation of unallocated reserve balances, while maintaining the Board's minimum approved reserve level at £0.180m;

4.12.3 utilisation of a carry forward of £141,000 of a forecast underspend from 2020/21. This is reported in the Period 9 Financial Statement 2020/21 report elsewhere on this agenda.

- 4.13 The Board's General Reserve balance is estimated to be £0.429m at 1st April 2021. The Board has approved maintaining a minimum General Reserve level of 3% of annual requisition - £0.180m. The uncommitted General Reserve balance would therefore be £0.249m.
- 4.14 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 2021/22.
- 4.15 The requisition for 2021/22 may require to be a two-stage process. Initial requisitions will be issued to constituent councils to cover the cost of the core service for 2021/22. If sufficient information is available in the draft Local Government Finance Settlement issued on 28th January 2021, the requisition will also include the additional Scottish Government funding for the costs of implementing Non-Domestic Rates Reform in 2021/22; otherwise an additional requisition for this funding will be issued at a later date and the Board advised of this requisition. Heads of Finance within the constituent councils will be notified as soon as this information is available.
- 4.16 The apportionment of the core budget 2021/22 requisition is based on the constituent councils share of GAE lines in the Scottish Government's 2020/21 Green Book. The 2021/22 figures are not currently available.

COUNCIL	CORE REQUISITION 2021/22	ESTIMATED NON-DOMESTIC RATES REFORM COSTS REQUISITION	TOTAL REQUISITION	%
EDINBURGH	£3,598,072	£228,292	£3,826,364	61.53%
MIDLOTHIAN	£536,315	£34,028	£570,343	9.17%
EAST LOTHIAN	£630,232	£39,987	£670,219	10.78%
WEST LOTHIAN	£1,082,663	£68,693	£1,151,356	18.52%
TOTAL	£5,847,282	£371,000	£6,218,282	100.00%

5. Background reading/external references

- 5.1 [Revenue Budget 2020/21 – report by the Treasurer to Lothian Valuation Joint Board 3 February 2020](#)

6. Appendices

- 6.1 Appendix 1 – Analysis of 2021/22 Budget Options
- 6.2 Appendix 2 – Analysis of 2021/22 Budget Change
- 6.3 Appendix 3 - Revenue Budget 2021/22 – Subjective Analysis
- 6.4 Appendix 4 – Financial Risk Analysis

Appendix 1 – Proposed 2021/22 Revenue Budget and Indicative Financial Plan 2022 to 2025

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Core	6,036	5,788	5,923	6,110	6,286
IER	109	92	94	43	0
Total Requisition	(5,847)	(5,847)	(5,847)	(5,847)	(5,847)
Operating shortfall/(surplus)	298	33	170	306	439
VR - one-off severance/pension strain	467	0	0	0	0
NET TOTAL COSTS	765	33	170	306	439
Use of Reserves					
IER grant carried forward	(109)	(92)	(94)	(43)	0
Budgeted General Reserve drawdown	(656)	(0)	(76)	(232)	0
Net Shortfall/(Surplus)	0	(59)	0	31	439
Budgeted FTE at 31 March	98.47	96.83	99.83	99.83	99.83
Reserve Balances					
General Reserve – opening balance	(897)	(249)	(308)	(232)	59
Forecast General Reserve Drawdown	609	(59)	76	232	0
Forecast Underspend 2020/21	(141)				
Approved Reserve Balance (3%)	180				
Unallocated General Reserve - closing	(249)	(308)	(232)	0	0
Approved Minimum Reserve Balance (3%)	(180)	(180)	(180)	(180)	(180)
IER Balance					
IER carry forward – opening balance	(284)	(229)	(137)	(43)	(0)
IER grant drawdown	109	92	94	43	0
IER grant received in 2020/21	(54)				
IER Grant balance at 31 March	(229)	(137)	(43)	(0)	(0)

Appendix 2 - Analysis of Budget Change – Core, Individual Electoral Registration and Non-Domestic Rates Reform

	£'000	£'000	£'000	%
CORE BUDGET 2020/21			5,847	Change
<u>Employee budget</u>				
Pay Award (2%)	81			
Increments / Inflation	32			
Pension rate increase	16			
Transformation Change Programme savings	(250)			
Review of Canvasser Costs/fund from IER	<u>(127)</u>			
		(248)		(4.2%)
<u>Transformation Change</u> —severance costs 2020/21		(467)		(8.0%)
<u>General Reserve</u>				
2020/21 budgeted reserve drawdown	656			
2021/22 Contribution	<u>59</u>			
		715		12.2%
TOTAL CORE BUDGET MOVEMENTS			0	
CORE BUDGET 2021/22			5,847	
INDIVIDUAL ELECTORAL REGISTRATION BUDGET 2020/21			0	
Canvasser Costs transferred from Core Budget		92		
Drawdown of Cabinet Office IER grant funding		(92)		
INDIVIDUAL ELECTORAL REGISTRATION BUDGET 2021/22			0	
NON-DOMESTIC RATES REFORM BUDGET 2020/21			361	
Anticipated Increase per Local Government Settlement			<u>10</u>	2.8%
NON-DOMESTIC RATES REFORM BUDGET 2021/22			371	

Appendix 3 – Core Revenue Budget 2021/22 – Subjective Analysis

Subjective analysis	Budget 2021/22
<u>Employee Costs</u>	£'000
Wages and Salaries	3,171
National Insurance	329
Superannuation	686
Early retirement pension costs	120
Agency Staff (cleaning)	10
Allowances	3
	4,319
<u>Premises Costs</u>	
Rents	305
Rates	116
Cleaning & Domestic Supplies	35
Energy Costs	48
Water Services	16
Building Repairs, Alterations & Maintenance	11
Premises Insurance	5
Grounds Maintenance Costs	4
	540
<u>Transport Costs</u>	
Car Allowances	43
Staff transport costs (canvassing, surveys etc)	23
Transport Insurance	10
	76
<u>Supplies & Services</u>	
Postages, ICT and Telephony	566
Printing, Stationery & Gen Office Expenditure	87
Other Expenses	59
Insurance and Audit fee	31
Legal fees	30
Equipment, Furniture & Materials	14
Training and conferences	11
Convener/Vice Convener remuneration	9
Subscriptions	2
	809
<u>Third Party Payments</u>	
Valuation Appeals Committee fees	50
Facilities costs (security, maintenance etc)	32
	82
<u>Support Services</u>	
CEC support Service Level Agreement	67
<u>Income/Funding</u>	
Customer and Client Receipts	(43)
Interest on revenue balances	(3)
	(46)
Total core services	5,847

Appendix 4 – Financial Risk Analysis

Risk	Detail	Mitigation
Funding for Additional costs of Non-Domestic Rates Reform	The estimate provided to the Scottish Government for additional cost for the Board is £0.371m for 2021/22. Failure to receive Scottish Government funding shall impact on the ability to deliver the required changes.	Ongoing liaison with Scottish Assessor's Association, Scottish Government and constituent councils.
Cost of Individual Electoral Registration (IER)	Following process change, the Assessor and ERO anticipates the additional cost incurred on Individual Electoral Registration (IER) will require to be met from the Board's core budget from 2021/22. A risk remains that additional costs shall continue to be incurred following the formal introduction of the new annual canvass procedure and the removal of Cabinet Office grant funding.	Use of Cabinet Office IER grant funding carried forward from previous years to meet additional IER costs. Ongoing tracking of cost throughout 2021/22.
Additional costs incurred to deliver services during Coronavirus Pandemic.	The Board will continue to track all expenditure incurred during the COVID-19 Pandemic.	Ongoing liaison with Scottish Assessor's Association (SAA) and Scottish Government.
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 2021/22.
Costs of Transformation Change	The cost of the Transformation Programme exceeds current estimates.	Ongoing tracking and review of cost estimates.
Economic Changes	Annual values achieved within the non-domestic property sector may fall. Should the fall be significant, this may give rise to the right of appeal against rateable values. The receipt of large volumes of appeals would have significant impact on staff resources.	Ongoing tracking throughout 2021/22.
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.