

**10.00am, Wednesday 27<sup>th</sup> October 2021**

## **Revenue Budget 2021 - 2026**

### **1. Recommendations**

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The Board is recommended to note:

- 1.1 the projected outturn position for 2021/22;
- 1.2 a further update of the 2021/22 budget will be presented to the Board in February 2022;
- 1.3 the updated indicative medium-term financial planning estimates for the period 2022/23 to 2025/26 included at Appendix Two and
- 1.4 the indicative financial planning estimates for 2022/23 to 2025/26 will be the subject of further update to the Board meeting in February 2022.

**Hugh Dunn,**

**Treasurer**

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## Revenue Budget 2021 - 2026

### 2. Executive Summary

- 2.1 The forecast is for net expenditure to be £163,000 less than the approved 2021/22 budget of the Board, based on the position at 30<sup>th</sup> September 2021.
- 2.2 Indicative financial plans have been updated for the period 2022 to 2026.

### 3. Background

- 3.1 The Board's Financial Regulations require presentation of quarterly expenditure monitoring statements. This report summarises the projected outturn at 31st March 2022, based on the position at 30<sup>th</sup> September 2021. The report has been prepared in consultation with the Assessor and ERO.
- 3.2 Following completion of the external audit of the Annual Accounts for 2020/21, the Board's Indicative medium-term Financial Plan has been updated.

### 4. Main Report

#### Revenue Budget 2021-22

- 4.1 The table below compares projected expenditure for 2021/22 with the approved budget. Based on the position at 30<sup>th</sup> September 2021, the forecast is for net expenditure to be £163,000 less than budget – an increase of £12,000 in the underspend from the forecast reported to the Board on 6<sup>th</sup> September.

	Core			Non-Domestic Rates Reform			Total		
	Budget £'000	Forecast £'000	Variance £'000	Budget £'000	Forecast £'000	Variance £'000	Budget £'000	Forecast £'000	Variance £'000
<b>Expenditure</b>									
Employee costs	4,319	4,195	(124)	313	313	0	4,632	4,508	(124)
Premises costs	540	519	(21)	0	0	0	540	519	(21)
Transport costs	76	63	(13)	0	0	0	76	63	(13)
Supplies & Services	750	764	14	40	40	0	790	804	14
Third Parties	141	108	(33)	18	18	0	159	126	(33)
Support Services	67	68	1	0	0	0	67	68	1
<b>Gross Expenditure</b>	<b>5,893</b>	<b>5,717</b>	<b>(176)</b>	<b>371</b>	<b>371</b>	<b>0</b>	<b>6,264</b>	<b>6,088</b>	<b>(176)</b>
<b>Income</b>									
Sales, Fees & Charges	(43)	(30)	13	0	0	0	(43)	(30)	13
Interest	(3)	(3)	0	0	0	0	(3)	(3)	0
<b>Total income</b>	<b>(46)</b>	<b>(33)</b>	<b>13</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(46)</b>	<b>(33)</b>	<b>13</b>
<b>Net Expenditure</b>	<b>5,847</b>	<b>5,684</b>	<b>(163)</b>	<b>371</b>	<b>371</b>	<b>0</b>	<b>6,218</b>	<b>6,055</b>	<b>(163)</b>

- 4.2 The forecast reflects an underspend in employee costs due to currently vacant posts and other in-year employee cost reductions (£124,000). Non-employee cost forecasts reflect ongoing working from home, with consequent cost reductions in office running costs (£21,000) and employee travel expenses (£13,000). Third Party Payments and Sales, Fees and Charges estimates reflect current expenditure and income forecasts and 2020/21 outturn.
- 4.3 The budget makes provision for a pay award of 2%. Application of the revised Scottish Public Sector Pay Policy would give rise to a marginal increase of £1,000. If agreed nationally, this increase can be contained within the budget.
- 4.4 Constituent councils have funded £371,000 towards the Board's costs of implementing Non-Domestic Rates Reform in 2021/22. As the Scottish Government requested return of unspent funding in 2020/21, it is currently forecast all this funding will either be spent or require to be repaid in 2021/22.
- 4.5 At 1<sup>st</sup> April 2021, the Board had £181,000 available for future Individual Electoral Registration (IER), reflecting Cabinet Office funding carried forward from previous years. The Board's budget for 2021/22 includes £92,000 for delivery of IER, with costs to be met from carried forward Cabinet Office grant. To date, no additional Cabinet Office funding has been advised for 2021/22. Any underspend on IER in 2021/22 will be applied to meet future years IER costs.
- 4.6 In 2020/21 the Scottish Government allocated £487,812 to the Lothian Electoral Registration Officer to facilitate an expected increase in postal vote applications for Scottish Parliamentary Election 2021. £311,237 was spent in 2020/21 with the balance of £176,575 currently forecast to be spent in 2021/22.
- 4.7 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 (£0.186m based on 2021/22 requisition). Balances held in excess of 3% require to be reviewed annually in-line with risk/identified commitments
- 4.9 The Board's audited general reserve balance at 1<sup>st</sup> April 2021 is £1.231m, of which £0.176m is retained as an earmarked balance for Scottish Parliament Election 2021 costs and £0.181m retained for future IER costs. The unallocated reserve balance is £0.874m. Detail of financial risks is included at Appendix One.

#### **Indicative Financial Plan 2022 - 2026**

- 4.10 Following completion of the external audit of the Annual Accounts for 2020/21, the Board's Indicative Financial Plan 2022/23 – 2024/25 approved by the Board on 15th February 2021 has been updated and extended to 2025/26.
- 4.11 The Indicative Plan has been updated for the following:
- 4.11.1 confirmation of the unallocated general reserve at 1<sup>st</sup> April 2021 – an increase of £0.445m, following confirmation of the 2020/21 outturn;
  - 4.11.2 subject to confirmation of the national pay award, pay award estimates for 2021/22 and future years;
  - 4.11.3 an increase of 1.25% (£44,716 in 2021/22) for employers National Insurance contribution rates, as announced by the UK Government on 7

September 2021. Funding arrangements for this increase remain to be confirmed.

- 4.12 A summary of the Indicative Financial Plan 2022 to 2026 is presented at Appendix Two.
- 4.13 The Financial Plan will be the subject of ongoing review and development as the Board's Transformation Programme is progressed. While the availability of reserves to support service change is welcomed, it will be important to bring forward a comprehensive and sustainable medium-term operational plan to address the significant projected funding gaps from 2023/24 onwards.
- 4.14 Subject to future workforce requirements, further Voluntary Early Release business cases will be progressed on a phased basis, with updates provided to the Board by the Assessor and ERO. At this stage, no business cases are planned to be progressed in 2021/22 or in future years.
- 4.15 The Indicative Financial Plan is based on the current employee budget, with no change to constituent council requisitions from 2022 to 2026.
- 4.16 Budget estimates will continue to be updated in consultation with the Assessor and ERO to develop a budget for approval by the Board at its meeting in February 2022.

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

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- 5.1 [Revenue Budget 2021/22 and Indicative Financial Plan 2022/23 - 2024/25](#) – report to Lothian Valuation Joint Board 1<sup>st</sup> February 2021
- 5.2 [Period 4 Financial Statement 2021/22](#) - report to Lothian Valuation Joint Board 6<sup>th</sup> September 2021

## **6. Appendices**

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- 6.1 Appendix One – Financial Risk Analysis
- 6.2 Appendix Two - Revenue Budget 2021/22 and Indicative Financial Plan 2022 to 2026

## Appendix One – 2021/22 Financial Risk Analysis

Risk	Detail	Mitigation
Local Government Pay Award 2021/22	The cost of agreed pay award exceeds the budget provision.	An assessment of the revised Scottish Public Sector Pay Policy proposal indicates it remains affordable.
Funding for Additional costs of Non-Domestic Rates Reform	The estimate provided to the Scottish Government was for additional cost of £0.371m for 2021/22.	Local Government Settlement funding has been passed to the Board.
Cost of Individual Electoral Registration (IER)	Following process change, the anticipated additional cost of Individual Electoral Registration (IER) will reduce from 2020/21. 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.	Unspent Cabinet Office grant of £181,000 from previous years is available to fund additional IER costs from 2021/22.
Additional costs incurred to deliver services during Coronavirus Pandemic.	The Board continues to track all expenditure incurred during the Coronavirus pandemic. The move to home working required investment in ICT equipment and to provide support for lone working arrangements.	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 for additional overtime or the use of short-term temporary staff.	Ongoing tracking of cost throughout 2021/22.
Elections/Referendums – increase in uptake of postal voting	There is likely to be a very significant increase in postal votes due to the ongoing Coronavirus pandemic, with additional employee and ICT costs incurred.	In 2020/21, the Scottish Government provided funding to meet additional costs of preparing for an increased postal vote for the Scottish Parliamentary Election 2021. Ongoing liaison with Scottish Assessor's Association (SAA) and Scottish Government.
Economic Changes	Annual values achieved within the non-domestic property sector may fall. If the fall is significant, this may give rise to the right of appeal against rateable values. Receipt of large volumes of appeals would have a significant impact on staff resources.	The Scottish Government has extended the statutory disposal date to 31 December 2022.

## Appendix Two – Revenue Budget 2021/22 and Indicative Financial Plan 2022 to 2026

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Core	5,847	6,040	6,312	6,492	6,660
IER	92	95	0	0	0
Total Requisition	(5,847)	(5,847)	(5,847)	(5,847)	(5,847)
<b>Operating shortfall/(surplus)</b>	<b>92</b>	<b>288</b>	<b>465</b>	<b>645</b>	<b>813</b>
VR - one-off severance/pension strain	0	0	0	0	0
<b>NET TOTAL COSTS</b>	<b>92</b>	<b>288</b>	<b>465</b>	<b>645</b>	<b>813</b>
<b>Use of Reserves</b>					
IER grant carried forward	(181)	(89)	0	0	0
General Reserve drawdown	(0)	(199)	(465)	(187)	0
<b>Net Shortfall/(Surplus)</b>	<b>(89)</b>	<b>0</b>	<b>0</b>	<b>458</b>	<b>813</b>
<b>Budgeted FTE at 31 March</b>	<b>96.83</b>	<b>95.64</b>	<b>95.64</b>	<b>95.64</b>	<b>95.64</b>
<b>Reserve Balances</b>					
General Reserve – opening balance	(874)	(851)	(652)	(187)	0
Forecast General Reserve Drawdown	0	199	465	187	0
Forecast Underspend 2021/22	(163)				
Approved Reserve Balance (3%)	186				
<b>Unallocated General Reserve - closing</b>	<b>(851)</b>	<b>(652)</b>	<b>(187)</b>	<b>0</b>	<b>0</b>
<b>Approved Minimum Reserve Balance (3%)</b>	<b>(186)</b>	<b>(186)</b>	<b>(186)</b>	<b>(186)</b>	<b>(186)</b>
<b>IER Balance</b>					
IER carry forward – opening balance	(181)	(89)	0	0	0
IER grant drawdown	92	89	0	0	0
IER grant received in 2020/21					
<b>IER Grant balance at 31 March</b>	<b>(89)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>