

10.00am, Monday 30 January 2023

**Revenue Budget 2023/24 and Indicative Financial Plan
2024/25 - 2026/27**

1. Recommendations

The Board is recommended to:

- 1.1 approve the proposed core budget for 2023/24 and the issue of 'flat-cash' core budget requisition requests from the Treasurer to constituent councils as detailed at paragraph 4.24,
- 1.2 approve the adjustment of the core budget requisition to reflect the reduction in the Local Government Settlement, following transfer of the Valuation Appeals Committee to the Scottish Tribunals service as detailed at paragraph 4.25;
- 1.3 approve requisition of funding of £0.374m included in the Local Government Finance Settlement to implement the recommendations of the Non-Domestic Rates Review;
- 1.4 note the indicative financial planning estimates for the period 2024/25 to 2026/27 included at Appendix 1 and
- 1.5 note the indicative financial planning estimates for 2024/25 to 2026/27 will be the subject of further update to the Board during 2023/24, as the Board's Transformation Programme Phase Three is progressed.

Hugh Dunn,

Treasurer

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Revenue Budget 2023/24 and Indicative Financial Plan 2024/25 - 2026/27

2. Executive Summary

- 2.1 A revenue budget has been developed for 2023/24 with a recommendation to approve a 'flat-cash' core council requisition for 2023/24 and a separate requisition to meet additional costs for Non-Domestic Rates Reform, in line with funding of £0.374m allocated in the Local Government Finance Settlement.
- 2.2 Indicative financial planning estimates are provided for 2024/25 to 2026/27. These will be subject of ongoing review and development during 2023/24 as the Board's Transformation Programme Phase Three is progressed.

3. Background

- 3.1 This report seeks approval of a revenue budget for 2023/24. The report was prepared in consultation with the Interim Assessor and Electoral Registration Officer (ERO).

4. Main Report

- 4.1 On 7th February 2022, the Board approved a one-year core budget for 2022/23 of £5.847m. This represented no change in council requisition from 2021/22.
- 4.2 The Board also requisitioned additional funding of £0.374m, which was included in the 2022/23 Local Government Finance Settlement for costs of Non-Domestic Rates Reform. This was in line with Scottish Government expectation that this funding be passed to Assessor services.
- 4.3 The 2023/24 Local Government Finance Settlement was announced by the Scottish Government on 20th December 2022. The Settlement sets out local authority funding allocations.

Financial Planning Assumptions

- 4.4 The proposed revenue budget for 2023/24 and indicative financial plan 2024 – 2027 is based on:
- 4.4.1 an update of employee cost forecasts, including pay award provision, estimated at 3% in each year;
 - 4.4.2 maintaining the Board's minimum approved reserve level at £0.180m;
 - 4.4.3 a 'flat cash' council requisition of £5.847m. This requires use of up to £0.580m of the unallocated General Reserve, to maintain a 'flat-cash' council requisition.
- 4.5 The proposed budget for 2023/24 makes provision of £0.261m for employee cost pressures for pay award, increments and associated on-costs. Pay award provision includes the additional cost of £0.132m for the 2022/23 pay award.
- 4.6 A realignment of budget heads has been undertaken to reflect current costs. The realignment has taken account of an upward rent review of £47,000, an anticipated increase of £67,000 in Non-Domestic Rates, following Revaluation and an increase of £20,000 in income received from cash balances, following recent increases in interest rates.
- 4.7 The proposed budget makes provision of £0.112m for four posts, which are frozen vacancies in 2022/23 to address current work demands - an Administrative Officer, an Administrative Assistant and two Property Assistants.
- 4.8 An employee turnover saving of £0.130m, which was included in the 2022/23 budget, has been removed from the proposed budget for 2023/24, given the reduced level of employee turnover experienced in 2022/23.
- 4.9 Cabinet Office funding for additional costs incurred on Individual Electoral Registration (IER) ceased after 2020/21. As the residual balance of unspent IER funding carried forward from previous years has now been fully spent, the proposed 2023/24 budget makes provision of £0.107m for ongoing costs of IER.
- 4.10 The Local Government Finance Settlement 2023/24 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 Board's share of the national allocation is £0.374m.
- 4.11 The Board will receive funding of £22,079 from the Department of Levelling Up, Housing and Communities for new burdens arising from the Elections Act 2022 Electoral Integrity Programme. It is forecast this funding will be fully spent in 2023/24 on costs of voter ID, accessibility, training and contact centre.
- 4.12 The Board has maintained a requisition of £5.847m since 2018/19. The most recent increase in Council requisition was in 2009/10.
- 4.13 The proposed budget for 2023/24 and indicative financial plan 2024/25 to 2026/27 identifies a funding shortfall of £0.580m for 2023/24. This increases to £1.129m by 2026/27. Unless Scottish Government funding increases, it is

- anticipated that an increase in council requisition will be required from 2024/25, together with delivery of sustainable savings.
- 4.14 If Scottish Government funding for Non-Domestic Rates Reform remains at £0.374m throughout the period 2023/24 to 2026/27, there will be a further funding shortfall of £47,000 by 2026/27.
- 4.15 At its meeting on 24th October 2022, in the report [Revenue Budget 2022 - 2027](#), the Board noted potential options to develop the budget on a more sustainable basis include:
- 4.15.1 development of the Board's Transformation Programme to create sustainable employee cost savings in future years;
- 4.15.2 a review of all non-employee costs, to identify potential savings;
- 4.15.3 discussion with constituent councils regarding future years' requisition.
- 4.16 The Interim Assessor and ERO initiated Phase Three of the Board's Transformation Programme in November 2022.
- 4.17 Development of potential savings from non-employee costs is being progressed and this will continue throughout 2023/24.
- 4.18 The Board has previously approved the maintenance of a Reserve balance greater than the minimum balance of £0.180m to support the Board's Transformation Programme and to develop severance business cases with the capacity to release sustainable savings. The Reserve balance at 31st March 2023 is forecast to be £1.068m.
- 4.19 The proposed budget for 2023/24 is forecast to require a maximum drawdown of £0.580m from the Board's Reserves. The application of reserves to support service delivery offers a short-term solution for 2023/24, pending development of sustainable financial savings through Phase Three of the Board's Transformation Programme to address the projected funding gap from 2024/25.
- 4.20 The application of reserves to support 2023/24 service delivery is likely to require an increase in financial resource from constituent councils in future years if the Board's Transformation Programme requires development of severance business cases to release sustainable savings.
- 4.21 A summary of the proposed budget for 2023/24 together with the indicative financial plan for 2024/25 to 2026/27 is shown in Appendix 1.
- 4.22 An analysis of change is shown in Appendix 2 and a cost analysis at Appendix 3.
- 4.23 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 2023/24.
- 4.24 The apportionment of the core budget 2023/24 requisition is based on the constituent councils share of the Scottish Government's provisional Grant-Aided Expenditure figures for 2023/24.

COUNCIL	CORE REQUISITION	NON-DOMESTIC RATES REFORM	TOTAL REQUISITION	%
EDINBURGH	£3,581,131	£229,000	£3,810,131	61.24%
MIDLOTHIAN	£533,251	£34,000	£567,251	9.12%
EAST LOTHIAN	£646,262	£40,000	£686,262	11.03%
WEST LOTHIAN	£1,086,637	£71,000	£1,157,637	18.61%
TOTAL	£5,847,281	£374,000	£6,221,281	100.00%

- 4.25 The Scottish Government has advised the 2023/24 Local Government Settlement will be reduced due to the transfer of the Valuation Appeals Committee to the Scottish Tribunals service on 1st April 2023. When the value of the adjustment is confirmed by the Scottish Government, the core requisition detailed in the table at paragraph 4.24 will be adjusted accordingly.

5. Background reading/external references

- 5.1 [Revenue Budget 2022/23 and Indicative Financial Plan 2023/24 - 2026/27](#) – report to Lothian Valuation Joint Board 7 February 2022
- 5.2 [Revenue Budget 2022 - 2027](#) – report to Lothian Valuation Joint Board 24 October 2022

6. Appendices

- 6.1 Appendix 1 – 2023/24 Revenue Budget and Indicative Financial Plan 2024-2027
- 6.2 Appendix 2 – Analysis of Budget Change 2023/24
- 6.3 Appendix 3 – Core Revenue Budget 2023/24 – Subjective Analysis
- 6.4 Appendix 4 – Financial Risk Analysis

Appendix 1 – 2023/24 Revenue Budget and Indicative Financial Plan 2024-2027

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Core	6,318	6,521	6,687	6,859
Individual Electoral Registration (IER)	107	110	114	117
Total Requisition	(5,847)	(5,847)	(5,847)	(5,847)
Operating shortfall/(surplus)	578	784	954	1,129
VR - one-off severance/pension strain	0	0	0	0
NET TOTAL COSTS	578	784	954	1,129
Use of Reserves				
General Reserve drawdown - Core	(578)	(308)	0	0
Net Shortfall – Core and IER	0	476	954	1,129
Budgeted FTE – Core and IER	95.93	95.93	95.93	95.93
Non-Domestic Rates Reform (Barclay)				
Employees	376	390	405	421
Supplies and Services	0	0	0	0
Total	376	390	405	421
Additional Council Requisition included in Local Government Finance Settlement	(374)	(374)	(374)	(374)
General Reserve drawdown	(2)	0	0	0
Net Shortfall – NDR Reform	0	16	31	47
Budgeted FTE – NDR Reform	9.00	9.00	9.00	9.00
Reserve Balances				
Forecast opening balance	(1,068)	(308)	0	0
General Reserve Drawdown- Core	578	308	0	0
General Reserve drawdown – NDR Reform	2	0	0	0
Approved Reserve Balance (3%)	(180)	(180)	(180)	(180)
Unallocated General Reserve - closing	(308)	0	0	0

Appendix 2 - Analysis of Budget Change 2023/24 – Core and Non-Domestic Rates Reform

	£'000	£'000	£'000	% Change
CORE BUDGET 2022/23			5,847	
Employee budget				
Pay Award 2023/24 (3%)	134			
Pay Award 2022/23 – additional cost	115			
Reduction in National Insurance 2022/23	(44)			
Increments	39			
Other adjustments to Employee costs	17			
Posts held vacant in 2022/23	112			
Removal of employee turnover saving	130			
Transfer Individual Electoral Registration to Core budget	107	610		10%
Budget Re-alignment				
Non-Domestic Rates revaluation increase	67			
Rent Review	47			
Other Property Costs	(55)			
Transport Costs	(25)			
Supplies and Services	(105)			
Third Party Payments	59	(12)		
Interest on Revenue Balances		(20)		
Elections Act 2022 - Electoral Integrity Programme	22			
Funding-Dept of Levelling Up, Housing and Communities	(22)	0		
General Reserve - 2023/24 reserve drawdown		(578)		
NET CORE BUDGET MOVEMENTS			0	
CORE BUDGET 2023/24			5,847	0%
NON-DOMESTIC RATES REFORM BUDGET 2022/23			374	
Pay Award 2023/24 (3%)		8		
Pay Award 2022/23 – additional cost		11		
Reduction in National Insurance 2022/23		(2)		
Increments/other adjustments to Employee costs		6		
Reduction in ICT and postage costs		(21)		
NON-DOMESTIC RATES REFORM BUDGET MOVEMENT		2		
NON-DOMESTIC RATES REFORM BUDGET			376	
FUNDING INCLUDED IN LOCAL GOVERNMENT SETTLEMENT			(374)	
RESERVE DRAWDOWN			2	

Appendix 3 – Core Revenue Budget 2023/24 – Subjective Analysis

Subjective analysis	Budget 2023/24
<u>Employee Costs</u>	£'000
Wages and Salaries	3,632
National Insurance	375
Superannuation	786
Early retirement pension costs	120
Agency Staff	14
Allowances	3
	4,930
<u>Premises Costs</u>	
Rents	352
Rates	184
Cleaning & Domestic Supplies	18
Energy Costs	25
Water Services	10
Premises Insurance	5
Grounds Maintenance Costs	4
	598
<u>Transport Costs</u>	
Car Allowances	37
Staff transport costs (canvassing, surveys etc)	9
Transport Insurance	5
	51
<u>Supplies & Services</u>	
ICT and Telephony	280
Postages	300
Printing, Stationery and Office Expenditure	30
Other Expenses	30
Audit fee	9
Insurance	25
Legal fees	30
Training and conferences	10
Convener/Vice Convener remuneration	12
	726
<u>Third Party Payments</u>	
Valuation Appeals Committee fees	80
Facilities costs (security, maintenance etc)	60
	140
<u>Support Services</u>	
CEC support Service Level Agreement	67
<u>Income/Funding</u>	
Government grant – Elections Act 2022	(22)
Customer and Client Receipts	(42)
Interest on revenue balances	(23)
General Reserve drawdown	(578)
	(665)
Total	5,847

Appendix 4 – Financial Risk Analysis

Risk	Detail	Mitigation
Pay Award	The 2023/24 budget makes provision for a pay award of 3%. Each additional 1% is estimated to cost £45,000.	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 cost.	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 £0.374m included in the Local Government Settlement.	Mitigated in 2023/24 - funding of £0.374m included in the Local Government Settlement. Cost in excess will be met from unallocated Reserve in 2023/24. A sustainable budget beyond 2023/24 requires ongoing liaison with the Scottish Assessor's Association (SAA) and Scottish Government.
Cost of Individual Electoral Registration (IER)	A risk remains that additional cost shall continue to be incurred for the annual canvass.	Ongoing tracking of cost throughout 2023/24.
Transfer of Valuation Appeals Committee to Scottish Tribunals	Reduction in Local Government Settlement funding is greater than current cost to the Board.	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 2023/24.
Cost of Transformation Change	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.