

**10.00am, Monday 30<sup>th</sup> January 2023**

**Period 8 Financial Statement 2022/23**

## **1. Recommendations**

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The Board is recommended to note:

- 1.1 the projected outturn position for 2022/23; and
- 1.2 the final outturn will be reported when the Annual Accounts are reported to the Board during 2023.

**Hugh Dunn**

**Treasurer**

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## Period 8 Financial Statement 2022/23

### 2. Executive Summary

- 2.1 The forecast is for net expenditure to be £0.144m greater than the approved revenue budget of the Board, based on the position at 30th November 2022. This will require to be funded from the Board's unallocated General Reserve, if this position is maintained until the end of 2022/23 financial year.

### 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 2023, based on the position at 30th November 2022. The report has been prepared in consultation with the Assessor and ERO.

### 4. Main Report

- 4.1 The table below compares projected expenditure for 2022/23 with the approved budget. The forecast is for Core and Individual Electoral Registration (IER) costs to be £144,000 greater than 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	4,408	4,637	229	353	353	0	4,761	4,990	229
Premises costs	611	533	(78)	0	0	0	611	533	(78)
Transport costs	51	51	0	0	1	1	51	52	1
Supplies & Services	724	745	21	21	169	148	745	914	169
Third Party Payments	140	145	5	0	0	0	140	145	5
Support Services	67	67	0	0	0	0	67	67	0
<b>Gross Expenditure</b>	<b>6,001</b>	<b>6,178</b>	<b>177</b>	<b>374</b>	<b>523</b>	<b>149</b>	<b>6,375</b>	<b>6,701</b>	<b>326</b>
<b>Income</b>									
Government Grant	(20)	(20)	0	0	0	0	(20)	(20)	0
Sales, Fees & Charges	(42)	(42)	0	0	0	0	(42)	(42)	0
Interest	(3)	(36)	(33)	0	0	0	(3)	(36)	(36)
<b>Total income</b>	<b>(65)</b>	<b>(98)</b>	<b>(33)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(65)</b>	<b>(98)</b>	<b>(33)</b>
<b>Expenditure less Income</b>	<b>5,936</b>	<b>6,080</b>	<b>144</b>	<b>374</b>	<b>523</b>	<b>149</b>	<b>6,310</b>	<b>6,603</b>	<b>293</b>
<b>FUNDING</b>									
Council Requisition	(5,847)	(5,847)	0	(374)	(374)	0	(6,221)	(6,221)	0
Reserve Drawdown	(89)	(233)	(144)	0	(149)	(149)	(89)	(382)	(293)
<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>

- 4.2 The forecast variance reflects a budget pressure of £0.132m as a consequence of the COSLA pay award and limited employee turnover to address the anticipated cost reduction of £0.130m. These pressures are partly offset by a reduction of £0.020m in employers National Insurance contributions and a forecast increase in income received from interest on cash balances.
- 4.3 As was reported to the Board on 5<sup>th</sup> September 2022 in the report [Period 4 Financial Statement 2022/23](#), a realignment of budget heads has been undertaken to reflect the current costs. The realignment has taken account of an upward rent review of £47,000 and an anticipated increase in Non-Domestic Rates, following Revaluation. As Revaluation does not take effect until 2023/24, there is a saving of £78,000 in the current year.
- 4.4 Constituent councils have funded £374,000 towards the Board's costs of implementing Non-Domestic Rates Reform (NDR) in 2022/23, reflecting funding included in the Scottish Government Local Government Finance Settlement. It is forecast all this funding will be fully spent in 2022/23, with employee and ICT expenditure being incurred. Unspent Non-Domestic Rates Reform funding of £0.149m was carried forward from previous years. It is forecast this expenditure will be incurred in 2022/23. This is reflected in the NDR Reform Supplies and Services spend in the table at paragraph 4.1.
- 4.5 The Board's approved budget for 2022/23 includes £89,000 for delivery of Individual Electoral Registration (IER), with £80,000 to be met from an earmarked usable reserve and £9,000 from the core budget. No Cabinet Office funding has been advised for 2022/23.
- 4.6 The Board has received funding of £20,058 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 2022/23 on costs of voter ID, accessibility, training and contact centre.
- 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 (£0.180m). Balances held in excess of 3% require to be reviewed annually in-line with risk and identified commitments.
- 4.8 The Board's unaudited general reserve balance at 1<sup>st</sup> April 2022 is £1.450m. £0.149m is earmarked for NDR Reform and £0.080m for IER. It is forecast there will be a full drawdown of the balance of £0.149m for NDR Reform and £0.080m for IER in 2022/23. Based on a requirement for a drawdown of £0.144m to meet core expenditure in 2022/23 and a further £9,000 for IER, a reserve balance of £1.068m is forecast at 31<sup>st</sup> March 2023 (18% of annual requisition).
- 4.9 An update on the financial risks is included at Appendix 1.

## **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 7th February 2022
- 5.2 [Period 4 Financial Statement 2022/23](#) - report to Lothian Valuation Joint Board 5<sup>th</sup> September 2022
- 5.3 [Revenue Budget 2022 - 2027](#) – report to Lothian Valuation Joint Board 24 October 2022

## **6. Appendices**

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- 6.1 Appendix 1 – Financial Risk Analysis

## Appendix 1 – 2022/23 Financial Risk Analysis

<b>Risk</b>	<b>Detail</b>	<b>Mitigation</b>
Pay Award	The 2022/23 revenue budget makes provision for a pay award of 3%. Each additional 1% is estimated to cost £45,000.	2022/23 Pay Award now agreed. The financial impact is included in Month Eight 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 cost.	Ongoing tracking of cost throughout 2022/23. 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 2022/23. 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 2022/23 to the Board.
Cost of Individual Electoral Registration (IER)	Additional cost incurred on IER require to be met from the core budget in 2022/23. A risk remains that additional costs shall continue to be incurred following the introduction of the annual canvass procedure.	Use of Cabinet Office IER grant funding carried forward from previous years to meet IER costs in 2022/23. Ongoing tracking of cost throughout 2022/23.
Additional costs to deliver services during Coronavirus Pandemic.	The Board will continue to track all expenditure incurred during the COVID-19 Pandemic.	Ongoing tracking of cost throughout 2022/23. Liaison with Scottish Assessor's Association.
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 2022/23.
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.