

Period 7 Financial Statement 2013/14

25th November 2013


1 Purpose of report

This report has been prepared in consultation with the Assessor and summarises the revenue budget position for the period ending 31st October 2013, together with forecast expenditure to the year end.

2 Main Report

Performance to 31st October 2013

2.1 The table below compares actual and budgeted expenditure for the seven month period to 31st October 2013. It also sets out the forecasts to 31st March 2014 and details movement to the period 3 forecasts reported in September 2013.

	Seven months to 31.10.13			Full-year forecast to 31.03.14			P3 Forecast £'000	Movement £'000
	Budget £'000	Actual £'000	Variance £'000	Budget £'000	P7 Forecast £'000	Variance £'000		
Expenditure								
Employee costs	2,702	2,597	(105)	4,539	4,407	(132)	4,467	(60)
Premises Costs	486	488	2	625	630	5	634	(4)
Transport Costs	70	67	(3)	113	101	(12)	102	(1)
Supplies & Services	418	418	0	712	712	0	715	(3)
Third Party Payments	55	60	5	95	119	24	119	0
Support Services	9	0	(9)	80	80	0	80	0
Gross Expenditure	3,740	3,630	(110)	6,164	6,049	(115)	6,117	(68)
Income								
Sales, Fees & Charges	(25)	(39)	(14)	(43)	(42)	1	(42)	0
Interest	0	0	0	(3)	(2)	1	(2)	0
Total income	(25)	(39)	(14)	(46)	(44)	2	(44)	0
Net Expenditure	3,715	3,591	(124)	6,118	6,005	(113)	6,073	(68)

Movement in forecast to those reported in September 2013 (Period 3).

2.2 In total terms the forecast has reduced by £0.068m from £6.073m to £6.005m. The reduction of £0.068m relates mainly to adjustments made to the employee cost forecast. This was due to two main factors:

- A £0.093m reduction in the forecast due to the cost of two early retirements being funded by the approved previous year carry-forward to meet the cost of early release of staff, and
- A general increase of £0.033m due to changes in staffing costs between 30th June and 31st October 2013.

Budget performance at 31st October 2013

- 2.3 Actual net expenditure is £0.124m under the period budget. The variance relates mainly to employee costs and is due to vacant posts, turnover and canvass costs that will be incurred later in the year.

Forecasts to 31st March 2014

- 2.4 At this stage, the projected forecast of £6.005m would result in a net under spend of £0.113m. The principal reasons for the variance are as follows:

(a) **Employee Cost under spend £0.132m**

This is due to the ongoing review of vacant posts and the saving associated with two staff leaving through early release. The one-off costs associated with early release have been off-set against the balance held to fund such costs.

(b) **Transport under spend £0.012m**

This is a result of an ongoing review of practices associated with external survey work, and reflects the general decline in construction activity.

(c) **Third Party Payments over spend £0.024m**

This is a result of a higher than anticipated activity of the Valuation Appeals Committee. This is due to outstanding appeals lodged in respect the 2010 Revaluation and subsequent material change of circumstances appeals, and the increasing complexity both in valuation and legal terms that these appeals present. This additional cost is projected to be contained within the overall budget provision.

- 2.5 Voluntary Early Release (VERA) and Redundancy Schemes were approved by the Board at its meeting on 4th February 2011.

- 2.6 In terms of Section 58 of the Local Government (Scotland) Act 1973, the Board has no specific power to retain reserves; however, unspent funding contributions from constituent councils can be carried forward as creditors to meet future costs associated with early release measures. The Board approved the retention of the under spends relating to financial years 2010/11 and 2011/12 totalling £0.270m. A drawdown of £0.093m has subsequently been made from this balance to meet the cost of two staff leaving during 2013/14.

- 2.7 In addition to the above, unspent funds from 2012/13 of £0.127m were also carried forward. At its meeting on the 28th June 2013 the Board deferred a decision on this until completion of the audit of the 2012/13 Financial Statements. The Assessor subsequently notified the Board at its meeting on the 2nd September 2013 of potential unbudgeted costs as the result of unexpected building repairs, maintenance and lease term renegotiations. Greater clarity on these costs is expected later in the financial year. In light of the drawdown already made, it is recommended that the under spend from 2012/13 be retained and added to the balance currently available to manage the cost of early release measures. This would restore the balance held to around the level previously approved by the Board. A summary of the current balance is provided below:

Creditor to meet future costs of early release	£'000
2010/11 under spend carried forward	£228
2011/12 under spend carried forward	£42
Balance noted by Board June 2013	£270
Drawdown to date 2013-14 (2 x VERA)	-£93
2012/13 under spend carried forward	£127
Balance noted by Board November 2013	£304

Budget settlement 2014/15

- 2.8 It is anticipated that the financial settlement for local government for 2014/15 shall be such that the Board will require to set a budget within a 'flat cash' level of council requisition. This will provide a challenge to ensure that the Board can continue to deliver its statutory functions and services in addition to increased workloads associated with the Scottish Independence Referendum and Individual Electoral Registration. While additional funding is being sourced centrally for elements of this work, a constrained budget without the flexibility to react to unexpected costs is a concern. A budget report will be presented to the Board in February 2014 for approval. The report will also highlight the budget pressures facing the Board and measures to address these, including flexibility of carry-forward balances.

3 Conclusions

- 3.1 At this stage, there is a projected net under spend of £0.113m relating to Financial Year 2013/14. A further report on the current year financial position will be presented in February 2014.
- 3.2 The Board has no power to establish a general reserve; however a balance has been set-aside to cover the cost of staffing early release measures. The balance available to the Board at 31st October 2013 would be £0.304m if retention of the 2012/13 carry-forward is approved.

4 Recommendations

- 4.1 The Board is recommended to note the financial statement for the seven month period to 31st October, 2013, together with the year end projections.
- 4.2 The Board is recommended to approve the retention of the 2012/13 under spend of £0.127m.

**Hugh Dunn,
Treasurer.**

Appendices	None
Contact/Tel:	Mr. T.MacDonald: 0131 469 3078
Background Papers	Held at the Office of Treasurer