

COSLA Budget 2018/19

Strategic Proposal

This budget marks both a return to a full complement of councils after three years and the resulting increase of income. It is predicated on a staffing roll of 45 core posts and a consistent level of income relative to previous years.

Summary and Recommendations

Convention is asked:

- i. To agree the budget as recommended by the Audit Group; and
- ii. Note there will be no increase to the levy on councils.

References

Other reports relevant to COSLA's 2018/19 budget:

- Convention 31st March 2017

COSLA Budget 2018/19

Strategic Proposal

1. The purpose of this report is to provide Convention with the detail of COSLA's budget for the year 2018/19 and to seek approval for it.

Background

2. The budget attached to this report (**Appendix A**) is the COSLA budget for the financial year 2018/19. The landscape is very different this year as it is based upon a return to full membership of 32 councils. This point is illustrated in the final four lines of the budget where there is no need to make provisions for **savings in year**; the **levy and myjobscotland/recruitment portal user fees** return to normal; and the **employers' organisation fee** charged to the Scottish Local Government Partnership (SLGP) is no longer applicable.
3. While the organisation has faced membership issues over the previous three years, reserves - previously set aside to address future years' rent increases – have become depleted by day-to-day running costs. This budget provides a window of opportunity to restore reserves in anticipation of future rent increases.

General note on Expenditure

4. As in previous years, 2% slippage has been applied to **salaries**. Returning to full membership, the moratorium on recruitment for posts can be lifted and the organisation is able to return to an optimum level of core staffing, approximately 45 posts. There are a number of areas of work based on the COSLA plan which require development and which are currently being reviewed as to how best to allocate resources. In addition, investment in **staff training and development** has been increased as this was an area that was significantly cut in the past.
5. Lothian Pension Fund (LPF) has changed the basis on which COSLA makes contributions in respect of **superannuation** and **past years' service costs** to cover its liabilities. In the past there has been a percentage applied to payroll plus a lump sum. This will now be replaced by a larger percentage applied to the entire workforce i.e. to encompass those budgets outwith the core, Migration, Population & Diversity (MPD), Business Gateway (BG) and TradingStandardsScotland (TSS). The net result is a saving in the core budget as the total cost is shared more equitably across the organisation. However, it should be noted that, due to payment of lower than required contributions over the previous three years, costs will increase in 2019/20 and 2020/21 by circa £40k each year.
6. **Property costs** are largely fixed as are **operational costs** apart from **information and communication technology (ICT)**. The provision of information technology (IT) services for the organisation is under-going structural review mainly based around finding Cloud-based solutions for current and future needs.
7. Within **other expenditure**, the lines relating to the commercial operation of both the **conference centre** and the **myjobscotland (mjs) recruitment portal** have been

updated to reflect outturns in 2017/18. Increases in **catering** costs are offset in income by higher revenues while income shown in the **room hire** and **catering** lines reflect reweighting in the increasingly popular day delegate rate. The correlation between **myjobscotland licence/website** costs and **web-based services** income depends on design and development lifecycles meaning margins do not accrue linearly. Costs to the councils for this service are fixed until 2020.

General note on Income

8. The 2018 **annual conference** is scheduled to return to the Fairmont, St Andrews in October. The programme is being reviewed and will be fine-tuned over the coming months. The various facets that go towards hosting the event means financial implications evolve as sponsors, speakers, pricing etc crystallise. With the last-minute loss of a main sponsor at the 2017 event still fresh in the memory it is prudent to reduce expected income by £20k.
9. The Scottish Government has long advised us to expect **Health Improvement Grant** funding to continue on a sliding scale hence the diminution in expected income by £30k. That said, the level of engagement between us continues at a very active level so it's possible that consolidation of funding may not be felt in the short-term. Agreement as to the level of funding is usually delayed due to Scottish Government decision-making processes so the budgeted figure can only be indicative at this stage.

Auditors & reserves

10. Current reserves on COSLA's balance sheet stand at £614k split between a general, ICT and a refurbishment reserve. The surplus gained in 2017/18 - mainly as a result of unbudgeted levy income from the four returning councils - is expected to be in the region of £450k. This sum will contribute to the replenishment of reserves needed to cover forthcoming rent increases at Verity House. Rent reviews in 2020 and 2025 will add a **minimum of £800k** in costs over the 10 years to 2030 and these reserves are planned to smooth increases over the remaining 13 years of the lease.
11. Any surpluses accruing in the 2018/19 financial year will be considered by officers and the Senior Management Team (SMT) as a precursor to developing a reserves strategy. Plans will be considered in the first instance by the Audit Group. COSLA's reserves will also be reviewed by auditors at the conclusion of the 2017/18 accounts audit when they will be asked to make comment on their suitability, especially regarding the organisation's obligations under the terms of the Verity House lease.
12. Looking beyond 2018/19, it looks feasible to produce balanced budgets for the following two years without recourse to levy increases to the councils. COSLA remains mindful of the constraints councils are operating under and is keen to provide and exceed levels of service to member councils while not adding any monetary pressure. However, bearing in mind salary costs make up more than 60% of the total budget, acceleration in wage rises adding inflationary pressure may necessitate higher levies in future years.

COSLA Audit Group

13. In recognising their responsibility to the wider membership, the Audit Group have held a series of meetings with officers to discuss this budget. These meetings have been wide-ranging, discussing the various facets of the budget and the implications on COSLA's ability to provide Councils with the high level of service that is expected. The Audit Group is content to recommend this budget to Convention for approval.
14. The Audit Group will continue to play a key active role in the monitoring of the budget going forward.

Conclusion

15. Convention is asked to agree the 2018/19 budget as it appears in **Appendix A**. There will be no increase in the annual levy to councils for the period.

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APPENDIX A

Draft 2018-19 Budget

	2017-18 budget	2018-19 budget
EXPENDITURE		
Staff Costs		
Salaries	1,823,751	2,064,117
National Insurance	211,508	239,503
Superannuation	389,267	604,176
Past years' service costs	244,100	0
Travel Costs and Expenses	24,300	24,450
Staff Courses & T&D	3,000	10,700
Health & safety	4,000	4,000
Other Staff Costs	5,000	5,000
Sub-total	2,704,925	2,951,945
Property Costs		
Rents, Rates	529,798	526,880
Service Charges	4,500	4,500
Buildings Insurance	3,000	3,000
Repairs & Maintenance	50,000	50,000
Heating & Lighting	42,500	40,000
Cleaning	40,000	45,000
Sub-total	669,798	669,380
Operational Expenses (overheads)		
Stationery /newspapers / copiers	14,000	14,000
Postages	1,000	1,000
ICT	60,000	60,000
Annual Subscriptions	5,000	5,000
General Insurance	15,500	15,500
Communications	5,000	5,000
Audit Fee	7,500	7,500
Other professional fees	10,000	10,000
Sub-total	118,000	118,000
Other Expenditure		
Depreciation	68,226	70,000
Office Bearers allowances	110,250	110,250
Office Bearers expenses	20,000	20,000
Research Studies	7,500	7,500
Catering - internal	22,200	21,000
Catering - external	110,000	125,000
Catering Staff Costs	32,000	45,000
Conference centre costs	20,000	25,000
Bank Charges	2,000	2,000
Gifts / Hospitality / misc.	1,500	1,500
mjs Licence costs	284,000	298,200
Website costs	126,500	105,500
COR/CEMR/Scotland Europa	30,000	30,000
Sub-total	834,176	860,950

TOTAL EXPENDITURE	4,326,899	4,600,275
Income		
Room Hire incl. DDR	330,000	290,000
Catering	180,000	215,000
Ann Conf/Ex Awards (net)	40,000	20,000
Event Management	15,000	10,000
Sub-Leasing	30,000	30,000
Health Improvement Grant	50,000	20,000
Web-based services	268,000	290,000
Deposit Interest	20,000	15,000
Management Fee	155,000	175,000
TOTAL INCOME	1,088,000	1,065,000
Net Expenditure	3,238,899	3,535,275
Savings on Net Expenditure	185,000	0
Levy Contribution	2,437,299	3,166,588
RP mjs user fee	526,600	516,400
Employers organisation fee	90,000	0
SURPLUS/(DEFICIT)	(0)	147,713