

COSLA Draft Budget FY24-25

Summary and Recommendations

The purpose of this report is to seek approval from Convention for the COSLA operating budget for the financial year ending 31 March 2025.

At Convention in March 2021, a four-year Budget was approved covering 1 April 2021 to 31 March 2025.

This paper asks Convention to:

- i) Note the contents of the report and that COSLA's Audit Group has considered the budget;
- ii) Approve an updated fourth year of that Budget, as recommended by the Audit Group, following their meeting on 5th March 2024.

References

Other relevant reports:

- 23-03-31 Convention Paper, Item 03 COSLA Budget FY23-24
- 22-02-25 Convention Paper, Item 06 COSLA Budget 2022/23
- 21-03-26 Convention Paper, Item 08 COSLA Budget 2021/22 to 2024/25

Douglas Gray
Finance Manager
douglasg@cosla.gov.uk
0131 474 9234

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COSLA Draft Budget FY24-25

Proposal

1. The purpose of this report is to seek approval from Convention for the COSLA operating budget for the financial year ending 31 March 2025.

Proposed Budget for Year Ending 31 March 2025 (Appendix A)

2. In 2021, the four-year budget reflected Senior Management Team's view that taking a longer-term approach would allow for the effect of the virtually overnight disappearance of Conference Centre income (due to the COVID pandemic) to be spread over a longer time period, making it easier to absorb. The approach was driven by the goal that COSLA's general reserves, depleted by the impact of COVID, should return to a similar, prudent level by the end of the four years.
3. Some assumptions for the four-year period needed replacing with actual experience. For example, the increased rate for employer pension contributions notified by Lothian Pension Fund (LPF) in April 2021; the introduction, by LPF, of a new approach to strain costs from February 2022; and the SJC Pay Awards agreed in December 2021, November 2022 and November 2023. Relevant updates have been made to the Budget proposed for Year Ending 31 March 2025.
4. Other assumptions have been updated to accommodate anticipated changes. For instance, the implementation of the IT support contract with Consider IT (COSLA's IT provider since 2022) to replace the previous IT Officer and build in resilience to the organisation, higher energy prices, and the increasing requirement to obtain legal opinions on behalf of Member Councils in relation to areas like the National Care Service, Education reforms, and Employers responsibilities.
5. The COSLA staff travel budget has also been increased to pre-pandemic levels. This was discussed at Audit Group, and clarification given on the rationale – namely that recent experience shows that staff are beginning to be asked to attend some face-to-face meetings (officer and political) to complement the activity taking place remotely. This mirrors the increasing activity in the Conference Centre, reflecting a general desire to return to face-to-face events.
6. Actual results from Year One (FY21-22) and Year Two (FY22-23) exceeded the budgeted position for those years by £550k and £220k respectively. This was partly the result of robust management and controlling of expenditure, particularly vacancy management, but also helped by higher-than-expected revenues from areas such as the myjobscotland recruitment website, interest on bank deposits, and the Conference Centre.
7. Approximately £200k of these 'better-than-budget' results have been incorporated into the full year forecast for Year Three (FY23-24) to ensure that the bottom-line matches that

originally proposed in the four year budget, meaning that approximately £570k remains, of which just over £500k is needed to balance the proposed budget for FY24-25.

8. At their meeting in November, the Audit Group requested that the Senior Management Team (SMT) look closely at options around the level of membership fees required for Year Four.
9. SMT considered options covering:
 - i. sticking with the original increase of 0.55% (in each of the 4 years of the budget)
 - ii. holding contributions steady at the level for Year Ending 31 March 2024 (year 3)
 - iii. some form of payment “holiday”.
10. The considerations were then discussed with Audit Group at their meeting on 5th March. SMT’s preferred position is holding contributions steady at the level for Year Ending 31 March 2024, as it does not put COSLA’s financial position at too great a risk but does recognise the financial pressures that Member Councils are experiencing. Audit Group was satisfied with that approach.
11. There are several risks within the budget, predominantly in connection with the level of income assumed across the different headings, but also in connection with the annual staff pay award. The remaining £60k of previous years’ performances, combined with pre-existing reserves, should allow those risks to be managed without the need to seek additional funds from member Councils.

Conclusion

12. Convention is asked to:
 - i. Note the contents of the report and that COSLA’s Audit Group has considered the budget;
 - ii. Approve an updated fourth year of that Budget, as recommended by the Audit Group, following their meeting on 5th March 2024.

March 2024

APPENDIX A	FY24-25 Original Budget as approved by Convention in March 2021	FY24-25 Amended Budget for approval	Change	Comments
EXPENDITURE				
Staff Costs				
Salaries	2,200,400	2,621,000	420,600	Original Budget assumed 1% Pay Awards. FY21-22 was around 2%. FY22-23, 5%. FY23-24, 6.5%. A further 3% assumed for FY24-25
National Insurance	247,900	323,000	75,100	Consequent on Salaries increase
Pension Costs	681,200	797,000	115,800	Consequent on Salaries increase
Travel Costs and Expenses	9,700	20,000	10,300	Reflecting a return to pre-pandemic levels, as witnessed during FY23-24
Staff Training & Development	9,700	9,700	-	
Health & Safety	3,880	3,880	-	
Other Staff Costs	4,850	4,850	-	
Sub-total	3,157,630	3,779,430	621,800	
Property Costs				
Rents, Rates	588,100	588,100	-	
Service Charges	11,100	16,000	4,900	Reflecting increased energy bills, as rechargeable by landlords.
Buildings Insurance	3,800	3,800	-	
Repairs & Maintenance	43,660	50,000	6,340	Reflecting FY23-24 experience
Heating & Lighting	33,960	70,000	36,040	Reflecting increased energy bills
Conference Centre upkeep	38,810	50,000	11,190	
Sub-total	719,430	777,900	58,470	
Operational Expenses (overheads)				
Stationery & Printing	10,000	6,000	(4,000)	To reflect Hybrid working
Postage	500	500	0	
ICT (Licenses, Software, Hardware)	82,480	180,000	97,520	Mostly reflecting the IT support contract that is replacing the former IT Officer
Annual Subscriptions	4,600	4,600	0	
General Insurance	16,490	25,000	8,510	Reflecting recent premium increases

Communications	20,570	20,570	0	
Audit Fee	7,000	10,000	3,000	Reflecting the new three year contract
Other professional fees	9,700	100,000	90,300	Increasing requirement to obtain legal opinions on matters such as NCS, Educational Reforms, Employer responsibilities.
Sub-total	151,340	346,670	195,330	
Other Expenditure				
Depreciation	60,000	60,000	-	
Office Bearers' allowances	109,500	109,500	-	
Office Bearers' expenses	14,550	14,550	-	
Research Studies	4,850	4,850	-	
Catering - internal	4,850	20,000	15,150	Reflecting increased supplier costs and activity levels
Catering - external	140,000	100,000	(40,000)	Reflecting FY23-24 experience
Catering Staff	47,000	65,000	18,000	Reflecting increased costs due to pay rises.
Conference Centre	25,000	150,000	125,000	Correct incorporation of expenditure on Annual Conference and Excellence Awards
Bank Charges	1,940	1,940	0	
Miscellaneous	1,470	1,470	0	
myjobscotland	446,340	600,000	153,660	Reflecting inflation linked price rises and investment in additional functionality.
International	29,110	29,110	15,150	
Sub-total	884,610	1,156,420	271,810	
TOTAL EXPENDITURE	4,913,010	6,060,420	1,147,410	
Income				
Room Hire/Daily Delegate Rate	300,000	300,000	-	
Catering	250,000	200,000	(50,000)	Reflecting FY23-24 experience
Annual Conference/ Excellence Awards (original budget is net)	20,000	190,000	170,000	Correct incorporation of income from Annual Conference and Excellence Awards
Event Management	10,000	10,000	-	
Health Improvement Grant	50,000	50,000	-	

myjobscotland	330,000	375,000	45,000	Assumes levels of activity similar to FY23-24.
Deposit Interest	20,000	200,000	180,000	Reflecting current higher interest rates, which are likely to continue
Management Fee	190,700	400,000	209,300	Reflecting FY23-24 experience
TOTAL INCOME	1,170,700	1,725,000	554,300	
Net Expenditure	3,742,310	4,335,420	593,110	
Member Subscriptions	3,301,889	3,283,828	(18,061)	Reflecting the proposed freeze on FY23-24 levels
Recruitment Portal (myjobscotland) Fees	516,400	487,900	(24,900)	Based on FY23-24 experience
Operating Surplus/(Deficit)	75,979	(563,692)	(639,671)	
Absorbed by Property Reserve	58,000	58,000	-	
From previous years' 'better-than-budget' results		505,692	505,692	Actual results for FY21-22 and the forecast results for FY22-23 outperformed the approved Budget for those years
Transferred to General Reserve	133,979	-	(133,979)	Achieving no worse than this position is the primary focus of SMT, rather than individual budget lines