

Registers of Scotland

RoS Board

19 August 2020

Finance Update and July forecast

Purpose

1. To update the Board on the financial position at the end of June, and the latest forecasts for the year.

Recommendation

2. The Board is invited to note the July financial update.

Background

3. The forecast effect of COVID-19 on our intakes will have a significant impact on our income for the year. We identified a range of opportunities to reduce expenditure and improve income and received ministerial approval for these. Budget reviews for all areas were conducted in both May and July with Directors and C2s and the outcomes of the July meetings comprise the new forecast.

4. The impact on intakes and outputs has been modelled as a range of scenarios comprising best case and worst case for both intakes and productivity. These scenarios have been through EMT approval and are detailed in a separate paper at this meeting. The July forecasts have widened the range of impact from the May position, with a reduced intake for the worst case and improved productivity for the best case. The range of financial impacts shown here relate to the overall best and worst cases.

Financial position

5. The year to date (YTD) position is a loss of £13.3m, compared to the Corporate Plan budgeted loss of £1.9m. Current forecasting shows potential full year losses of between £22.1m and £47.0m depending on the scale of the expected slowdown in the property market, and how quickly we can return to pre-covid levels of productivity.

The resource budget for 2020-21 was set at £4m, and the current forecast range is £17.6m to £42.5m. See table below for summary.

	2019/20	2020/21	2020/21 May	2020/21 May	2020/21 July	2020/21 July	YTD
	Accounts	Corporate	Budget	Budget	Budget	Budget	June
	£k	Plan	Review - low	Review -	Review - low	Review -	Actual
		£k	income	high	income	high	£k
			£k	income	£k	income	
Total Statutory Income	69,461	79,660	34,994	48,011	33,953	56,822	5,508
Non Statutory Income	9,217	8,070	3,296	4,237	3,610	5,648	979
CJRS income	247	0	2,570	2,570	2,695	2,695	1,979
Total Income	78,925	87,730	40,860	54,818	40,258	65,165	8,466
Salary costs	63,581	70,448	65,919	65,919	65,687	65,687	17,560
Non-salary costs	17,295	20,921	17,208	17,208	16,769	16,769	3,022
Depreciation	4,797	4,400	4,800	4,800	4,800	4,800	1,200
Total Expenditure	85,673	95,769	87,927	87,927	87,256	87,256	21,782
Profit or (Loss)	(6,748)	(8,039)	(47,067)	(33,109)	(46,998)	(22,091)	(13,316)

Income

6. The income forecast is a reduction of between £22.6m and £47.5m from the CP £87.7m. This is partially offset by accessing the COVID Job Retention Scheme (CJRS) to recover some of the salary costs for staff on furlough. The forecast income modelling for the main registration products is based on a V shaped return and latest market analysis.

7. The Keeper has consulted with the minister and is exercising her power in the Fees Order to vary fees by £10. This is being applied to Land Register, Sasine and CAJR fees from the start of October, following a three month notice period. In addition, the Reports fees are being increased from start October to ensure cost recovery. A full fee review has been started, but the outcomes of this will be to a longer timescale and dependent on availability in the parliamentary timetable.

8. The YTD income is £12.4m below the June budget as a result of COVID-19 impacts. June volumes were around 75% of last year, which shows the success of the new digital submissions in enabling solicitors to clear the work that existed prior to lockdown. However July volumes have been around 55% of last year which suggest the backlog has been largely addressed.

9. The opening cash balance for the year was £21.1m and at the end of June £17.0m. As part of the Scottish Consolidated Fund we use the treasury cash management process with SG Finance and have received £10m on 1 June from this process. We will continue to operate this on a monthly basis with the aim of not going below a £5m buffer, but are currently carrying a higher value due to the uncertainty around intake forecasting.

Salary costs

10. The July forecast salary for the year is £65.7m, which is £4.8m less than the CP. There has been a £0.2m decrease from the May budget, with some targeted recruitment now being actioned, but more than offset by further identified reductions in backfill.

11. RoS staff who have not been able to work due to not being digitally enabled have been put on furlough, following discussion with the trade union. The costs recovered under CJRS are shown as income, and have increased by £0.1m from the May budget as some staff will be furloughed to end of September.

Non-Salary expenditure

12. The non-salary forecast for the year is £17.1m, which is £4.2m below the CP, and £0.4m below the May budget. The movement from May largely relates to further savings in Estates costs relating to the works previously planned for MBH. Reviews are ongoing which are expected to find further savings, in particular in relation to learning and development requirements, catering provision, and DX and postage volumes.

Conclusion

13. The Board is asked to note the new budgeted expenditure, and the new range of income forecasts.

Head of Finance