Registers of Scotland

RoS Board

13 June 2023

RoS Corporate Plan 2022-27 - Review of Year 1 Forecasts

Purpose

1. This paper is to update the RoS Board on the accuracy of the 2022-23 corporate plan forecasts for income, headcount and business flows (intakes and despatches). The 5-year picture is also included so that the Board can see the progress made. Additionally, it covers activities that underpin business performance i.e., how often does the monthly forecast from each business area (sun, cloud, showers) at each monthly update match what they say they are achieving the next month.

2. The paper supports the board in fulfilling its role to provide strategic advice to the Keeper by providing information on internal forecasting accuracy, which underpins assumptions about operational and financial performance as well as delivery of strategic objectives.

Recommendations

3. The Board are asked to note the update on forecasting accuracy.

4. The Board are invited to comment on any improvement they can identify to help further improve our forecasting accuracy to underpin decision making.

Background

5. Forecasts are prepared for each RoS corporate plan to anticipate our financial position, how many staff we will require to deliver the plan and what our business flow in terms of intakes and despatches will be. Additionally, during 2022-23 we have been monitoring the activities that underpin business performance, giving short-term forecasts of what is happening in each business area. Traditionally, each business area has reviewed its own forecasts with a view to strengthening and improving them in future years. As the 2022-27 corporate plan is moving to year 2 rather than a completely new plan; it has been decided to collate the accuracy of all RoS forecasts for scrutiny by the RoS board.

6. The tables set out in Annex A show the baseline figures used in the corporate plan, how they changed at the end of each quarter, the final outturn figures and the variance from the most recent forecast. Annex B shows the 5-year picture. Both annexes contain an explanation where forecasts did not meet expectations. The activities that underpin business performance is demonstrated slightly differently as there is no baseline.

Forecast accuracy

7. Best forecasting practice industry standards are that forecasts should be within the +/- 5% range. I will offer no comment when the result falls within this range. It should be noted that in some cases, it has not been possible to meet this target due

to in-year RoS policy or operational changes. Each additional year of data collected strengthens future forecasts as these are mainly based on historic trend.

8. Prior to the Covid lockdown, BIA were often asked to use unproved assumptions in our despatch forecasting but as the pandemic was the first in over a century, we had no historic data to trend from and a new approach was required. We developed multiple scenario forecasting- bounce market and slow market, setting the corporate plan forecasts at the mid-point. The assumptions used were all evidence-based to ensure improved forecasting.

9. Forecasts are now all reviewed quarterly to consider changes in the market and strategic EMT decisions. The quarterly reviews support EMT making management decisions and taking action throughout the year to achieve particular outcomes and these will affect the forecasts: i.e., in financial year 2022-23, forecast spend was £100m but action was taken to ensure that the final spend was less than our income and that a break-even position was achieved.

10. I highlight to the Board that some of our forecasts are within EMTs control e.g., recruitment, IT upgrades etc; and they can plan on how to deliver these within existing resources. However, some forecasts are outwith their control e.g., intakes and income; and they will have to adjust other activities to achieve outcomes such as breaking-even, which in turn requires the forecasts to be updated.

11. Looking forward, we have extended our forecasting model to include more recruitment data and data from SAT developments. While this will only allow for marginal long-range forecasting improvement, it does allow senior colleagues to ask what if? questions. I.E., what if we move staff from one product to another, what if we speed up/slow down technological improvement etc. This will allow for improved strategic and financial planning.

Conclusion

12. The Board are asked to note:

- RoS now only uses evidence-based assumptions in its forecasting, covering 3 scenarios- bounce market, slow market and the mid-point.
- The high quality of the forecasting with income within 1%, expenditure 1.5%, intakes 5% and despatches 2%. Comparing these figures to what the figures would have been had there been no reforecasting as shown in Annex A, shows the real value of reforecasting in-year to ensure fiscal stability.
- The mid-point is used for corporate planning but can be adjusted in-year if the market is veering towards the bounce or slow scenario.
- RoS forecasting is now more market reactive and in a strong place but it should be noted that necessary EMT strategic decisions will affect outturn figures for staff numbers, income and despatches. We can adjust the outturn forecast in-year when this happens.
- With the new forecasting model adding additional assumptions, future forecasting will improve as will support for strategic decision making.

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