



## Financial Planning 2019/20

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### 1 Purpose of report

- 1.1 The purpose of this report is to provide an update to Chief Officers on the financial planning being progressed for the Partnership for the 2019/20 revenue budget.

### 2 Main report

#### Scottish Government Draft Budget 2019-20

- 2.1 The provisional Local Government Finance Settlement for 2019/20 is anticipated to be announced in mid-December 2018. Funding is expected to cover one year only.

#### SESTRAN – Financial Planning 2019/20

- 2.2 Revenue budget planning is being progressed for 2019/20. Planning assumptions have been updated for:
- 2.2.1 estimated staff recharges to projects in 2019/20. Staff recharges to projects are forecast to reduce to £100,000 from £136,000 in 2018/19, as EU project activity decreases;
  - 2.2.2 pay award, estimated at 3% (£10,742) and pay increment provision (£8,148);
  - 2.2.3 an increase of 0.5% in the employer's Pension Fund contribution rate, following the Lothian Pension Fund triennial actuarial valuation (£3,494);
  - 2.2.4 other budget planning assumptions required for 2019/20.
- 2.3 Scottish Government grant funding has remained fixed at £782,000 since 2011/12. Council requisitions reduced by 5% in 2017/18 from £200,000 to £190,000. Appendix 3 shows all budgeted expenditure and income since 2011/12.
- 2.4 An analysis of the proposed core revenue budget for 2019/20 is shown in Appendix 1. All proposed Projects activity for 2019/20 is shown in Appendix 2.
- 2.5 For 2019/20, external income of £293,000 is anticipated to fund 23% of proposed expenditure. Financial planning is currently based on the Partnership receiving £782,000 grant from the Scottish Government and £190,000 from

constituent council requisitions. This would represent a stand-still in Council requisitions.

- 2.6 Based on these estimates, Scottish Government grant funding would meet 62% of proposed expenditure with Council contributions funding 15% of expenditure.
- 2.7 A risk assessment is included at Appendix 4.

### **3 Next Steps**

- 3.1 Following consideration by Chief Officers Group, a report on financial planning for 2019/20 will be presented to the Performance and Audit Committee on 16<sup>th</sup> November and the Partnership Board on 7<sup>th</sup> December 2018.
- 3.2 A revenue budget for 2019/20 will be presented to the Partnership Board for approval in March 2019.

### **4 Recommendation**

- 4.1 Chief Officers are recommended to:
  - 4.1.1 note this update on the financial planning assumptions being progressed for the Partnership for the 2019/20 revenue budget and
  - 4.1.2 advise of any comments on the proposed revenue budget for 2019/20, prior to a report on the proposed revenue budget being presented to the Performance and Audit Committee on 16<sup>th</sup> November and the Partnership Board on 7<sup>th</sup> December 2018.

**Hugh Dunn**  
Treasurer

Appendix                      Appendix 1 – Indicative Core Revenue Budget 2019/20  
   Appendix 2 - Projects - Proposed Activity 2019-20  
   Appendix 3 - SEStran Budget 2011/12 – 2019/20 (indicative)  
   Appendix 4 - Risk Assessment

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Policy Implications	There are no policy implications arising as a result of this report.
Financial Implications	At this stage, there is no financial commitment arising from this report.
Equalities Implications	There are no equalities implications arising as a result of this report.
Climate Change Implications	There are no climate change implications arising as a result of this report.

## Indicative Core Revenue Budget 2019/20

	Approved Budget 2018/19	Indicative Budget 2019/20
	£000	£000
<b>Employee Costs</b>		
Salaries	347	363
National Insurance	37	39
Pension Fund	60	69
Recharges –EU	(136)	(100)
Training & Conferences	10	10
Interviews & Advertising	2	2
	<b>320</b>	<b>383</b>
<b>Premises Costs</b>	<b>16</b>	<b>16</b>
<b>Transport</b>	<b>9</b>	<b>9</b>
<b>Supplies and Services</b>		
Marketing	20	20
Communications & Computing	90	90
Printing, Stationery & General Office Supplies	10	7
Insurance	4	4
Equipment, Furniture & Materials	1	1
Miscellaneous Expenses	3	3
	<b>128</b>	<b>125</b>
<b>Support Services</b>		
Finance	25	25
Legal Services / HR	7	7
	<b>32</b>	<b>32</b>
<b>Corporate &amp; Democratic</b>		
Clerks Fees	15	12
External Audit Fees	10	11
Members Allowances and Expenses	1	1
	<b>26</b>	<b>24</b>
<b>Interest</b>	<b>0</b>	<b>0</b>
<b>Total Gross Expenditure</b>	<b>531</b>	<b>589</b>
<b>Funding:</b>		
Scottish Government Grant	(341)	(399)
Council Requisitions	(190)	(190)
<b>Total Funding</b>	<b>(531)</b>	<b>(589)</b>

## Projects - Proposed Activity 2019-20

Service	Expenditure	Income	Net	Activity
Sustainable Travel	£118,000	-	£118,000	Fund to lever-in additional investment towards sustainable travel from organisations prepared to invest in initiatives promoting sustainable travel, consistent with the RTS.
Urban Cycle Network	£200,000	£200,000	-	Development of cross boundary cycle networks funded 100% by Sustrans.
Urban Cycling Officer	£32,000	-	£32,000	Cycling officer and Cycling Scotland representation
Regio – mob	£16,000	£13,000	£3,000	85% EU funded
Share–north	£45,000	£23,000	£22,000	50% EU funded
Surflogh	£60,000	£30,000	£30,000	50% EU funded
Equalities Action Forum	£10,000	-	£10,000	Pursuing initiatives arising from the Equalities Action Forum.
RTS Development	£65,000	-	£65,000	Re-draft of Regional Transport Strategy – external expertise.
RTPI	£60,000	£27,000	£33,000	RTPI maintenance costs (£60,000). Bus Operators income (£27,000).
RTPI Development	£50,000	-	£50,000	
ECOMM contingency	£20,000	0	£20,000	
<b>Total</b>	<b>£676,000</b>	<b>£293,000</b>	<b>£383,000</b>	

## Appendix 3

### SEStran Budget 2011/12 – 2019/20 (indicative)

	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Core	467	461	463	465	550	551	478	531	589
Projects	791	709	504	1,076	2,384	725	510	614	566
RTPI	110	117	222	286	230	344	339	108	110
<b>Total Budget</b>	<b>1,368</b>	<b>1,287</b>	<b>1,189</b>	<b>1,827</b>	<b>3,164</b>	<b>1,620</b>	<b>1,327</b>	<b>1,253</b>	<b>1,265</b>
<b>External Funding</b>									
EU Grants	313	245	146	233	131	152	95	139	66
Other income	48	60	61	266	1,051	486	260	142	227
Bus Investment Fund	0	0	0	346	1,000	0	0	0	0
<b>Total External Funding</b>	<b>361</b>	<b>305</b>	<b>207</b>	<b>845</b>	<b>2,182</b>	<b>638</b>	<b>355</b>	<b>281</b>	<b>293</b>
Scottish Government	782	782	782	782	782	782	782	782	782
Council Requisition	225	200	200	200	200	200	190	190	190
<b>Total Funding</b>	<b>1,368</b>	<b>1,287</b>	<b>1,189</b>	<b>1,827</b>	<b>3,164</b>	<b>1,620</b>	<b>1,327</b>	<b>1,253</b>	<b>1,265</b>

## Risk Assessment

Risk Description	Existing Controls
<p><b>Pay awards</b> The proposed budget makes provision for a pay award of up to 3% in 2019/20. An uplift of 1% in pay award equates to an increase of £3,580.</p>	<p>Alignment with Scottish Local Government pay award.</p>
<p><b>Staff recharges – EU Projects</b> The proposed budget assumes that £66,000 of staff time can be recharged to 3 EU Projects – Share-north, Regio-mob and Surflogh. There is a risk this may not be achievable.</p>	<p>Any shortfall in employee cost recharges will be offset by a corresponding reduction in Projects Budget expenditure.</p>
<p><b>Inflation</b> There is a risk that the proposed budget does not adequately cover price inflation and increasing demand for services.</p>	<p>Allowance made for specific price inflation. Budgets adjusted in line with current cost forecasts.</p>
<p><b>Delays in payment of grant by the EU -</b> results in additional short-term borrowing costs.</p>	<p>SEStran grant claims for EU funded projects are submitted in compliance with requirements of EU processes to ensure minimal delay in payment. Ongoing monitoring of cash flow will be undertaken to manage exposure to additional short-term borrowing costs.</p>
<p><b>Funding Reductions</b> Reduction in funding from Scottish Government and/or council requisitions.</p> <p>There is a risk that current levels of staffing cannot be maintained due to funding constraints and that the Partnership will incur staff release costs.</p>	<p>Continue to seek to source external funding.</p> <p>Recruitment control and additional sources of external funding for activities aligned to the Partnership's objectives to supplement resources.</p>