

REVENUE BUDGET 2017/18

1. Introduction

- 1.1 This report presents to the Partnership, for approval, a revenue budget for 2017/18, together with the share of net expenses to be paid by each constituent council.

2. Proposed Revenue Budget 2017/18

- 2.1 Section 3 of the Transport (Scotland) Act requires the constituent councils of each Regional Transport Partnership to fund the Partnership's net expenses.
- 2.2 A financial planning report was considered by the Partnership Board on 2nd December 2016. The Board noted the potential risk of reductions in Scottish Government grant and funding to councils. Until funding allocations were confirmed, budget planning was progressed on the basis of a 5% cash reduction in resources available to the Partnership in 2017/18.
- 2.3 On 25th January 2017, the Scottish Government advised that, for planning purposes, Regional Transport Partnership budgets are based on the same level of Scottish Government grant as 2016-17. For SEStran, this is £782,000. Until the Scottish Government's draft budget is approved by the Scottish Parliament, the actual level of grant cannot be formally confirmed.
- 2.4 Following the passing of the First Stage of the Budget (Scotland) Bill on 2nd February 2017, the draft Local Government Finance Settlement has reduced General Revenue Grant by 2.6% across Scotland, based on a year-on-year comparison of grant funding and excluding funding provided for specific new commitments. The rate of reduction varies from council to council.
- 2.5 The terms of the Settlement mean that the additional income raised through changes to Council Tax band multipliers (estimated at £110.5m across Scotland) will be retained by the councils, where this income is collected. When this additional income is offset against the reduction in General Revenue Grant, the net reduction in funding in the Settlement is estimated at 1.4% across Scotland; this excluding funding provided for specific new commitments.
- 2.6 The proposed revenue budget has been prepared on the basis of a range of estimates and assumptions and in consultation with the Partnership Director. Revenue budget lines have been updated to take account of known cost commitments and savings.
- 2.7 A council requisition of £190,000 in 2017/18 is proposed. In line with the financial planning assumptions presented in the report to the Partnership Board in December 2016, this represents a 5% reduction from the 2016/17 council requisition.

- 2.8 Within the proposed revenue budget, provision is made for the following:
- staff recharges to projects to remain fixed at £137,000;
 - pay award provision of up to 1% - £2,937;
 - increment pay provision of up to £7,000;
 - the Partnership's contribution of 12 hours per week to a Cycle Training Development Officer - £11,352;
 - no change to the current employer pension contribution rate, based on the result of the latest actuarial review as at 31st March 2014.
- 2.9 These costs have been absorbed through realignment of employee costs, following changes to the Partnership's staffing structure.
- 2.10 If approved, the Partnership will have operated at the same level of Scottish Government grant funding of £782,000 since 2011/12. Council requisitions have reduced by 5% over the same period.
- 2.11 For 2017/18, external income of £355,000 is anticipated to fund 27% of proposed expenditure. Scottish Government grant funding would meet 59% of proposed expenditure with council contributions funding 14% of expenditure.

SEStran Budget 2011/12 – 2016/17 and Proposed Budget 2017/18

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Core	467	461	463	465	550	551	478
Projects	791	709	504	1,076	2,384	725	510
RTPI	110	117	222	286	230	344	339
Total Budget	1,368	1,287	1,189	1,827	3,164	1,620	1,327
External Funding							
EU Grants	313	245	146	233	131	152	95
Other income	48	60	61	266	1,051	486	260
Bus Investment Fund				346	1,000	0	0
Total External Funding	361	305	207	845	2,182	638	355
Scottish Government	782	782	782	782	782	782	782
Council Requisition	225	200	200	200	200	200	190
Total Funding	1,368	1,287	1,189	1,827	3,164	1,620	1,327

- 2.12 A detailed analysis of the proposed core revenue budget for 2017/18 is shown in Appendix 1, with the proposed projects budget detailed in Appendix 2.
- 2.13 Risk and contingency planning have been considered as part of the budget development process. A risk assessment is included at Appendix 3.

3. Revenue Budget - 2018/19 and Later Years

- 3.1 The proposed revenue budget is for the financial year 2017/18 only. Longer-term funding assumptions remain subject to uncertainty. There remains a

considerable risk that there will be further cash-reductions in funding provided through the Scottish Block grant for 2018/19 and beyond.

- 3.2 A revenue budget proposal for 2018/19 will be developed for consideration by the Partnership Board in the autumn of 2017.

4. Recommendations

It is recommended that the Partnership Board:-

- (i) approve the proposed core revenue and revenue projects budget for 2017/18, as detailed in Appendices 1 and 2, and agree that I be authorised to requisition the individual constituent authorities for amounts as follows:

Clackmannanshire	£6,256
East Lothian	£12,553
Edinburgh	£60,763
Falkirk	£19,303
Fife	£44,838
Midlothian	£10,645
Scottish Borders	£13,891
West Lothian	<u>£21,751</u>
	<u>£190,000</u>

- (ii) note that financial planning for 2018/19 will be developed for consideration by the Partnership Board in autumn 2017;
- (iii) note that the proposed budget is subject to a number of risks and that all income and expenditure of the Partnership will continue to be monitored closely with updates reported to each Partnership meeting.

HUGH DUNN
Treasurer

Appendices

Appendix 1 – Proposed Core Revenue Budget 2017/18
Appendix 2 – Proposed Revenue Projects Budget 2017/18
Appendix 3 – Risk Assessment

Contact/tel

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Policy Implications	There are no policy implications arising as a result of this report.
Financial Implications	There are no financial implications arising.
Race Equalities Implications	There are no race equality implications arising as a result of this report.
Gender Equalities Implications	There are no gender equality implications arising as a result of this report.
Disability Equalities Implications	There are no disability equality implications arising as a result of this report.
Climate Change Implications	There are no climate change implications arising as a result of this report.

Proposed Core Revenue Budget 2017/18

Appendix 1

	Approved 2016/17	Proposed 2017/18	Proposed Cost Commitments
	£000	£000	
Employee Costs			
Salaries, National Insurance and Pension Fund	460	381	7.8 FTE permanent employees
Premises Costs	16	16	Lease for office in Victoria Quay and related costs.
Staff Travel	9	9	
Supplies and Services			
Marketing	20	20	£10,000 Car Share/£10,000 general marketing and sustainable travel
Communications & Computing	31	37	
Hosted Service – Routewise	53	53	£50,000 saving per annum in total to participating constituent councils
Printing/Stationery/Supplies	10	10	
Insurance	4	4	Employer/employee liability insurance
Equipment/Furniture/Materials	1	1	
Training/Conferences	10	10	
Interview Expenses/Advertising	2	2	
Miscellaneous Expenses	11	11	

Proposed Core Revenue Budget 2017/18 (continued)

Appendix 1

	Approved 2016/17	Proposed 2017/18	Proposed Cost Commitments
	£'000	£'000	
Support Services			
Finance	25	25	Per Service Level Agreement with City of Edinburgh Council. Statutory financial statements, payroll, invoice payments, debt recovery, banking and cash management, budgeting, internal audit.
Legal Services / HR	7	7	Per Service Level Agreements with Fife Council and Falkirk Council
Corporate and Democratic			
Clerks Fees	15	15	Per Service Level Agreement with Fife Council
External Audit Fees	10	10	
Members Expenses	3	3	Non-Council Members expenses – Partnership meetings
Interest	1	1	Net cost of borrowing per Partnership's Treasury Management Strategy
Funding			
Recharges:			
• EU Projects	(70)	(117)	Recovery of employee costs – Social Car, Share-north, Regio-mob projects. 3 further EU projects could be forthcoming with recharges in 2017/18 - applications are pending.
• RTPI	(47)	0	Recharge of fixed-term contracts ceased
• Sustainable Transport	(20)	(20)	Recovery of employee costs - SUStrans
Scottish Government Grant	(351)	(288)	
Net Core Expenditure	200	190	To be met by constituent councils

Proposed Project Budget 2017/18

Appendix 2

	Approved 2016/17	Proposed 2017/18	EU /Other Grant	Net Expenditure	Proposed Cost Commitments
	£'000	£'000	£'000	£'000	
EU Projects					
Chums	6	0	0	0	Project ceased
Social Car	0	47	(47)	0	EU grant funded project
Share-north	20	40	(20)	20	EU grant funded project
Regio-mob	12	33	(28)	5	EU grant funded project
Total	38	120	(95)	25	
RTPI	171	339	(160)	179	Maintenance - contractual committed (£0.226m), partially offset by bus operators' income
Sustainable Travel	130	200		200	Provision of match funding to constituent councils, universities and colleges, Police Scotland
Rail Stations Development	15	0		0	
South Tay Park and Ride	20	10		10	Agreement with TACtran
Rail/Bus Advice	15	0		0	Included in Research and Development (see below)
SDP/LDP	20	0		0	Included in Research and Development (see below)
RTS Monitoring	5	0		0	Included in Research and Development (see below)
Urban Cycle Networks	20	120	(100)	20	Contractually committed on a year to year basis. Includes funding for Cycling Officer
Equalities Action Forum	10	10		10	Funding for the Equalities Action Forum is included to fund a minimal level of actions identified by the Forum.
Research and Development	0	50		50	Funding for Rail/Bus Advice, SDP/LDP and RTS Monitoring
One Ticket	(13)	0		0	Agreement ceased
Total	431	729	(260)	494	

Risk Assessment

Risk Description	Existing Controls
Pay awards. The proposed budget assumes provision for a pay award of up to 1% in 2017/18. A 1% increase in pay award uplift equates to an increase in cost of approximately £3,000.	Alignment with Scottish Government Public Sector Pay Policy.
There is a risk that the proposed budget does not adequately cover price inflation and increasing demand for services.	Allowance has been made for specific price inflation and other budgets have been adjusted in line with current demand / forecasts. The proposed budget includes a small contingency.
There is a risk that the deficit on the staff pension fund could lead to increases in the employer's pension contribution.	Lothian Pension Fund has developed a contribution stability mechanism as part of the strategy to manage potential volatility in employer contribution rates arising from the 2014 actuarial review. For 2017/18, there will be no change to the current employer contribution rate, based on Lothian Pension Fund's stability of pension fund contributions mechanism.
Following the outcome of the EU Referendum, the Partnership is unable to access EU funding	The Partnership is looking towards alternative funding sources to progress knowledge exchange/transfer and to seek to successfully bid for EU projects in anticipation of the United Kingdom servicing notice under Article 50 and the eligibility/match-funding rates changing significantly.
Delays in payment of grant by the EU results in additional short-term borrowing costs.	SESTran grant claims for EU funded projects were submitted in compliance with requirements of EU control processes to ensure minimal delay in payment of grants. Ongoing monitoring of cash flow will be undertaken to manage exposure to additional short-term borrowing costs.
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.	The Partnership Director continues to seek additional sources of funding for activities aligned to the Partnership's objectives to supplement resources.