

REVENUE BUDGET 2018/19

1. Introduction

- 1.1 This report presents a revenue budget for 2018/19 for review by the Partnership's Performance and Audit Committee.
- 1.2 A revenue budget for 2018/19 will be presented to the Partnership Board for approval at its meeting on 16th March 2018.

2. Proposed Revenue Budget 2018/19

- 2.1 Section 3 of the Transport (Scotland) Act requires the constituent councils of a Regional Transport Partnership to meet the net expenses of the Partnership.
- 2.2 A financial planning report was considered by the Partnership on 19th January 2018. Three options were identified:
- a 5% reduction of £9,500 in constituent council requisitions;
 - no change in constituent council requisitions from 2017/18;
 - increase constituent council requisition and progress "Intelligent Centralisation".
- The Partnership noted the financial planning assumptions being progressed for 2018/19 and instructed options be presented on reductions in constituent council requisition of 10% and 15%.
- 2.3 The Financial Planning report also noted that a paper should be brought to the first two meetings of 2018 on "Intelligent Centralisation" proposals for 2019/20 and if possible 2018/19. To date, one proposal has been received in respect of "Intelligent Centralisation"; this for modelling and appraisal work. Officers of the Partnership will provide progress updates to future meetings of the Partnership.
- 2.4 The Scottish Government has advised that Scottish Government grant will be at the same level as 2017/18 - £782,000.
- 2.5 The Cabinet Secretary for Finance and the Constitution presented a provisional one-year Local Government Finance Settlement to the Scottish Parliament as part of the 2018/19 Draft Scottish Budget on 14th December. The draft Settlement was subject to consultation until 26th January and Scottish Parliamentary consideration thereafter.
- 2.6 On a like-for-like basis and taking account of monies provided in respect of new commitments and/or pressures, the headline year-on-year Scotland-wide decrease was around £153m, or 1.6%, of total current funding. The rate of reduction varied from council to council.
- 2.7 Following consultation and debate by the Scottish Parliament, a re-assessment of the total level of grant funding to councils was made, resulting

in an additional £170m being introduced to the Local Government Finance Settlement. While a number of differing comparisons of the relative change in the level of Settlement can be made, receipt of these additional monies resulted in an overall Scotland-wide year-on-year cash terms increase of about 0.1%.

- 2.8 Longer-term funding assumptions remain subject to uncertainty. There remains a considerable risk that there will be reductions in funding provided through the Scottish Block grant for 2019/20 and beyond.
- 2.9 A base revenue budget with a standstill council requisition of £190,000 has been prepared in consultation with officers of the Partnership. Revenue budget lines have been updated to take account of known cost commitments and savings.
- 2.10 Within the base revenue budget, provision is made for the following:
- An organisation structure of 8.54fte, based on the structure reported by the Partnership Director to Performance and Audit Committee on 17th February 2017. The employee budget includes continuing professional support as referred to in paragraph 2.5 of the Performance and Audit Committee report;
 - Implementation of pay grading structure to mitigate risk of Single Status (Equal Pay) challenges;
 - staff recharges to projects of £136,000;
 - pay award provision of up to 3%, seeking alignment to the Scottish Government public sector pay policy for 2018/19 - £10,249;
 - increment pay provision of up to £5,000;
 - 0.5% increase in employers' pension fund contribution rate, following Lothian Pension Fund actuarial review at 31st March 2017.
- 2.11 A detailed analysis of the base core revenue budget for 2018/19 is shown in Appendix 1, with the base projects budget detailed in Appendix 2.
- 2.12 As instructed by the Partnership at its meeting on 19th January 2018, options to achieve reductions of 10% and 15% in council requisitions have been developed in consultation with the Partnership's Head of Programmes, in addition to the previously identified reduction of 5%.
- 2.13 A 5% reduction in council requisitions is £9,500. It is now anticipated a reduction of £9,500 can be achieved through re-negotiation of the existing contract with Ineo Systrans to host and maintain the server to support Real Time Passenger Information. This follows First East Scotland Limited's move towards 'Ticketer' technology. It is expected that the cost of maintaining the system will reduce and this will be subject to negotiation with Ineo Systrans. There is no change anticipated for users of Real Time Passenger Information.
- 2.14 A 10% reduction in council requisitions is £19,000. It is anticipated a reduction of £19,000 could be achieved through re-negotiation of the existing contract with Ineo Systrans to host and maintain the server to support Real Time Passenger Information, as described at paragraph 2.13. As the contract is subject to re-negotiation, however, a risk remains as to the achievement of the full value of the increased saving. To mitigate this risk, other contract re-

procurement opportunities and savings will be developed, if required, during 2018/19. Only if it is not possible to realise the full value of the saving through contract re-procurement will alternative savings be identified to the Partnership for approval.

- 2.15 A 15% reduction in council requisitions is £27,500. In addition to the contract savings of £19,000 identified at paragraph 2.14, this saving would require a further saving of £9,500, which would be achieved through a reduction in Sustainable Travel expenditure. This would be achieved through a reduction in match funding for Sustainable Travel projects led by constituent councils, universities and colleges and Police Scotland.
- 2.16 At the meeting of SEStran Chief Officers on 15th February 2018, Chief Officers noted the budget options presented and expressed preference for a standstill requisition or at most a 5% reduction, to mitigate potential impacts on progressing the Active Travel agenda.
- 2.17 For the base 2018/19 revenue budget, external income of £281,000 is anticipated to fund 22.4% of proposed expenditure. Scottish Government grant funding would meet 62.4% of proposed expenditure with council contributions funding 15.2% of expenditure. The table below shows the profile of the Partnership's expenditure and income since 2011/12.

SEStran Budget 2011/12 – 2018/19

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Core	467	461	463	465	550	551	478	531
Projects	791	709	504	1,076	2,384	725	510	614
RTPI	110	117	222	286	230	344	339	108
Total Budget	1,368	1,287	1,189	1,827	3,164	1,620	1,327	1,253
External Funding								
EU Grants	313	245	146	233	131	152	95	139
Other income	48	60	61	266	1,051	486	260	142
Bus Investment Fund				346	1,000	0	0	0
Total External Funding	361	305	207	845	2,182	638	355	281
Scottish Government	782	782	782	782	782	782	782	782
Council Requisition	225	200	200	200	200	200	190	190
Total Funding	1,368	1,287	1,189	1,827	3,164	1,620	1,327	1,253

- 2.18 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 - 2019/20 and Later Years

- 3.1 The proposed revenue budget is for financial year 2018/19 only. Longer-term funding assumptions remain subject to uncertainty. There remains a risk that there will be reductions in funding provided through the Scottish Block grant for 2019/20 and beyond.
- 3.2 Public sector financial resource forecasts will be tracked throughout 2018 and a revenue budget proposal for 2019/20 will be developed for consideration by the Partnership in the autumn of 2018.
- 3.3 Proposals for any “Intelligent Centralisation” of services to deliver financial benefits for 2019/20 and if possible, 2018/19 will continue to be explored with lead transport officials of constituent councils.

4. Recommendations

- 4.1 It is recommended that the Performance and Audit Committee review this report.
- 4.2 Performance and Audit Committee is asked to note that it is anticipated that the recommendations to the Partnership meeting on 16th March 2018 will be to approve the following recommendations:
- 4.2.1 *note the baseline revenue budget developed for 2018/19, as detailed in Appendices 1 and 2;*
- 4.2.2 *note the savings option proposed at paragraph 2.13 to achieve a 5% reduction in constituent councils’ requisition;*
- 4.2.3 *note the savings option proposed at paragraph 2.14 to achieve a 10% reduction in constituent councils’ requisition;*
- 4.2.4 *note the savings option proposed at paragraph 2.15 to achieve a further 5% reduction leading to a 15% reduction overall in requisition;*
- 4.2.5 *approve a core revenue and projects budget for 2018/19 based on either:*
- 4.2.5.1 *a standstill constituent council requisition of £190,000 **or***
- 4.2.5.2 *a 5% reduction in constituent council requisition to £180,500 following a reduction in contract costs; **or***
- 4.2.5.3 *a 10% reduction in constituent council requisition to £171,000 following an increased reduction in contract costs; **or***
- 4.2.5.4 *a 15% reduction in constituent council requisition to £161,500, following a reduction of £19,000 in contract costs and a further £9,500 in Sustainable Travel expenditure.*

4.2.6 Based on the core revenue and projects budget approved at paragraph 4.2.5, instruct the Treasurer to requisition the individual constituent councils for the relevant amounts as follow:

Council Note ¹	'Stand-still' requisition	Option 1 - 5% reduction in requisition	Option 2 - 10% reduction in requisition	Option 3 - 15% reduction in requisition
Clackmannanshire	£6,192	£5,883	£5,573	£5,263
East Lothian	£12,552	£11,925	£11,297	£10,669
Edinburgh	£61,160	£58,102	£55,044	£51,986
Falkirk	£19,220	£18,259	£17,298	£16,337
Fife	£44,658	£42,425	£40,192	£37,959
Midlothian	£10,685	£10,151	£9,617	£9,083
Scottish Borders	£13,811	£13,121	£12,430	£11,739
West Lothian	£21,722	£20,636	£19,550	£18,464
Total	£190,000	£180,500	£171,000	£161,500

4.2.7 note that financial planning for 2019/20 will be developed throughout 2018 for consideration by the Partnership in autumn 2018;

4.2.8 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.

5. Background Reading/External References

[Financial Planning 2018/19: Partnership Board, 19 January 2018](#)

[Partnership Staffing Update: Performance and Audit Committee, 17 February 2017](#)

HUGH DUNN
Treasurer
2nd March 2018

¹ Council requisitions are split according to National Records of Scotland Mid-Year population estimates 2016

Appendices

Appendix 1 – Base Core Revenue Budget 2018/19
Appendix 2 – Base Revenue Projects Budget 2018/19
Appendix 3 – Risk Assessment

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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.

Base Core Revenue Budget 2018/19

Appendix 1

	Approved 2017/18	Base 2018/19	Cost Commitments
	£000	£000	
Employee Costs			
Salaries, National Insurance and Pension Fund	381	444	8.54 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	37	37	
Hosted Service – Routewise	53	53	£50,000 saving per annum in total to participating constituent councils
Printing/Stationery/Supplies	10	7	
Insurance	4	4	Employer/employee liability insurance
Equipment/Furniture/Materials	1	1	
Training/Conferences	10	10	
Interview Expenses/Advertising	2	2	
Miscellaneous Expenses	11	6	

Base Core Revenue Budget 2018/19 (continued)

Appendix 1

	Approved 2017/18	Base 2018/19	Cost Commitments
	£'000	£'000	
Support Services			
Finance	25	25	Per Service Level Agreement with City of Edinburgh Council. Preparation of statutory annual accounts, payment of payroll and invoices, debt recovery, banking and cash management, budget preparation, Internal Audit.
Legal Services / HR	7	7	Per contractual agreements with the Partnership's external legal provider and Falkirk Council HR service.
Corporate and Democratic			
Clerks Fees	15	15	Per Service Level Agreement with City of Edinburgh Council.
External Audit Fees	10	10	
Members Expenses	3	1	Non-Council Members expenses – Partnership meetings.
Interest	1	0	Net cost of borrowing per Partnership's Treasury Management Strategy.
Funding			
Recharges:			
• EU Projects	(117)	(136)	Recovery of employee costs – Social Car, Share-north, Regio-mob, Surflogh projects.
• Sustainable Transport	(20)	0	
Scottish Government Grant	(288)	(341)	
Net Core Expenditure	190	190	To be met by constituent councils

Base Project Budget 2018/19

Appendix 2

	Approved 2017/18	Base 2018/19	EU /Other Grant	Net Expenditure	Cost Commitments
	£'000	£'000	£'000	£'000	
EU Projects					
Social Car	0	4	(4)	0	EU grant funded project
Share-north	20	60	(30)	30	EU grant funded project
Regio-mob	5	65	(55)	10	EU grant funded project
Surflogh	0	100	(50)	50	EU grant funded project
Total	25	229	(139)	90	
RTPI					
Maintenance	226	108		108	First East Scotland Ltd moving to 'Ticketer' technology, with a server required to link operators to Traveline and Real Time Passenger Information system (RTPI).
Expansion	113	0		0	First East Scotland Ltd moving to 'Ticketer' technology.
Bus Operators income	(160)		(42)	(42)	Reduction follows First East Scotland Ltd move to 'Ticketer' technology.
Total – RTPI	179	108	(42)	66	
Sustainable Travel	190	243		243	Provision of match funding to constituent councils, universities and colleges, Police Scotland
South Tay Park and Ride	10	0		0	Agreement with TACtran complete.
Urban Cycle Networks	20	132	(100)	32	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	50	0		0	Funding for Rail/Bus Advice, SDP/LDP and RTS Monitoring transferred to Sustainable Travel.
Total	484	722	(281)	441	

Risk Assessment**Appendix 3**

Risk Description	Existing Controls
Pay awards. The proposed budget assumes provision for a pay award of up to 3% in 2018/19, which is based on alignment with the Scottish Government's public sector pay policy for 2018/19. A 1% increase in pay award uplift equates to an increase in cost of approximately £3,400.	Alignment with Scottish Government Public Sector Pay Policy.
The proposed budget does not adequately cover price inflation.	Allowance has been made for specific price inflation and other budgets have been adjusted in line with current demand / forecasts.
The deficit on the staff pension fund could lead to increases in the employer's pension contribution.	The Partnership continues to benefit from Lothian Pension Fund's (LPF) contribution stability mechanism as part of the Fund's strategy to manage volatility in employer contribution rates. Following LPF's Triennial Actuarial Review in 2017, Partnership contribution rates are confirmed to 2020/21.
Following the outcome of the EU Referendum, the Partnership is unable to access EU funding	The Partnership continues to seek alternative funding sources to progress knowledge exchange/transfer and to seek to successfully bid for EU projects following the United Kingdom servicing notice under Article 50.
Delays in payment of grant by the EU results in additional short-term borrowing costs.	SEStran grant claims for EU funded projects are submitted in compliance with requirements of EU control processes to ensure minimal delay in receipt of payment. Ongoing monitoring of cash flow is undertaken to manage exposure to additional short-term borrowing costs.
Current staffing levels cannot be maintained due to funding constraints and the Partnership incurs staff release costs.	The Partnership continues to seek additional sources of funding for activities aligned to the Partnership's objectives to supplement resources.
Approved savings options are not delivered.	Regular monitoring of savings implementation, with action taken by Partnership officers to develop alternative measures, if required for approval by the Partnership.