

## **REVENUE BUDGET 2019/20**

### **1. Introduction**

- 1.1 This report presents a revenue budget for 2019/20 for review by the Partnership's Performance and Audit Committee.
- 1.2 A revenue budget for 2019/20 will be presented to the Partnership Board for approval at its meeting on 22nd March 2019.

### **2. Proposed Revenue Budget 2019/20**

- 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 7th December 2018. The Partnership noted the financial planning assumptions being progressed for 2019/20. These assumptions included no change in constituent council requisitions and Scottish Government grant from 2018/19.
- 2.3 On 21 February 2019, the Scottish Government confirmed grant will be at the same level as 2018/19 - £782,000.
- 2.4 The Scottish Parliament approved a one-year Revenue Budget on 21<sup>st</sup> February 2019. The proposed revenue budget for the Partnership reflects this one-year planning time frame.
- 2.5 A 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.
- 2.6 Within the core revenue budget, provision is made for the following:
  - An employee structure of 8.54fte – no change from the structure reported to Performance and Audit Committee on 17th February 2017;
  - staff recharges to projects of £132,000;
  - pay award provision of up to 3%, aligned to the Scottish Government public sector pay offer for 2019/20 - £10,858;
  - increment pay provision of up to £4,000;
  - 5.6% increase in employers' pension fund contribution rate. Lothian Pension Fund has advised that the profile of the Partnership's Pension Fund membership does not now meet the criteria of the Contribution Stability Mechanism and that the Partnership should therefore be removed from the Mechanism. The Fund has agreed to phase in the contribution rate increase over 2019/20 and 2020/21. The 2019/20 contribution rate will be 24.6% and a fixed amount of £15,500 – an increase of £20,985 from 2018/19. From 2020/21, the employer contribution rate will be 27.7% plus a fixed amount of £18,700.

- 2.7 A detailed analysis of the core revenue budget for 2019/20 is shown in Appendix 1, with the projects budget detailed in Appendix 2.
- 2.8 For the proposed 2019/20 revenue budget, external income of £302,000 is anticipated to fund 23.7% of proposed expenditure. Scottish Government grant funding will meet 61.4% of proposed expenditure with council contributions funding 14.9% of expenditure. The table below shows the profile of the Partnership's expenditure and income since 2012/13.

#### **SEStran Budget 2012/13 – 2019/20**

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Core	461	463	465	550	551	478	531	584
Projects	709	504	1,076	2,384	725	510	614	590
RTPI	117	222	286	230	344	339	108	100
<b>Total Budget</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>1,274</b>
<b>External Funding</b>								
EU Grants	245	146	233	131	152	95	139	82
Other income	60	61	266	1,051	486	260	142	220
Bus Investment Fund			346	1,000	0	0	0	0
<b>Total External Funding</b>	<b>305</b>	<b>207</b>	<b>845</b>	<b>2,182</b>	<b>638</b>	<b>355</b>	<b>281</b>	<b>302</b>
Scottish Government	782	782	782	782	782	782	782	782
Council Requisition	200	200	200	200	200	190	190	190
<b>Total Funding</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>1,274</b>

- 2.9 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 - 2020/21 and Later Years**

- 3.1 The proposed revenue budget is for financial year 2019/20 only. The Cabinet Secretary for Finance, Economy and Fair Work has confirmed the intention to bring forward a three-year funding settlement for local government from the 2020/21 budget onwards, which may assist with planning for longer-term funding assumptions.
- 3.2 A revenue budget proposal for 2020/21 will be developed for consideration by the Partnership in the autumn of 2019. Within the scope of funding information available, a medium term financial plan shall also be developed, which will seek to align to the Business Plan and Regional Transport Strategy.

### **4. Recommendations**

- 4.1 It is recommended that the Performance and Audit Committee note this report.
- 4.2 Performance and Audit Committee is asked to note that it is anticipated that the recommendation to the Partnership meeting on 22nd March 2019 will be to approve the following recommendations:
- 4.2.1 note the proposed revenue budget developed for 2019/20, as detailed in Appendices 1 and 2;
- 4.2.2 approve a core revenue and projects budget for 2019/20 based on a standstill constituent council requisition of £190,000.
- 4.2.3 Based on the core revenue and projects budget approved at paragraph 4.2.2, instruct the Treasurer to requisition the individual constituent councils for the relevant amounts as follow:

<b>Council</b> <i>Note</i> <sup>1</sup>	<b>'Stand-still' requisition</b>
<i>Clackmannanshire</i>	<i>£6,158</i>
<i>East Lothian</i>	<i>£12,548</i>
<i>Edinburgh</i>	<i>£61,425</i>
<i>Falkirk</i>	<i>£19,166</i>
<i>Fife</i>	<i>£44,453</i>
<i>Midlothian</i>	<i>£10,783</i>
<i>Scottish Borders</i>	<i>£13,767</i>
<i>West Lothian</i>	<i>£21,700</i>
<b>Total</b>	<b>£190,000</b>

- 4.2.4 note that financial planning for 2020/21 and a medium term financial plan will be developed throughout 2019 for consideration by the Partnership in autumn 2019;
- 4.2.5 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 2019/20 – Partnership Board, 7th December 2018](#)

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

**HUGH DUNN**  
Treasurer  
8th March 2019

<sup>1</sup> Council requisitions are split according to National Records of Scotland Mid-Year population estimates 2017

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**Appendices**

Appendix 1 – Proposed Core Revenue Budget 2019/20  
Appendix 2 – Proposed Revenue Projects Budget 2019/20  
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.
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.

## Core Revenue Budget 2019/20

## Appendix 1

	Approved 2018/19	Proposed 2019/20	Cost Commitments
	£000	£000	
<b>Employee Costs</b>			
Salaries, National Insurance and Pension Fund	444	493	8.54 FTE permanent employees. The 2019/20 Lothian Pension Fund contribution rate includes an increase of £20,985 from 2018/19, following removal of Contribution Stability Mechanism.
Premises Costs	16	16	Lease for office in Victoria Quay and related costs.
Staff Travel	9	9	
<b>Supplies and Services</b>			
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	3	3	

## Core Revenue Budget 2019/20

## Appendix 1 (continued)

	Approved 2018/19	Proposed 2019/20	Cost Commitments
	£'000	£'000	
<b>Support Services</b>			
Finance	25	30	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. Cost increase reflects review of recharges rates.
Legal Services / HR	7	7	Per contractual agreements with the Partnership's external legal provider and Falkirk Council HR service.
<b>Corporate and Democratic</b>			
Clerks Fees	15	12	Per Service Level Agreement with City of Edinburgh Council.
External Audit Fees	10	11	
Members Expenses	1	1	Non-Council Members expenses – Partnership meetings.
Interest	0	0	Net cost of borrowing per Partnership's Treasury Management Strategy.
<b>Funding</b>			
Recharges: EU Projects	(136)	(132)	Recovery of employee costs – Share-north, Regio-mob, Surflogh, Bling projects.
Scottish Government Grant	(341)	(394)	
<b>Net Core Expenditure</b>	<b>190</b>	<b>190</b>	<b>To be met by constituent councils</b>

**Projects Budget 2019/20**

**Appendix 2**

	<b>Approved 2018/19</b>	<b>Proposed 2019/20</b>	<b>EU /Other Grant</b>	<b>Net Expenditure</b>	<b>Description</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
<b>EU Projects</b>					
Share-north	30	46	(23)	23	Working with project partners to promote Tripshare and to introduce 'mobility hubs ('Mobihubs') to the region.
Regio-mob	10	18	(15)	3	Based on reports prepared by CoMoUK, reporting on the health benefits of the GO e-Bike project.
Surflogh	50	52	(26)	26	Working with Zedify to deliver the e-cargo bike pilot scheme. Pilot scheme will inform the development of a business case for first/last mile delivery solutions in sustainable urban freight logistics.
Bling	0	36	(18)	18	Working with project partners, including the University of Edinburgh, develop and implement a transport focused pilot that aims to deliver Blockchain in government.
<b>Total</b>	<b>90</b>	<b>152</b>	<b>(82)</b>	<b>70</b>	
<b>Real-Time Passenger Information System (RTPI)</b>					
Maintenance	108	60		60	Maintenance contract with INEO until current agreement terminates.
Development	0	40	0	40	Integration of Bustracker SEStran with the new Content Management System.
Income - operators	(42)	0	0	0	
Income - screens	0	0	(20)	(20)	
<b>Total – RTPI</b>	<b>66</b>	<b>100</b>	<b>(20)</b>	<b>80</b>	

**Projects Budget 2019/20**

**Appendix 2 (continued)**

	<b>Approved 2018/19</b>	<b>Proposed 2019/20</b>	<b>EU /Other Grant</b>	<b>Net Expenditure</b>	<b>Description</b>
Regional Transport Strategy – re-draft	0	65	0	65	External Expertise.
Sustainable Travel	243	131	0	131	Provision of match funding to constituent councils, universities and colleges and Police Scotland.
Urban Cycle Networks	32	232	(200)	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 for a minimal level of actions identified by the Forum.
<b>Total</b>	<b>441</b>	<b>690</b>	<b>(302)</b>	<b>388</b>	<b>To be met from Scottish Government Grant</b>



**Risk Assessment****Appendix 3**

<b>Risk Description</b>	<b>Existing Controls</b>
Pay awards. The proposed budget assumes provision for a pay award of up to 3% in 2019/20, which is based on alignment with the Scottish Government's public sector pay offer. A 1% increase in pay award uplift equates to an increase in cost of approximately £4,700.	Alignment with Scottish Government Public Sector Pay Offer.
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.	Following Lothian Pension Fund'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.
Savings approved to balance the budget with available resources 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.