

Financial Planning 2020/21 to 2022/23

1. Introduction

- 1.1** This report provides an update to Performance and Audit Committee on the financial planning being progressed for the Partnership for the 2020/21 revenue budget, together with indicative financial plans for 2021/22 and 2022/23.

2. Main Report

Scottish Government Draft Budget 2020-21

- 2.1** Given the forthcoming General Election, a delay is anticipated in the announcement of the provisional Local Government Finance Settlement for 2020/21. The Scottish Government previously advised of a three-year funding announcement.

Financial Planning 2020/21

- 2.2** Revenue budget planning is being progressed for 2020/21. Planning assumptions have been updated for:
- 2.2.1** estimated staff recharges to projects in 2020/21. Staff recharges to projects are forecast to be £151,000, an increase of £19,000 from 2019/20;
 - 2.2.2** pay award, estimated at 3% (£18,931) and pay increment provision (£5,853);
 - 2.2.3** an increase in the employer's Pension Fund contribution rate and fixed contribution rate following removal of Lothian Pension Fund's Stability Contribution Mechanism – a total increase of £12,452;
 - 2.2.4** other budget planning assumptions required for 2020/21, including removal of the Partnership's Marketing budget of £20,000, to reflect current activity.
- 2.3** Sustainable Travel funding has been reduced in 2020/21, reflecting the re-prioritisation of Projects budget to the re-write of the Regional Transport Strategy.
- 2.4** An analysis of the proposed core revenue budget for 2020/21 is shown in Appendix 1. All proposed Projects activity for 2020/21 is shown in Appendix 2.
- 2.5** Financial planning is 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. External income of £689,000 is anticipated to fund 42% of proposed expenditure.
- 2.6** 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.

- 2.7 Based on these estimates, Scottish Government grant funding would meet 47% of proposed expenditure with Council contributions funding 11% of expenditure.
- 2.8 2019/20 Council requisitions are shown in the table below:

Council	Requisition
Clackmannanshire	£6,158
East Lothian	£12,548
Edinburgh	£61,425
Falkirk	£19,166
Fife	£44,453
Midlothian	£10,783
Scottish Borders	£13,767
West Lothian	£21,700
Total	£190,000

- 2.9 Council Chief Officers reviewed and accepted the financial planning assumptions at their meeting on 6th November 2019.
- 2.10 A risk assessment for 2020/21 is included at Appendix 4.

Financial Planning 2021/22 and 2022/23

- 2.11 In the 2018/19 Annual Audit Report to Members of the Partnership, the Partnership's external auditor recommended development of medium to longer term financial plans to assist the Partnership in highlighting risks to its sustainability and ensure funding is allocated in line with the long-term strategic aims of the Regional Transport Strategy.
- 2.12 This report presents a progress update on development of a medium-term financial plan.
- 2.13 Projections have been made for the effect of anticipated pay awards and other inflationary assumptions. At this stage, financial planning continues to be based on the Partnership receiving annual stand-still Scottish Government and Council funding of £782,000 and £190,000 respectively. Project forecasts have been updated for anticipated activity.
- 2.14 The principal cost increase assumptions are summarised below:

	2020/21	2021/22	2022/23
Expenditure			
Employee pay award (3% per annum)	£18,931	£17,571	£17,630
Employee increments estimates	£5,853	£4,454	£4,454
Pension Fund contributions	£12,452	0	0
Funding			
Scottish Government and Council Requisition change	£0	£0	£0

- 2.15 Estimates have been updated for recharges to EU projects to reflect the forecast EU project profile. Recharges are forecast to reduce by £32,000 to £87,000 in

2021/22 and by a further £55,000 to £23,000 in 2022/23. The Partnership continues to seek development of new funding streams.

- 2.16** Indicative financial plans from 2021/22 to 2022/23 are shown in Appendix 5. The indicative plan presents expenditure and income balanced for each financial year.

3 Next Steps

- 3.1** Following review by Performance and Audit Committee, a report on financial planning for 2020/21 to 2022/23 will be presented to the Partnership Board on 6th December 2019 for review.
- 3.2** A revenue budget for 2020/21 will be presented to the Partnership Board for approval in March 2020.

4 Recommendation

- 4.1** Performance and Audit Committee is recommended to:
- 4.1.1** note the update on the financial planning assumptions being progressed for the Partnership for the 2020/21 revenue budget and indicative financial plans for 2021/22 and 2022/23;
- 4.1.2** advise of any comments on the proposed revenue budget for 2020/21 and indicative financial plans for 2021/22 to 2022/23, prior to a report on the proposed revenue budget being presented to the Partnership Board on 6th December 2019.

Hugh Dunn

Treasurer

22nd November 2019

- Appendix**
- Appendix 1 – Indicative Core Revenue Budget 2020/21
 - Appendix 2 - Projects - Proposed Activity 2020-21
 - Appendix 3 - SEStran Budget 2011/12 – 2019/20 (indicative)
 - Appendix 4 - Risk Assessment 2020/21
 - Appendix 5 - Indicative Financial Plan 2020/21 – 2022/23

Contact iain.shaw@edinburgh.gov.uk

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 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.

Indicative Core Revenue Budget 2020/21
Appendix 1

	Approved Budget 2019/20	Indicative Budget 2020/21
	£000	£000
Employee Costs		
Salaries	367	386
National Insurance	40	42
Pension Fund	86	101
Recharges	(132)	(151)
Training & Conferences	10	10
Interviews & Advertising	2	2
	373	390
Premises Costs	16	16
Transport	9	9
Supplies and Services		
Marketing	20	0
Communications & Computing	37	48
Hosted ICT Services – Novus FX	53	42
Printing, Stationery & General Office Supplies	7	7
Insurance	4	4
Equipment, Furniture & Materials	1	1
Miscellaneous Expenses	3	3
	125	105
Support Services		
Finance	30	30
Legal Services / HR	7	7
	37	37
Corporate & Democratic		
Clerks Fees	12	12
External Audit Fees	11	11
Members Allowances and Expenses	1	1
	24	24
Interest	0	0
Total Gross Expenditure	584	581
Funding:		
Scottish Government Grant	(394)	(391)
Council Requisitions	(190)	(190)
Total Funding	(584)	(581)

Projects - Proposed Activity 2020-21
Appendix 2

Service	2019/20	2020-21			Activity
	Net Expenditure £'000	Gross Expenditure £'000	Income £'000	Net Expenditure £'000	
Sustainable Travel	131	13	0	13	
Urban Cycle Network	0	100	(100)	0	100% funded by Sustrans.
Urban Cycling Officer	32	32	0	32	Cycling Scotland representation
Equalities Action Forum	10	0	0	0	
Active Travel Fund	0	200	(200)	0	
LCTT – Mobility Hubs	0	125	(87)	38	
RTS Development	65	130	0	130	Re-draft of Regional Transport Strategy – external expertise
GO e-BIKE	0	38	0	38	
EU – Funded Projects					
Regio – mob	3	0	0	0	Ends March 2020
Share–north	23	46	(23)	23	Ends December 2021
Surflogh	26	50	(25)	25	Ends April 2022
Bling	18	38	(19)	19	Ends December 2022
Primaas	0	60	(51)	9	Phase 1 ends January 2022 (main activities)
Connect	0	48	(24)	24	Ends March 2022
Local Rail Development Fund					
Leith Docks	0	150	(150)	0	
Real-Time Passenger Information System (RTPI)					
Maintenance	60	50	0	50	
Development	40	0	0	0	
Income – screens	(20)	0	(10)	(10)	Bus Operators income
Total	388	1,080	689	391	

SEStran Budget 2011/12 – 2019/20 and 2020/21 (indicative)

Appendix 3

	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Core	467	461	463	465	550	551	478	531	584	581
Projects	791	709	504	1,076	2,384	725	510	614	590	1,030
RTPI	110	117	222	286	230	344	339	108	100	50
Total Budget	1,368	1,287	1,189	1,827	3,164	1,620	1,327	1,253	1,274	1,661
External Funding										
EU Grants	313	245	146	233	131	152	95	139	82	142
Other income	48	60	61	266	1,051	486	260	142	220	547
Bus Investment Fund	0	0	0	346	1,000	0	0	0	0	0
Total External Funding	361	305	207	845	2,182	638	355	281	302	689
Scottish Government	782	782	782	782	782	782	782	782	782	782
Council Requisition	225	200	200	200	200	200	190	190	190	190
Total Funding	1,368	1,287	1,189	1,827	3,164	1,620	1,327	1,253	1,274	1,661

Risk Description	Existing Controls
<p>Pay awards The proposed budget makes provision for a pay award of up to 3% in 2020/21. An uplift of 1% in pay award equates to an increase of £4,911.</p>	<p>Alignment with Scottish Local Government pay award.</p>
<p>Staff recharges – EU Projects The proposed budget assumes that £119,000 of staff time can be recharged to 5 EU Projects – Share-north, Surflogh, Bling, Primaas and Connect. 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>Inflation 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>Delays in payment of grant by the EU - 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>Pension Fund Contributions The deficit on the staff pension fund could lead to increases in the employer's pension contribution.</p>	<p>Following Lothian Pension Fund's Triennial Actuarial Review in 2017, Partnership contribution rates are confirmed to 2020/21.</p>
<p>Funding Reductions 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>

Indicative Financial Plan 2020/21 – 2022/23
Appendix 5

	2020/21 £'000	2021/22 £'000	2022/23 £'000	
Core				
Employee costs	541	564	586	
Employee recharges	(151)	(119)	(55)	
Premises	16	16	16	
Transport	9	9	9	
Supplies/Services	105	105	105	
Support Services	37	37	37	
Corporate and Democratic	24	24	24	
Total Core	581	636	722	
Projects				
Sustainable Travel	13	7	102	Funding re-instated in 2022/23 following completion of re-draft of Regional Transport Strategy
Urban Cycle Network	100	100	100	100% funded by Sustrans
Urban Cycling Officer	32	32	32	Cycling Scotland Representation
Equalities Action Forum	0	0	10	
Active Travel Fund	200	200	200	Fully funded externally
LCTT – Mobility Hubs	125	125	0	Funding ends March 2022
RTS Development	130	113	20	
GO e-BIKE	38	30	20	
RTPI Maintenance	50	50	50	
EU – Funded Projects				
Share–north	46	0	0	Ends December 2021
Surflogh	50	50	2	Ends April 2022
Bling	38	26	26	Ends December 2022
Primaas	60	60	10	Phase 1 ends January 2022
Connect	48	48	0	Ends March 2022
Local Rail Development Fund				
Leith Docks	150	0	0	
Total Projects	1,080	841	572	
TOTAL EXPENDITURE	1,661	1,477	1,294	
Income				
Scottish Government	(782)	(782)	(782)	
Constituent Councils	(190)	(190)	(190)	
Active Travel Fund	(200)	(200)	(200)	
Local Rail Development	(150)	0	0	
Sustrans	(100)	(100)	(100)	
LCTT – Mobility Hubs	(87)	(87)	0	Funding ends March 2022
EU Grant Income	(142)	(113)	(22)	
RTPI – Screens	(10)	(5)	0	
TOTAL INCOME	(1,661)	(1,477)	(1,294)	
Balance	0	0	0	