

Financial Planning 2021/22 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 2021/22 revenue budget, with indicative financial plans for 2022/23.

2. Main Report

Scottish Government Budget 2021-22

- 2.1 The Scottish Government is anticipated to announce the Local Government Finance Settlement for 2021/22 in January 2021. A one-year funding announcement is anticipated.

Financial Planning 2021 to 2023

- 2.2 The COVID-19 pandemic is presenting unprecedented challenges to the operation, financial management and governance of organisations, including public sector bodies. Core areas of service delivery have been suspended or substantially reduced, systems and processes have been amended to support remote working, arrangements for governance, decision making and performance management have been adapted, and many organisations are forecasting large operating deficits due to loss of income and/or additional cost pressures. It is uncertain how long these challenges will persist.
- 2.3 Given these challenges, revenue budget planning has been progressed by updating the three-year planning assumptions presented for review by the Partnership on 6th December 2019. Planning assumptions have been updated for:
- 2.3.1 estimated staff recharges to projects in 2021/22 and 2022/23. Staff recharges to projects are forecast to be £119,000, a decrease of £32,000 from 2020/21. Recharges are forecast to reduce by a further £64,000 to £55,000 in 2022/23;
- 2.3.2 pay award, estimated at 3% (£16,130) and pay increment provision (£4,588) in 2021/22 and a further £16,058 (pay award) and £4,725 (increment provision) in 2022/23;
- 2.3.3 No change in employer's Pension Fund contribution rate and fixed contribution rate, pending confirmation of the outcome of the 2020 Actuarial Valuation;
- 2.3.4 other budget planning assumptions required for 2021/22 and 2022/23 to reflect current activity.

2.4 An analysis of the indicative core revenue budget for 2021/22 and 2022/23 is shown in Appendix 1. Indicative Projects activity for 2021/22 is shown in Appendix 2(a). Indicative Projects activity for 2022/23 is shown in Appendix 2(b).

2.5 The principal cost increase assumptions are summarised below:

| | 2021/22 | 2022/23 |
|----------------------------------------------------|---------|---------|
| Expenditure | | |
| Employee pay award (3% per annum) | £16,130 | £16,058 |
| Employee increments estimates | £4,588 | £4,725 |
| Funding | | |
| Scottish Government and Council Requisition change | £0 | £0 |

2.6 Indicative financial planning for both 2021/22 and 2022/23 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 £490,000 is anticipated to fund 34% of indicative expenditure in 2021/22. £362,000 of external income is anticipated to fund 27% of indicative expenditure in 2022/23.

2.7 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 2016/17.

2.8 For reference, 2020/21 Council requisitions are shown in the table below:

| Council | Requisition |
|------------------|-----------------|
| Clackmannanshire | £6,116 |
| East Lothian | £12,589 |
| Edinburgh | £61,700 |
| Falkirk | £19,080 |
| Fife | £44,255 |
| Midlothian | £10,869 |
| Scottish Borders | £13,717 |
| West Lothian | £21,674 |
| Total | £190,000 |

2.9 A risk assessment for 2021/22 is included at Appendix 4.

3 Next Steps

3.1 Following review by Performance and Audit Committee, a report on financial planning for 2021/22 to 2022/23 will be presented to the Partnership Board on 20th November 2020 for review.

3.2 A revenue budget for 2021/22 will be presented to the Partnership Board for approval in March 2021.

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 2021/22 revenue budget and indicative financial plans for 2022/23;
- 4.1.2 advise of any comments on the financial planning assumptions for the 2021/22 revenue budget and indicative financial plans for 2022/23, prior to a report on the revenue budget being presented to the Partnership Board on 20th November 2020.

Hugh Dunn
 Treasurer
 6th November 2020

- Appendix** Appendix 1 – Indicative Core Revenue Budget 2021 to 2023
 Appendix 2(a) - Projects - Indicative Activity 2021-22
 Appendix 2(b) - Projects - Indicative Activity 2022-23
 Appendix 3 - SEStran Budget 2016/17 – 2020/21 and 2021/22 to 2022/23 (indicative)
 Appendix 4 - Risk Assessment 2021/22

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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 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 2021 to 2023

Appendix 1

| | Approved Budget 2020/21 | Indicative Budget 2021/22 | Indicative Budget 2022/23 |
|------------------------------------------------|--------------------------------|----------------------------------|----------------------------------|
| | £000 | £000 | £000 |
| Employee Costs | | | |
| Salaries | 386 | 396 | 407 |
| National Insurance | 42 | 44 | 45 |
| Pension Fund | 101 | 127 | 130 |
| Recharges | (151) | (119) | (55) |
| Training & Conferences | 10 | 10 | 10 |
| Interviews & Advertising | 2 | 2 | 2 |
| | 390 | 460 | 539 |
| Premises Costs | 16 | 17 | 17 |
| Transport | 9 | 8 | 8 |
| Supplies and Services | | | |
| Communications & Computing | 48 | 48 | 48 |
| Hosted ICT Services – Novus FX | 42 | 42 | 42 |
| Printing, Stationery & General Office Supplies | 6 | 7 | 7 |
| Insurance | 4 | 6 | 6 |
| Equipment, Furniture & Materials | 1 | 1 | 1 |
| Miscellaneous Expenses | 4 | 3 | 3 |
| | 105 | 107 | 107 |
| Support Services | | | |
| Finance | 30 | 30 | 30 |
| Legal Services / HR | 7 | 7 | 7 |
| | 37 | 37 | 37 |
| Corporate & Democratic | | | |
| Clerks Fees | 12 | 12 | 12 |
| External Audit Fees | 11 | 11 | 11 |
| Members Allowances and Expenses | 1 | 1 | 1 |
| | 24 | 24 | 24 |
| Interest | 0 | 0 | 0 |
| Total Gross Expenditure | 581 | 653 | 732 |
| Funding to be confirmed: | | | |
| Scottish Government Grant | (391) | (463) | (542) |
| Council Requisitions | (190) | (190) | (190) |
| Total Funding to be confirmed: | (581) | (653) | (732) |

Projects - Indicative Activity 2021-22
Appendix 2(a)

| | 2020/21 | 2021-22 | | | |
|------------------------------------------------------|--------------------------|----------------------------|-----------------|--------------------------|--------------------------------------------------------------|
| Service | Approved Budget £'000 | Gross Expenditure £'000 | Income £'000 | Net Expenditure £'000 | Activity |
| Sustainable Travel | 40 | 72 | 0 | 72 | |
| Urban Cycle Network | 0 | 100 | (100) | 0 | 100% funded by Sustrans. |
| Urban Cycling Officer | 32 | 34 | 0 | 34 | Cycling Scotland representation |
| Active Travel Fund | 0 | 200 | (200) | 0 | |
| RTS Development | 141 | 82 | 0 | 82 | Re-draft of Regional Transport Strategy – external expertise |
| GO e-BIKE | 38 | 20 | 0 | 20 | |
| Thistle Assistance | 0 | 30 | (24) | 6 | |
| Consultancy support -COVID-19 | 0 | 25 | 0 | 25 | |
| Equalities Action Forum | 0 | 3 | 0 | 3 | |
| EU – Funded Projects | | | | | |
| Surflogh | 25 | 50 | (25) | 25 | Ends April 2022 |
| Bling | 19 | 26 | (13) | 13 | Ends December 2022 |
| Primaas | 9 | 60 | (51) | 9 | Phase 1 ends January 2022 (main activities) |
| Connect | 24 | 34 | (17) | 17 | Ends February 2023 |
| Local Rail Development Fund | | | | | |
| Leith Docks | 0 | 55 | (55) | 0 | |
| Real-Time Passenger Information System (RTPI) | | | | | |
| Maintenance | 50 | 18 | 0 | 18 | Reduction in cost, following contract re-procurement |
| Income – screens | (10) | 0 | (5) | (5) | Bus Operators income |
| Total | 391 | 809 | (490) | 319 | |

Projects - Indicative Activity 2022-23

Appendix 2(b)

| | 2021/22 | 2022-23 | | | |
|------------------------------------------------------|-------------------------|-------------------------|--------------|-----------------------|--------------------------------------------------------------|
| Service | Indicative Budget £'000 | Gross Expenditure £'000 | Income £'000 | Net Expenditure £'000 | Activity |
| Sustainable Travel | 72 | 102 | 0 | 102 | |
| Urban Cycle Network | 0 | 100 | (100) | 0 | 100% funded by Sustrans. |
| Urban Cycling Officer | 34 | 35 | 0 | 35 | Cycling Scotland representation |
| Active Travel Fund | 0 | 200 | (200) | 0 | |
| RTS Development | 82 | 20 | 0 | 20 | Re-draft of Regional Transport Strategy – external expertise |
| GO e-BIKE | 20 | 10 | 0 | 10 | |
| Thistle Assistance | 6 | 30 | (24) | 6 | |
| Consultancy support -COVID-19 | 25 | 0 | 0 | 0 | |
| Equalities Action Forum | 3 | 10 | 0 | 10 | |
| EU – Funded Projects | | | | | |
| Surflogh | 25 | 2 | (1) | 1 | Ends April 2022 |
| Bling | 13 | 26 | (13) | 13 | Ends December 2022 |
| Primaas | 9 | 10 | (8) | 2 | Phase 1 ends January 2022 (main activities) |
| Connect | 17 | 32 | (16) | 16 | Ends February 2023 |
| Local Rail Development Fund | | | | | |
| Leith Docks | 0 | 0 | 0 | 0 | |
| Real-Time Passenger Information System (RTPI) | | | | | |
| Maintenance | 18 | 25 | 0 | 25 | Additional maintenance anticipated |
| Development | 0 | 0 | 0 | 0 | |
| Income – screens | (5) | 0 | 0 | 0 | Bus Operators income |
| Total | 319 | 602 | (362) | 240 | |

SEStran Budget 2016/17 – 2020/21 and 2021/22 to 2022/23 (indicative)

| | 16/17 | 17/18 | 18/19 | 19/20 | 20/21 | 21/22 (indicative) | 22/23 (indicative) |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|-----------------------|-----------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Core | 551 | 478 | 531 | 584 | 581 | 653 | 732 |
| Projects | 725 | 510 | 614 | 590 | 1,030 | 791 | 577 |
| RTPi | 344 | 339 | 108 | 100 | 50 | 18 | 25 |
| Total Budget | 1,620 | 1,327 | 1,253 | 1,274 | 1,661 | 1,462 | 1,334 |
| External Funding | | | | | | | |
| EU Grants | 152 | 95 | 139 | 82 | 142 | 106 | 38 |
| Other income | 486 | 260 | 142 | 220 | 547 | 384 | 324 |
| Total External Funding | 638 | 355 | 281 | 302 | 689 | 490 | 362 |
| Scottish Government | 782 | 782 | 782 | 782 | 782 | 782 | 782 |
| Council Requisition | 200 | 190 | 190 | 190 | 190 | 190 | 190 |
| Total Funding | 1,620 | 1,327 | 1,253 | 1,274 | 1,661 | 1,462 | 1,334 |

| Risk Description | Existing Controls |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Pay awards The indicative budget makes provision for a pay award of up to 3% in 2021/22. An uplift of 1% in pay award equates to an increase of £5,377.</p> | <p>Alignment with Scottish Local Government pay award.</p> |
| <p>Staff recharges – Projects The indicative budget assumes that £119,000 of staff time can be recharged to Projects. 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 indicative 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. Planning assumptions will be updated when the outcome of the 2020 Actuarial Review is available.</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> |