

Financial Planning 2021/22 to 2022/23

1. Introduction

- 1.1** This report provides an update to the Partnership Board on the financial planning being progressed for the Partnership for the 2021/22 revenue budget, with indicative financial plans for 2022/23.
- 1.2** This report was reviewed by the Performance and Audit Committee at its meeting on 6th November 2020.

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/February 2021. A one-year funding announcement is anticipated.

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- 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 Partnership Board, a revenue budget for 2021/22 will be presented to:
- 3.1.1** Chief Officers Group and Performance and Audit Committee for review and
- 3.1.2** the Partnership Board meeting in March 2021, for approval.

3.2 A review of the Partnership’s earmarked and unallocated reserves will be undertaken, as part of the development of the 2021/22 revenue budget to be presented to the Partnership Board in March 2021.

4 Recommendation

4.1 The Partnership Board is recommended to 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.

Hugh Dunn

Treasurer

20th 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	44	44
Printing, Stationery & General Office Supplies	6	7	7
Insurance	4	6	6
Equipment, Furniture & Materials	1	1	1
Miscellaneous Expenses	4	3	3
	105	109	109
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	655	734
Funding to be confirmed:			
Scottish Government Grant	(391)	(465)	(544)
Council Requisitions	(190)	(190)	(190)
Total Funding to be confirmed:	(581)	(655)	(734)

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	80	0	80	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	807	(490)	317	

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	18	0	18	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	600	(362)	238	

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	655	734
Projects	725	510	614	590	1,030	789	575
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>