

## **Revenue Budget 2021/22 and Indicative Financial Plan 2022/23 to 2023/24**

### **1. Introduction**

- 1.1 This report presents a revenue budget for 2021/22 and an indicative financial plan for 2022/23 to 2023/24, for review by the Partnership's Performance and Audit Committee.
- 1.2 The proposed revenue budget for 2021/22 will be presented to the Partnership Board for approval at its meeting on 19th March 2021.

### **2. Main Report**

#### **Scottish Government Budget 2021-22**

- 2.1 The Scottish Government issued a provisional Local Government Finance Settlement for 2021/22 on 1<sup>st</sup> February 2021. The Settlement is for one year.
- 2.2 Transport Scotland has advised revenue grant funding of £782,000 for 2021/22. This is subject to final confirmation following approval by Parliament of the Scottish Budget. This level of funding represents no change to the current year's grant.

#### **Proposed Revenue Budget 2021/22**

- 2.3 Section 3 of the Transport (Scotland) Act 2005, as amended by the Section 122 of the Transport (Scotland) Act 2019 requires the constituent councils of a Regional Transport Partnership to meet the estimated net expenses of the Partnership.
- 2.4 A financial planning report was considered by the Partnership on 20th November 2020. The Partnership noted the financial planning assumptions being progressed for 2021/22 to 2022/23. These assumptions included no change from 2020/21 funding levels for constituent council requisitions and Scottish Government grant.
- 2.5 At the Partnership Board meeting, it was noted the COVID-19 pandemic was 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. Uncertainty remains as to how long these challenges will remain.

- 2.6** Revenue budget development has been progressed, recognising these challenges. The planning assumptions presented to the Partnership on 20<sup>th</sup> November 2020 have been updated, where required.
- 2.7** A revenue budget with a standstill council requisition of £190,000 has been prepared in consultation with officers of the Partnership and with the Partnership's Chief Officers Group. Revenue budget lines have been updated to take account of known cost commitments and savings. Planning assumptions have been updated for:
- 2.7.1** estimated staff recharges to projects – these are forecast to be £119,000, a decrease of £32,000 from 2020/21;
- 2.7.2** pay award uplift revised from 3% to 2% (£11,363) and pay increment provision (£5,503);
- 2.7.3** an employer Pension Fund contribution rate of 33.1%, with the fixed contribution sum removed, following confirmation of the outcome of the 2020 Actuarial Valuation;
- 2.7.4** other budget planning assumptions required to reflect current activity.
- 2.8** An analysis of the proposed core budget for 2021/22 and indicative financial plans for 2022/23 to 2023/24 is shown in Appendix 1.
- 2.9** Proposed Projects activity for 2021/22 is shown in Appendix 2(a). Indicative Projects activity for 2022/23 to 2023/24 is shown in Appendices 2(b) and 2(c). The indicative plan presents expenditure and income balanced for each financial year.
- 2.10** Appendix 3 shows all budgeted expenditure and income since 2016/17. 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.
- 2.11** For 2021/22, external income of £500,000 is anticipated to fund 33% of expenditure.
- 2.12** The 2021/22 Council requisitions, based on the proposed budget are shown in the table below:

<b>Council</b>	<b>Requisition</b>
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
<b>Total</b>	<b>£190,000</b>

- 2.13** In accordance with the provisions of the Transport Scotland (2019) Act, the Partnership has agreed a Reserves Policy. The Partnership is progressing towards establishing an unallocated General Fund reserve of £29,000, based on 5% of the core revenue budget for 2020/21. Following closure of the Annual Accounts 2019/20, an unallocated reserves balance of £12,000 was established. An underspend in the core budget is forecast for 2020/21 and it is anticipated that this will contribute to meeting the remainder of the unallocated reserves balance. An update will be provided to the Partnership in the Finance Officer report to be presented on 19<sup>th</sup> March 2021.
- 2.14** An earmarked balance of £177,000 has been established to meet slippage on project delivery from 2019/20 to 2020/21.
- 2.15** A risk assessment for 2021/22 is included at Appendix 4.

### **3 Next Steps**

- 3.1** Following review by Performance and Audit Committee, the proposed revenue budget for 2021/22 will be presented to the Partnership Board meeting on 19<sup>th</sup> March 2021, for approval.

### **4 Recommendation**

- 4.1** It is recommended that the Performance and Audit Committee.
- 4.1.1** note the financial planning assumptions for the Partnership's proposed revenue budget for 2021/22;
- 4.1.2** note that financial planning for 2022/23 to 2023/24 will be developed throughout 2021 for consideration by the Partnership in December 2021;
- 4.1.3** note that the proposed budget is subject to a number of risks. 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**

- 5.1** [Financial Planning 2021/22 to 2022/23 - report to Partnership Board 20th November 2020](#)

**Hugh Dunn**  
Treasurer  
5th March 2021

- Appendix**    Appendix 1 – Core Budget 2021/22 and Indicative Budget 2022/23 to 2023/24  
 Appendix 2(a) – Projects – 2021/22  
 Appendix 2(b) - Projects - Indicative Activity 2022/23  
 Appendix 2(c) – Projects – Indicative Activity 2023/24  
 Appendix 3 - SEStran Budget 2016/17 – 2023/24  
 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.

**Proposed Core Budget 2021/22 and Indicative Budget  
2022/23 to 2023/24**

**Appendix 1**

	<b>Approved Budget 2020/21</b>	<b>Proposed Budget 2021/22</b>	<b>Indicative Budget 2022/23</b>	<b>Indicative Budget 2023/24</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Employee Costs</b>				
Salaries	386	400	414	428
National Insurance	42	44	46	48
Pension Fund	101	131	135	140
Recharges	(151)	(119)	(55)	(55)
Training & Conferences	10	10	10	10
Interviews & Advertising	2	2	2	2
	<b>390</b>	<b>468</b>	<b>552</b>	<b>573</b>
<b>Premises Costs</b>	<b>16</b>	<b>17</b>	<b>17</b>	<b>17</b>
<b>Transport</b>	<b>9</b>	<b>8</b>	<b>8</b>	<b>8</b>
<b>Supplies and Services</b>				
Communications & Computing	48	48	48	48
Hosted ICT – Novus FX	42	44	44	44
Printing, Stationery & General Office Supplies	6	7	7	7
Insurance	4	6	6	6
Equipment, Furniture & Materials	1	1	1	1
Miscellaneous Expenses	4	3	3	3
	<b>105</b>	<b>109</b>	<b>109</b>	<b>109</b>
<b>Support Services</b>				
Finance	30	30	30	30
Legal Services / HR	7	7	7	7
	<b>37</b>	<b>37</b>	<b>37</b>	<b>37</b>
<b>Corporate &amp; Democratic</b>				
Clerks Fees	12	12	12	12
External Audit Fees	11	11	11	11
Members Allowances and Expenses	1	1	1	1
	<b>24</b>	<b>24</b>	<b>24</b>	<b>24</b>
<b>Interest</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Gross Expenditure</b>	<b>581</b>	<b>663</b>	<b>747</b>	<b>768</b>
<b>Funding</b>				
Scottish Government Grant	(391)	(473)	(557)	(578)
Council Requisitions	(190)	(190)	(190)	(190)
<b>Total Funding</b>	<b>(581)</b>	<b>(663)</b>	<b>(747)</b>	<b>(768)</b>

**Projects - Proposed 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	69	0	69	
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	
<b>EU – Funded Projects</b>					
Share North	23	0	0	0	Ends December 2021
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
<b>Local Rail Development Fund</b>					
Leith Docks	0	55	(55)	0	
<b>Real-Time Passenger Information System (RTPI)</b>					
Maintenance	50	23	0	23	Reduction in cost, following contract re-procurement
Income	(10)	0	(15)	(15)	Bus Operators income
<b>Total</b>	<b>391</b>	<b>809</b>	<b>(500)</b>	<b>309</b>	

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	69	109	0	109	
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	80	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	
<b>EU – Funded Projects</b>					
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
<b>Local Rail Development Fund</b>					
Leith Docks	0	0	0	0	
<b>Real-Time Passenger Information System (RTPI)</b>					
Maintenance	23	25	0	25	
Income – screens	(15)	0	(20)	(20)	Bus Operators income
<b>Total</b>	<b>309</b>	<b>607</b>	<b>(382)</b>	<b>225</b>	

Projects - Indicative Activity 2023-24

Appendix 2(c)

	2022/23	2023-24			
Service	Indicative Budget £'000	Gross Expenditure £'000	Income £'000	Net Expenditure £'000	Activity
Sustainable Travel	109	100	0	100	
Urban Cycle Network	0	100	(100)	0	100% funded by Sustrans.
Urban Cycling Officer	35	35	0	35	Cycling Scotland representation
Active Travel Fund	0	200	(200)	0	
RTS Development	18	18	0	18	Re-draft of Regional Transport Strategy – external expertise
GO e-BIKE	10	10	0	10	
Thistle Assistance	6	30	(24)	6	
Consultancy support -COVID-19	0	0	0	0	
Equalities Action Forum	10	10	0	10	
<b>EU – Funded Projects</b>					
Surflogh	1	0	0	0	Ends April 2022
Bling	13	0	0	0	Ends December 2022
Primaas	2	0	0	0	Phase 1 ends January 2022 (main activities)
Connect	16	0	0	0	Ends February 2023
<b>Local Rail Development Fund</b>					
Leith Docks	0	0	0	0	
<b>Real-Time Passenger Information System (RTPI)</b>					
Maintenance	25	25	0	25	
Income – screens	(20)	0	0	0	
<b>Total</b>	<b>225</b>	<b>528</b>	<b>(324)</b>	<b>204</b>	



**SEStran Budget 2016/17 – 2023/24**

	<b>16/17</b>	<b>17/18</b>	<b>18/19</b>	<b>19/20</b>	<b>20/21</b>	<b>21/22</b>	<b>22/23</b>	<b>23/24</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Core	551	478	531	584	581	663	747	768
Projects	725	510	614	590	1,030	786	582	503
RTPI	344	339	108	100	50	23	25	25
<b>Total Budget</b>	<b>1,620</b>	<b>1,327</b>	<b>1,253</b>	<b>1,274</b>	<b>1,661</b>	<b>1,472</b>	<b>1,354</b>	<b>1,296</b>
<b>External Funding</b>								
EU Grants	152	95	139	82	142	106	38	0
Other income	486	260	142	220	547	394	344	324
<b>Total External Funding</b>	<b>638</b>	<b>355</b>	<b>281</b>	<b>302</b>	<b>689</b>	<b>500</b>	<b>382</b>	<b>324</b>
Scottish Government	782	782	782	782	782	782	782	782
Council Requisition	200	190	190	190	190	190	190	190
<b>Total Funding</b>	<b>1,620</b>	<b>1,327</b>	<b>1,253</b>	<b>1,274</b>	<b>1,661</b>	<b>1,472</b>	<b>1,354</b>	<b>1,296</b>

Risk Description	Existing Controls
<p><b>Pay awards</b> The indicative budget makes provision for a pay award of up to 2% in 2021/22. An uplift of 1% in pay award equates to an increase of £5,681.</p>	<p>Alignment with Scottish Local Government pay award.</p>
<p><b>Staff recharges – Projects</b> 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><b>Inflation</b> 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><b>Delays in payment of grant by the EU -</b> 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><b>Pension Fund Contributions</b> 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 2020, Partnership employer pension fund contribution rates are now confirmed at 33.1% until 31 March 2024. This rate is included in the proposed budget for 2021/22.</p>
<p><b>Funding Reductions</b> 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>