

Indicative Financial Plan 2022/23 to 2024/25

1. Introduction

- 1.1 This report provides an update on financial planning being progressed for the 2022/23 revenue budget and indicative financial plans for 2023/24 – 2024/25.

2. Main Report

Scottish Government Budget 2022-23

- 2.1 The Scottish Government Budget will be introduced on 9 December 2021. The announcement is expected to cover one year, but will be accompanied by publication of the Scottish Government's Medium-Term Financial Strategy. The Scottish Government is anticipated to announce the Local Government Finance Settlement for 2022/23 by late December 2021.
- 2.2 Initial discussion with the Scottish Government has indicated the Partnership's revenue grant for 2022/23 will not increase from the £782,000 awarded in 2021/22.

Financial Planning 2022 to 2025

- 2.3 The three-year planning assumptions presented to the Partnership on 19th March 2021 have been updated for:
- 2.3.1 estimated staff recharges to projects from 2022/23 to 2024/25. Staff recharges to projects in 2022/23 are forecast to be £75,000. Recharges are forecast to reduce to £20,000 each year thereafter;
- 2.3.2 2022/23 pay award provision, estimated at 3% (£17,352) and pay increments (£2,735). Pay award provision of 3% is included for 2023/24 and 2024/25;
- 2.3.3 an employers Pension Fund contribution rate of 33.1% each year, following confirmation of the 2020 Actuarial Valuation;
- 2.3.4 Following the announcement by the UK Government on 7 September 2021, an increase in employers National Insurance contribution rate of 1.25%;
- 2.3.5 other minor budget planning changes to reflect current activity.
- 2.4 An analysis of the indicative core budget financial planning assumptions for 2022/23 to 2024/25 is shown in Appendix 1.
- 2.5 Indicative Projects activity from 2022/23 to 2024/25 is shown in Appendix 2(a) to 2(c). The indicative plan presents expenditure and income balanced for each financial year.

2.6 The principal employee cost increase assumptions are summarised below:

| | 2022/23 | 2023/24 | 2024/25 |
|------------------------------------------------|---------------|---------------|---------------|
| | £ | £ | £ |
| Employee pay award (3% per annum) | 17,352 | 19,463 | 20,172 |
| Employee increments estimates | 2,735 | 2,817 | 2,901 |
| Employers National Insurance Contribution rate | 4,009 | 0 | 0 |
| Total | 24,096 | 22,280 | 23,073 |

2.7 Indicative financial planning from 2022/23 to 2024/25 is based on receiving £782,000 grant from the Scottish Government and £190,000 from constituent council requisitions. This would represent a stand-still in Council requisitions.

2.8 Appendix 3 shows all budgeted expenditure and income since 2017/18. 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.

2.9 For 2022/23, external income of £407,000 is anticipated to fund 29% of indicative expenditure.

2.10 2021/22 Council requisitions for 2021/22 are shown in the table below, for reference.

| 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 |

2.11 In accordance with the provisions of the Transport Scotland (2019) Act, the Partnership has agreed a Reserves Policy and established an unallocated General Fund reserve of £29,000, based on 5% of the core revenue budget for 2020/21. As 5% of the indicative core budget for 2022/23 is £36,000, an update on the unallocated General Fund reserve will be provided to the Partnership when presenting the 2022/23 revenue budget for approval in March 2022.

2.12 An earmarked balance of £105,000 was established following slippage on project delivery from 2020/21 to 2021/22. The indicative financial plan assumes the carried forward balance will be fully spent in 2021/22.

2.13 A risk assessment for 2022/23 is included at Appendix 4.

2.14 The Indicative Financial Plan 2022/23 to 2024/25 was reviewed by Performance and Audit Committee at its meeting on 19th November 2021.

3 Next Steps

3.1 The proposed revenue budget for 2022/23 will be presented to the Partnership Board for approval at its meeting in March 2022, after review by Performance and Audit Committee and Chief Officers Liaison Group.

4 Recommendation

4.1 It is recommended that the Partnership Board:

4.1.1 notes the financial planning assumptions for the period 2022/23 to 2024/25;

4.1.2 notes that financial planning for 2022/23 to 2024/25 will continue to be developed for approval of a revenue budget by the Partnership at its meeting in March 2022;

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 [Revenue Budget 2021/22 and Indicative Financial Plan 2022/23 to 2023/24 - report to Partnership Board 19th March 2021](#)

Hugh Dunn

Treasurer

26th November 2021

Appendix Appendix 1 – Indicative Core Budget 2022/23 to 2024/25

Appendix 2(a) – Projects – Indicative Activity 2022/23

Appendix 2(b) - Projects - Indicative Activity 2023/24

Appendix 2(c) – Projects – Indicative Activity 2024/25

Appendix 3 – Summary of Revenue Budget 2017/18 – 2024/25

Appendix 4 - Risk Assessment 2022/23

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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 Budget 2022/23 to 2024/25

Appendix 1

| | Approved Budget 2021/22 | Indicative Budget 2022/23 | Indicative Budget 2023/24 | Indicative Budget 2024/25 |
|------------------------------------------------|-------------------------|---------------------------|---------------------------|---------------------------|
| | £000 | £000 | £000 | £000 |
| Employee Costs | | | | |
| Salaries | 400 | 408 | 424 | 439 |
| National Insurance | 44 | 50 | 52 | 55 |
| Pension Fund | 131 | 134 | 139 | 144 |
| Recharges | (119) | (75) | (20) | (20) |
| Training & Conferences | 10 | 10 | 10 | 10 |
| Interviews & Advertising | 2 | 2 | 2 | 2 |
| | 468 | 529 | 607 | 630 |
| Premises Costs | 17 | 17 | 17 | 17 |
| Transport | 8 | 8 | 8 | 8 |
| Supplies and Services | | | | |
| Communications & Computing | 48 | 48 | 48 | 48 |
| Hosted ICT – Novus FX | 44 | 46 | 46 | 46 |
| Printing, Stationery & General Office Supplies | 7 | 7 | 7 | 7 |
| Insurance | 6 | 6 | 6 | 6 |
| Equipment, Furniture & Materials | 1 | 1 | 1 | 1 |
| Miscellaneous Expenses | 3 | 3 | 3 | 3 |
| | 109 | 111 | 111 | 111 |
| Support Services | | | | |
| Finance | 30 | 30 | 30 | 30 |
| Legal Services / HR | 7 | 7 | 7 | 7 |
| | 37 | 37 | 37 | 37 |
| Corporate & Democratic | | | | |
| Clerks Fees | 12 | 12 | 12 | 12 |
| External Audit Fees | 11 | 11 | 11 | 11 |
| Members Allowances and Expenses | 1 | 1 | 1 | 1 |
| | 24 | 24 | 24 | 24 |
| Interest | 0 | 0 | 0 | 0 |
| Total Gross Expenditure | 663 | 726 | 804 | 827 |
| Funding | | | | |
| Scottish Government Grant | (473) | (536) | (614) | (637) |
| Council Requisitions | (190) | (190) | (190) | (190) |
| Total Funding | (663) | (726) | (804) | (827) |

Projects – Indicative Activity 2022-23

Appendix 2(a)

| | 2021/22 | 2022-23 | | | |
|------------------------------------------------------|--------------------------|----------------------------|-----------------|--------------------------|--------------------------------------------------------------|
| Service | Approved Budget £'000 | Gross Expenditure £'000 | Income £'000 | Net Expenditure £'000 | Activity |
| Sustainable Travel | 69 | 139 | 0 | 139 | |
| Urban Cycle Network | 0 | 100 | (100) | 0 | 100% funded by Sustrans. |
| Urban Cycling Officer | 34 | 21 | 0 | 21 | 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 | |
| EU – Funded Projects | | | | | |
| Surflogh | 25 | 2 | (1) | 1 | Ends April 2022 |
| Bling | 13 | 26 | (13) | 13 | Ends December 2022 |
| Primaas | 9 | 10 | (8) | 2 | Ends January 2023 |
| Regio-Mob | 0 | 30 | (25) | 5 | Ends November 2022 |
| 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 | 23 | 25 | 0 | 25 | Reduction in cost, following contract re-procurement |
| Income – screens | (15) | 0 | (20) | (20) | |
| Total | 309 | 653 | (407) | 246 | |

Projects - Indicative Activity 2023-24

Appendix 2(b)

| | 2022/23 | 2023-24 | | | |
|------------------------------------------------------|-------------------------|-------------------------|--------------|-----------------------|--------------------------------------------------------------|
| Service | Indicative Budget £'000 | Gross Expenditure £'000 | Income £'000 | Net Expenditure £'000 | Activity |
| Sustainable Travel | 139 | 78 | 0 | 78 | |
| Urban Cycle Network | 0 | 100 | (100) | 0 | 100% funded by Sustrans. |
| Urban Cycling Officer | 21 | 21 | 0 | 21 | 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 | |
| Equalities Action Forum | 10 | 10 | 0 | 10 | |
| EU – Funded Projects | | | | | |
| Surflogh | 1 | 0 | 0 | 0 | Ends April 2022 |
| Bling | 13 | 0 | 0 | 0 | Ends December 2022 |
| Primaas | 2 | 0 | 0 | 0 | Ends January 2023 |
| Regio-Mob | 5 | 0 | 0 | 0 | Ends November 2022 |
| Connect | 16 | 0 | 0 | 0 | Ends February 2023 |
| Real-Time Passenger Information System (RTPI) | | | | | |
| Maintenance | 25 | 25 | 0 | 25 | |
| Income – screens | (20) | 0 | 0 | 0 | |
| Total | 246 | 492 | (324) | 168 | |

Projects - Indicative Activity 2024-25

Appendix 2(c)

| | 2023/24 | 2024-25 | | | |
|------------------------------------------------------|------------------------------------|------------------------------------|-------------------------|----------------------------------|--------------------------------------------------------------|
| Service | Indicative Budget £'000 | Gross Expenditure £'000 | Income £'000 | Net Expenditure £'000 | Activity |
| Sustainable Travel | 78 | 55 | 0 | 55 | |
| Urban Cycle Network | 0 | 100 | (100) | 0 | 100% funded by Sustrans. |
| Urban Cycling Officer | 21 | 21 | 0 | 21 | 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 | |
| Equalities Action Forum | 10 | 10 | 0 | 10 | |
| Real-Time Passenger Information System (RTPI) | | | | | |
| Maintenance | 25 | 25 | 0 | 25 | |
| Total | 168 | 469 | (324) | 145 | |

Summary of Revenue Budget 2017/18 – 2024/25

| | 17/18 | 18/19 | 19/20 | 20/21 | 21/22 | 22/23 | 23/24 | 24/25 |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Core | 478 | 531 | 584 | 581 | 663 | 726 | 804 | 827 |
| Projects | 510 | 614 | 590 | 1,030 | 786 | 628 | 467 | 444 |
| RTPI | 339 | 108 | 100 | 50 | 23 | 25 | 25 | 25 |
| Total Budget | 1,327 | 1,253 | 1,274 | 1,661 | 1,472 | 1,379 | 1,296 | 1,296 |
| External Funding | | | | | | | | |
| EU Grants | 95 | 139 | 82 | 142 | 106 | 63 | 0 | 0 |
| Other income | 260 | 142 | 220 | 547 | 394 | 344 | 324 | 324 |
| Total External Funding | 355 | 281 | 302 | 689 | 500 | 407 | 324 | 324 |
| Scottish Government | 782 | 782 | 782 | 782 | 782 | 782 | 782 | 782 |
| Council Requisition | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 |
| Total Funding | 1,327 | 1,253 | 1,274 | 1,661 | 1,472 | 1,379 | 1,296 | 1,296 |

| Risk Description | Existing Controls |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Pay awards The indicative budget makes provision for a pay award of up to 3% in 2022/23. An uplift of 1% in pay award equates to an increase of £5,833.</p> | <p>Alignment with Scottish Government Public Sector Pay Policy.</p> |
| <p>Staff recharges – Projects The indicative budget assumes that £75,000 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 2020, Partnership employer pension fund contribution rates are now confirmed at 33.1% until 31 March 2024. This rate is included in the indicative financial plan for 2022/23.</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> |