

## Indicative Financial Plan 2023/24 to 2025/26

### 1. Introduction

- 1.1 This report provides an update on financial planning being progressed for the 2023/24 revenue budget and indicative financial plans for 2024/25 – 2025/26.

### 2. Main Report

#### Scottish Government Budget 2023-24

- 2.1 The Scottish Government Budget is provisionally scheduled to be announced on 15 December, with the Local Government Finance Settlement anticipated to be announced early the following week.
- 2.2 As part of the Resource Spending Review, the Scottish Government has committed to reviewing Regional Transport Partnerships (RTPs) revenue grant and how this is allocated between RTPs. There is therefore a risk Scottish Government funding for 2023/24 may change from the current year's allocation.

#### Financial Planning 2023 to 2026

- 2.3 The three-year planning assumptions presented to the Partnership on 18th March 2022 have been updated for:
- 2.3.1 estimated staff recharges to projects from 2023/24 to 2025/26. Staff recharges to projects in 2023/24 are forecast to be £39,000. No employee project recharges are forecast each year thereafter. As in previous years, additional income will be sought to supplement project delivery and provide potential for staff recharge opportunities.
- 2.3.2 2023/24 pay award provision, estimated at 3% (£18,595) and pay increments (£5,112). Pay award provision of 3% is included for 2024/25 and 2025/26;
- 2.3.3 an employers Pension Fund contribution rate of 33.1% each year, following confirmation of the 2020 Actuarial Valuation;
- 2.3.4 a reduction of £4,000 in employers National Insurance contributions, following the Chancellor's budget announcement on 23rd September 2022;
- 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 2023/24 to 2025/26 is shown in Appendix 1.

2.5 Indicative Projects activity from 2023/24 to 2025/26 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:

	2023/24 £	2024/25 £	2025/26 £
Employee pay award (3% per annum)	18,595	19,153	19,870
Employee increments estimates	5,112	4,748	5,450
<b>Total</b>	<b>23,707</b>	<b>23,901</b>	<b>25,320</b>

2.7 Indicative financial planning from 2023/24 to 2025/26 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. As noted at paragraph 2.2, the Scottish Government has committed to reviewing RTP revenue grant funding and how this is allocated between RTPs.

2.8 Appendix 3 shows all budgeted expenditure and income since 2018/19. 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 2023/24, external income of £515,000 is anticipated to fund 34% of indicative expenditure.

2.10 2022/23 Council requisitions for 2022/23 are shown in the table below, for reference.

Council	Requisition
Clackmannanshire	£6,039
East Lothian	£12,704
Edinburgh	£62,123
Falkirk	£18,905
Fife	£44,050
Midlothian	£10,968
Scottish Borders	£13,568
West Lothian	£21,643
<b>Total</b>	<b>£190,000</b>

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 £31,000, based on 5% of the core revenue budget for 2022/23.

2.12 An earmarked balance of £131,000 was established following slippage on project delivery and core budget underspend in 2021/22. The indicative financial plan assumes the balance of £131,000 will be fully spent in 2022/23.

2.13 A risk assessment for 2023/24 is included at Appendix 4.

### 3 Next Steps

- 3.1 Following review by Performance and Audit Committee, a report on financial planning for 2023/24 to 2025/26 will be presented to the Partnership Board on 2nd December 2022 for review.
- 3.2 The proposed revenue budget for 2023/24 will be presented to the Partnership Board for approval at its meeting in March 2023.

### 4 Recommendation

- 4.1 It is recommended that the Performance and Audit Committee.
  - 4.1.1 note the financial planning assumptions for the period 2023/24 to 2025/26;
  - 4.1.2 note that financial planning for 2023/24 to 2025/26 will continue to be developed for approval of a revenue budget by the Partnership at its meeting in March 2023;
  - 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 2022/23 and Indicative Financial Plan 2023/24 to 2024/25](#)

**Hugh Dunn**

Treasurer

16th November 2022

- Appendix**
- Appendix 1 – Indicative Core Budget 2023/24 to 2025/26
  - Appendix 2(a) – Projects – Indicative Activity 2023/24
  - Appendix 2(b) - Projects - Indicative Activity 2024/25
  - Appendix 2(c) – Projects – Indicative Activity 2025/26
  - Appendix 3 – Summary of Revenue Budget 2018/19 – 2025/26
  - Appendix 4 - Risk Assessment 2023/24

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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.
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**Indicative Core Budget 2023/24 to 2025/26**

**Appendix 1**

	<b>Approved Budget 2022/23</b>	<b>Indicative Budget 2023/24</b>	<b>Indicative Budget 2024/25</b>	<b>Indicative Budget 2025/26</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Employee Costs</b>				
Salaries	408	425	441	457
National Insurance	50	48	50	53
Pension Fund	144	150	155	161
Recharges	(172)	(39)	0	0
Recharges	(20)	(20)	0	0
Training & Conferences	10	10	10	10
Interviews & Advertising	2	2	2	2
	<b>422</b>	<b>576</b>	<b>658</b>	<b>683</b>
<b>Premises Costs</b>	<b>17</b>	<b>18</b>	<b>18</b>	<b>18</b>
<b>Transport</b>	<b>8</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	46	46	46	46
Printing, Stationery & General Office Supplies	7	7	7	7
Insurance	6	6	6	6
Equipment, Furniture, Materials, Miscellaneous	4	4	4	4
	<b>111</b>	<b>111</b>	<b>111</b>	<b>111</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	12	12	12
Members Allowances and Expenses	1	1	1	1
	<b>24</b>	<b>25</b>	<b>25</b>	<b>25</b>
<b>Interest</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Gross Expenditure</b>	<b>619</b>	<b>775</b>	<b>857</b>	<b>882</b>
<b>Funding</b>				
Scottish Government Grant	(429)	(585)	(667)	(692)
Council Requisitions	(190)	(190)	(190)	(190)
<b>Total Funding</b>	<b>(619)</b>	<b>(775)</b>	<b>(857)</b>	<b>(882)</b>

**Projects – Indicative Activity 2023-24**

**Appendix 2(a)**

	<b>2022-23</b>	<b>2023-24</b>			
<b>Service</b>	<b>Approved Budget £'000</b>	<b>Gross Expenditure £'000</b>	<b>Income £'000</b>	<b>Net Expenditure £'000</b>	<b>Activity/Notes</b>
Sustainable Travel	63	105	0	105	Implement RTS Activity
Urban Cycle Network	0	100	(100)	0	100% funded by Sustrans
Urban Cycling	21	21	0	21	Cycle Training and support
Active Travel Fund	0	350	(350)	0	100% funded by Transport Scotland
RTS Development	60	18	0	18	Monitoring of RTS
GO e-BIKE	10	10	0	10	Maintenance
Thistle Assistance	6	30	(24)	6	Scheme development and promotion
Consultancy support	30	0	0	0	Projects development
Equalities Action	10	10	0	10	Operator training and survey
<b>EU – Funded Projects</b>					
ShareNorth	18	0	0	0	Ended June 2022
Surflogh	49	5	(2)	3	Ends June 2023
Bling	33	5	(2)	3	Ends June 2023
Primaas	9	15	(13)	2	Ends July 2023
Regio-Mob	5	0	0	0	Ends November 2022
Connect	34	18	(9)	9	Ends December 2023
<b>Real-Time Passenger Information System (RTPI)</b>					
Maintenance	25	25	0	25	
Income – screens	(20)	0	(15)	(15)	
<b>Total</b>	<b>353</b>	<b>712</b>	<b>(515)</b>	<b>197</b>	

**Projects - Indicative Activity 2024-25**

**Appendix 2(b)**

	<b>2023/24</b>	<b>2024-25</b>			
<b>Service</b>	<b>Indicative Budget £'000</b>	<b>Gross Expenditure £'000</b>	<b>Income £'000</b>	<b>Net Expenditure £'000</b>	<b>Activity</b>
Sustainable Travel	105	40	0	40	
Urban Cycle Network	0	100	(100)	0	100% funded by Sustrans.
Urban Cycling	21	0	0	0	
Active Travel Fund	0	400	(400)	0	
RTS Monitoring	18	18	0	18	
GO e-BIKE	10	10	0	10	
Thistle Assistance	6	30	(24)	6	
Consultancy support	0	21	0	21	
Equalities Action	10	10	0	10	
<b>EU – Funded Projects</b>					
ShareNorth	0	0	0	0	Ended June 2022
Surflogh	3	0	0	0	Ends June 2023
Bling	3	0	0	0	Ends June 2023
Primaas	2	0	0	0	Ends July 2023
Regio-Mob	0	0	0	0	Ends November 2022
Connect	9	0	0	0	Ends December 2023
<b>Real-Time Passenger Information System (RTPI)</b>					
Maintenance	25	25	0	25	
Income – screens	(15)	0	(15)	(15)	
<b>Total</b>	<b>197</b>	<b>654</b>	<b>(539)</b>	<b>115</b>	

**Projects - Indicative Activity 2025-26**

**Appendix 2(c)**

	<b>2024/25</b>	<b>2025-26</b>			
<b>Service</b>	<b>Indicative Budget £'000</b>	<b>Gross Expenditure £'000</b>	<b>Income £'000</b>	<b>Net Expenditure £'000</b>	<b>Activity</b>
Sustainable Travel	40	15	0	15	
Urban Cycle Network	0	100	(100)	0	100% funded by Sustrans.
Active Travel Fund	0	450	(450)	0	
RTS Development	18	18	0	18	
GO e-BIKE	10	10	0	10	
Thistle Assistance	6	30	(24)	6	
Consultancy support	21	21	0	21	
Equalities Action	10	10	0	10	
<b>Real-Time Passenger Information System (RTPI)</b>					
Maintenance	25	25	0	25	
Income – screens	(15)	0	(15)	(15)	
<b>Total</b>	<b>115</b>	<b>679</b>	<b>(589)</b>	<b>90</b>	



## Summary of Revenue Budget 2018/19 – 2025/26

	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Core	531	584	581	663	619	775	857	882
Projects	614	590	1,030	786	882	687	629	654
RTPI	108	100	50	23	25	25	25	25
<b>Total Budget</b>	<b>1,253</b>	<b>1,274</b>	<b>1,661</b>	<b>1,472</b>	<b>1,526</b>	<b>1,487</b>	<b>1,511</b>	<b>1,561</b>
<b>External Funding</b>								
EU Grants	139	82	142	106	210	26	0	0
Other income	142	220	547	394	344	489	539	589
<b>Total External Funding</b>	<b>281</b>	<b>302</b>	<b>689</b>	<b>500</b>	<b>554</b>	<b>515</b>	<b>539</b>	<b>589</b>
Scottish Government	782	782	782	782	782	782	782	782
Council Requisition	190	190	190	190	190	190	190	190
<b>Total Funding</b>	<b>1,253</b>	<b>1,274</b>	<b>1,661</b>	<b>1,472</b>	<b>1,526</b>	<b>1,487</b>	<b>1,511</b>	<b>1,561</b>

Risk Description	Existing Controls
<p><b>Pay awards</b> The indicative budget makes provision for a pay award of up to 3% in 2023/24. An uplift of 1% in pay award equates to an increase of £6,198.</p>	<p>Alignment with Local Government Pay Policy.</p>
<p><b>Staff recharges – Projects</b> The indicative budget assumes that £39,000 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 known 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.  There is a risk the contribution rate may increase from 2024/25, following the Actuarial Review in 2023.</p>	<p>Following Lothian Pension Fund’s Triennial Actuarial Review in 2020, Partnership employer pension fund contribution rates are confirmed at 33.1% until 31 March 2024.</p>
<p><b>Funding Reductions</b> Reduction in funding from Scottish Government and/or council requisitions.  The Scottish Government has committed to reviewing Regional Transport Partnerships (RTPs) revenue grant and how this is allocated between RTPs.  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.  Recruitment control and additional sources of external funding for activities aligned to the Partnership’s objectives to supplement resources.</p>