

Finance Officer's Report

1. Introduction

- 1.1** This report presents the first update on the financial performance of the Partnership's Core and Projects budgets for 2022/23, in accordance with the Financial Regulations of the Partnership. This report presents an analysis of financial performance to the end of August 2022.
- 1.2** The Partnership's Core and Projects budgets for 2022/23 were approved by the Partnership on 18th March 2022.

2. Core Budget

- 2.1** The Core budget provides for the day-to-day running costs of the Partnership and includes employee costs, premises costs and supplies and services. The approved Core budget is £619,000. Details of the Core budget is provided in Appendix 1.
- 2.2** Cumulative expenditure for the five months to 31st August 2022 was £255,000. This is within the Core budget resources available for the period.
- 2.3** Estimates have been updated to reflect current expenditure commitments. The forecast has also been updated to reflect the potential cost to the Partnership of the recent COSLA pay offer to Local Government employees.
- 2.4** It is currently projected that expenditure for the year will break-even against budget. An employee cost budget pressure of £2,000 and a supplies and services budget pressure of £3,000 are forecast to be offset by an underspend on staff travel.

Projects Budget

- 2.5** The approved Projects budget is detailed in Appendix 2.
- 2.6** The Partnership carried forward an earmarked balance of £0.058m, reflecting expenditure slippage on projects in 2021/22.
- 2.7** Following establishment of the 2021/22 outturn, a review and re-alignment has been undertaken of the Projects budget to reflect current and planned activity.
- 2.8** Net expenditure on projects in 2022/23 is forecast to be within the approved budget for 2022/23. This forecast is based on a full spend of project slippage balances brought forward from 2021/22.

- 2.9** Expenditure on both the core and projects budgets will be subject of ongoing review for the remainder of 2022/23. The Partnership's Reserves Policy will be applied when reviewing the year-end outturn.

Cash Flow

- 2.10** The Partnership maintains its bank account as part of the City of Edinburgh Council's group of bank accounts. Cash balances are managed by the Council and are offset by expenditure incurred by the City of Edinburgh Council on behalf of the Partnership.

An update of month-end balances is shown in the following table:

Date	Balance due to SEStran(+ve) /due by SEStran (-ve)
	£
30 April 2022	-431,862
31 May 2022	-37,157
30 June 2022	+187,681
31 July 2022	+68,265
31 August 2022	+75,128

- 2.11** Interest is charged/paid on the month end net indebtedness balances between the Council and the Partnership. Interest will be calculated in March 2023.
- 2.12** The positive cash balance at 31st August 2022 is mainly attributable to funding received from Scottish Government grant and Council requisitions.

Reserves

- 2.13** The Board's Reserves Policy recommends establishment of an unallocated General Fund Reserve based on a minimum value of 5% of the Partnership's core revenue budget. Currently, the Partnership has an unallocated General Fund Reserve of £29,000. 5% of the core budget for 2022/23 is £31,000.
- 2.14** The report 'Audited Annual Accounts 2021/22' elsewhere on this agenda notes the 2021/22 core budget outturn underspend of £75,000. It is recommended that £2,000 of the 2021/22 core budget underspend be allocated to increase the unallocated General Fund Reserve to £31,000, with the remaining underspend of £73,000 allocated to:
- 2.14.1** meeting proposed costs of further studies, monitoring and development of activities ensuing from the Regional Transport Strategy - £25,000;
- 2.14.2** further distribution of the SEStran regional Real Time Passenger Information (RTPI) facilities - £38,000 and

2.14.3 £10,000 to Sustainable Travel projects.

2.15 The Reserves Policy recommends that where slippage occurs on approved revenue projects, the balance of slippage is retained as an earmarked balance. £58,000 of project slippage has been carried forward from 2022/23, to reflect the Policy.

2.16 An update of Financial Risks, mitigation and controls for 2022/23 is included at Appendix 3.

3 Recommendations

It is recommended that the Partnership:

3.1 notes the forecast break-even on the Core revenue budget;

3.2 notes the forecast break-even on the Projects revenue budget;

3.3 approves £2,000 of the 2021/22 core budget underspend be allocated to increase the unallocated General Fund Reserve to £31,000;

3.4 approves the remaining balance of the 2021/22 underspend of £73,000 be allocated to:

3.4.1 meeting proposed costs of further studies, monitoring and development of activities ensuing from the Regional Transport Strategy - £25,000;

3.4.2 further distribution of the SEStran regional Real Time Passenger Information (RTPI) facilities - £38,000 and

3.4.3 £10,000 to Sustainable Travel projects.

Hugh Dunn

Treasurer

15th September 2022

Appendix Appendix 1 - Core Budget Statement at 31st August 2022

Appendix 2 - Projects Budget as at 31st August 2022

Appendix 3 - Financial Risks 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 as a result of this report.
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.

	Annual Budget £'000	Period Budget £'000	Period Actual £'000	Annual Forecast £'000	Forecast Variance £'000
Employee Costs					
Salaries	408	170	159	409	1
National Insurance	50	21	19	48	(2)
Pension Fund	144	60	42	144	0
Recharges – EU Projects	(172)	(86)	(86)	(168)	4
Recharges – Cycling Officer	(20)	0	0	(20)	0
Training & Conferences	10	4	0	5	(5)
Interviews & Advertising	2	1	6	6	4
	422	170	140	424	2
Premises Costs					
Office Accommodation	17	13	0	17	0
Transport					
Staff Travel	8	3	0	3	(5)
Supplies and Services					
Communications & Computing	48	21	34	50	2
Hosted Service - Novus FX	46	46	55	51	5
Printing, Stationery & General Office Supplies	7	3	0	4	(3)
Insurance	6	0	0	6	0
Equipment, Furniture & Materials, Miscellaneous	4	1	1	3	(1)
	111	71	90	114	3
Support Services					
Finance	30	0	28	30	0
Legal Services / HR	7	0	0	7	0
	37	0	28	37	0
Corporate & Democratic					
Clerks Fees	12	0	0	12	0
External Audit Fees	11	0	(3)	11	0
Members Allowances and Expenses	1	0	0	1	0
	24	0	(3)	24	0
Total Expenditure	619	257	255	619	0
Funding:					
Scottish Government Grant	(429)	(226)	(226)	(429)	0
Council Requisitions	(190)	(190)	(168)	(190)	0
Total Funding	(619)	(416)	(394)	(619)	0
Net Expenditure/ (Income)	0	(159)	(139)	0	0

Projects Budget 2022/23 - as at 31st August 2022

Item A4(b) Appendix 2

	Approved Budget	Balance from 21/22	EU /Other Grant	Budget Realign ment	Net Expenditure Budget	Annual Forecast	Forecast Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
EU Projects							
Share-North	36	(22)	(18)	10	6	6	0
Surflogh	99	(23)	(50)	23	49	49	0
Bling	66	(5)	(33)	12	40	40	0
Primaas	59	5	(50)	(9)	5	5	0
Connect	68	7	(34)	(7)	34	34	0
Regio-Mob	30	(1)	(25)	(2)	2	2	0
Total EU Projects	358	(39)	(210)	27	136	136	0
RTPI	25	(8)	(20)	8	5	5	0
Active Travel Fund	200	0	(200)		0	0	0
Regional Transport Strategy	60	32	0		92	92	0
Sustainable Travel	63	49	0	(63)	49	49	0
GO e-Bike	10	36	0	(25)	21	21	0
Urban Cycle Networks	121	(6)	(100)	25	40	41	1
Projects Consultancy Support	30	(14)	0	24	40	40	0
Equalities Action Forum	10	3	0	(2)	11	10	(1)
Thistle Assistance	30	5	(24)	6	17	17	0
Mobility as a Service	0	0	0		0	0	0
Bus Partnership Development	0	0	0		0	0	0
Total	907	58	(554)	0	411	411	0

Financial Risks 2022/23

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Risk Description	Mitigation and Controls
<p>Pay awards The revenue budget made provision for a pay award of up to 3% in 2022/23 (£17,980). The COSLA pay offer represents an increase of £12,141 on the budget provision.</p>	<p>Ongoing monitoring and review of all costs and forecasts during 2022/23.</p>
<p>Staff recharges – Projects The Core budget assumes that £192,000 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>Ongoing monitoring and review of all costs and forecasts during 2022/23.</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.</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>Scottish Government grant and Council contributions are confirmed for 2022/23.</p> <p>Recruitment control and additional sources of external funding for activities aligned to the Partnership’s objectives to supplement resources.</p>