

Finance Officer's Report

1. Introduction

- 1.1** This report presents the second 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 October 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 are provided in Appendix 1.
- 2.2** Cumulative expenditure for the seven months to 31st October 2022 was £348,000. This is within the Core budget resources available for the period.
- 2.3** Estimates have been updated to reflect current expenditure commitments, including the 2022/23 pay award to Local Government employees.
- 2.4** It is projected expenditure for the year will be £10,000 less than budget, due to underspends on employee costs and staff travel and increased employee recharges to EU projects. These underspends are forecast to be partly offset by additional expenditure on the Novus FX hosted ICT service.

Projects Budget

- 2.5** The approved Projects budget is detailed in Appendix 2.
- 2.6** The Partnership holds an earmarked balance of £58,000 for project expenditure slippage from 2021/22.
- 2.7** At its meeting on 23rd September 2022, the Partnership approved expenditure of £73,000 on three projects in 2022/23, funded from the 2021/22 core budget underspend.
- 2.8** Net expenditure on projects is forecast to be £27,000 less than budget in 2022/23.
- 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
30 September 2022	-33,073
31 October 2022	+50,154

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 October 2022 is mainly attributable to funding received from Scottish Government grant and Council requisitions.

Reserves

2.13 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.

2.14 An earmarked balance of £131,000 was established following slippage on project delivery and core budget underspend in 2021/22. It is forecast that project slippage from 2021/22 will be fully spent during 2022/23.

2.15 An update of Financial Risks and mitigations is included at Appendix 3.

3 Recommendations

It is recommended that the Partnership:

3.1 notes the forecast underspend on the Core revenue budget of £10,000;

3.2 notes the forecast slippage on the Projects revenue budget of £27,000.

Hugh Dunn
Treasurer
25th November 2022

Appendix Appendix 1 – Core Budget Statement at 31st October 2022
Appendix 2 – Projects Budget as at 31st October 2022

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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	238	224	409	1
National Insurance	50	29	26	46	(4)
Pension Fund	144	84	64	144	0
Recharges – EU Projects	(172)	(100)	(116)	(176)	(4)
Recharges – Cycling Officer	(20)	0	0	(20)	0
Training & Conferences	10	6	2	5	(5)
Interviews & Advertising	2	1	6	5	3
	422	258	206	413	(9)
Premises Costs					
Office Accommodation	17	8	12	18	1
Transport					
Staff Travel	8	5	1	3	(5)
Supplies and Services					
Communications & Computing	48	37	39	51	3
Hosted Service - Novus FX	46	46	55	52	6
Printing, Stationery & General Office Supplies	7	4	1	4	(3)
Insurance	6	6	5	5	(1)
Equipment, Furniture & Materials, Miscellaneous	4	2	1	3	(1)
	111	95	101	115	4
Support Services					
Finance	30	28	28	30	0
Legal Services / HR	7	0	0	7	0
	37	28	28	37	0
Corporate & Democratic					
Clerks Fees	12	0	0	12	0
External Audit Fees	11	0	0	11	0
Members Allowances and Expenses	1	1	0	0	(1)
	24	1	0	23	(1)
Total Expenditure	619	367	348	609	(10)
Funding:					
Scottish Government Grant	(429)	(284)	(284)	(429)	0
Council Requisitions	(190)	(190)	(190)	(190)	0
Total Funding	(619)	(474)	(474)	(619)	0
Net Expenditure/ (Income)	0	(107)	(126)	(10)	(10)

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

Appendix 2

	Approved Budget	2021/22 Carry Forward	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	5	(1)
Surflogh	99	(23)	(50)	23	49	50	1
Bling	66	(5)	(33)	12	40	40	0
Primaas	59	5	(50)	(9)	5	4	(1)
Connect	68	7	(34)	(7)	34	34	0
Regio-Mob	30	(1)	(25)	(2)	2	3	1
Total EU Projects	358	(39)	(210)	27	136	136	0
RTPI	25	30	(20)	8	43	43	0
Active Travel Fund	200	0	(200)		0	0	0
Regional Transport Strategy	60	57	0		117	117	0
Sustainable Travel	63	59	0	(63)	59	32	(27)
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	10	3	0	(2)	11	10	(1)
Thistle Assistance	30	5	(24)	6	17	17	0
Total	907	131	(554)	0	484	457	(27)

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 2022/23 pay award to Local Government employees resulted in an increase of £12,141 on the budget provision.</p>	<p>Ongoing monitoring and review of all costs and forecasts during 2022/23, in order to contain the pay award within the approved budget.</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 approved 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>