

## **Finance Officer's Report**

### **1. INTRODUCTION**

- 1.1** This report presents the third 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 January 2023.
- 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 ten months to 31<sup>st</sup> January 2023 was £494,000. This is within the Core budget resources available for the period.
- 2.3** Estimates have been updated to reflect current expenditure commitments.
- 2.4** It is projected expenditure for the year will be £9,000 less than budget. This is mainly due to increased employee recharges to EU projects and underspends on staff travel. 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 for 2022/23 is £907,000, which is funded by externally generated income of £554,000. The balance of £353,000 is met from the Partnership's funding from the Scottish Government. Following confirmation of the audited outturn for 2021/22 at the Partnership Board meeting on 23<sup>rd</sup> September 2022, project budget slippage of £131,000 was added to the 2022/23 Projects budget. The Projects budget is detailed in Appendix 2.
- 2.6** During 2022/23, it has not been possible to procure and fully-deliver all projects for which expenditure was carried forward from 2021/22, given carry forward was confirmed in late-September 2022. For 2022/23, slippage of £158,000 is forecast.
- 2.7** On 2nd December 2022, the Board approved the following projects should be carried over to 2023/24, due to delivery timelines and dependencies:

- 2.7.1** the promotion of the new Regional Transport Strategy (RTS), once Ministerial approval of the RTS is received. This is estimated to cost £39,000.
- 2.7.2** development of Demand Responsive Transport (DRT). This is estimated to cost £35,000.
- 2.8** The Partnership's Reserves Policy recommends that where slippage occurs on approved revenue projects, the slippage is carried forward to the next financial year by means of an earmarked balance.
- 2.9** Following confirmation of the 2022/23 outturn, an earmarked balance will be established to meet any slippage on project delivery from 2022/23 to 2023/24. To mitigate the risk of further slippage, project planning will be commenced based on the current forecast of slippage of £158,000. Expenditure will not be legally committed until the audited outturn has been reported to and approved by the Partnership Board.
- 2.10** 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**

- 2.11** 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:

<b>Date</b>	<b>Balance due to SEStran(+ve) /due by SEStran (-ve)</b>
	<b>£</b>
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
30 November 2022	+31,302
31 December 2022	-50,117
31 January 2023	-88,593

- 2.12** Interest is charged/paid on the month end net indebtedness balances between the Council and the Partnership. Interest will be calculated in March 2023.
- 2.13** The negative cash balance at 31<sup>st</sup> January 2023 is mainly attributable to expenditure having been incurred on grant-funded projects, with the corresponding grant claim due to be submitted to Transport Scotland. Projects include Active Travel Fund and Mobility as a Service Investment Fund.

### **Reserves**

- 2.14** 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.
- 2.15** An earmarked balance of £131,000 was established following slippage on project delivery and core budget underspend in 2021/22. It is currently forecast there will be project slippage of £158,000, which will be carried forward as an earmarked balance from 2022/23 to 2023/24.
- 2.16** 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 £9,000;
- 3.2** approve the final outturn Core revenue budget variance is transferred to the Partnership's unallocated Reserves for a decision as to expenditure in 2023/24;
- 3.3** notes the forecast slippage on the Projects revenue budget of £158,000;
- 3.4** notes that, following confirmation of the 2022/23 outturn, an earmarked balance will be established to meet slippage on project delivery from 2022/23 to 2023/24.

**Hugh Dunn**  
Treasurer  
10<sup>th</sup> March 2023

**Appendix**      Appendix 1 – Core Budget Statement at 31<sup>st</sup> January 2023  
Appendix 2 – Projects Budget as at 31<sup>st</sup> January 2023

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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
<b>Employee Costs</b>					
Salaries	408	340	342	410	2
National Insurance	50	42	40	47	(3)
Pension Fund	144	120	102	144	0
Recharges – EU Projects	(172)	(143)	(167)	(194)	(22)
Recharges – Cycling Officer	(20)	0	0	(20)	0
Training & Conferences	10	8	2	13	3
Interviews & Advertising	2	2	11	11	9
	<b>422</b>	<b>369</b>	<b>330</b>	<b>411</b>	<b>(11)</b>
<b>Premises Costs</b>					
Office Accommodation	17	13	18	18	1
<b>Transport</b>					
Staff Travel	8	7	2	3	(5)
<b>Supplies and Services</b>					
Communications & Computing	48	40	51	56	8
Hosted Service - Novus FX	46	46	50	50	4
Printing, Stationery & General Office Supplies	7	6	1	3	(4)
Insurance	6	6	7	7	1
Equipment, Furniture & Materials, Miscellaneous	4	3	5	7	3
	<b>111</b>	<b>101</b>	<b>114</b>	<b>123</b>	<b>12</b>
<b>Support Services</b>					
Finance	30	28	28	30	0
Legal Services / HR	7	0	0	1	(6)
	<b>37</b>	<b>28</b>	<b>28</b>	<b>31</b>	<b>(6)</b>
<b>Corporate &amp; Democratic</b>					
Clerks Fees	12	0	0	12	0
External Audit Fees	11	3	3	11	0
Other	0	0	(1)	1	1
Members Allowances and Expenses	1	1	0	0	(1)
	<b>24</b>	<b>4</b>	<b>2</b>	<b>25</b>	<b>0</b>
<b>Total Expenditure</b>	<b>619</b>	<b>522</b>	<b>494</b>	<b>610</b>	<b>(9)</b>
<b>Funding:</b>					
Scottish Government Grant	(429)	(371)	(371)	(429)	0
Council Requisitions	(190)	(190)	(190)	(190)	0
<b>Total Funding</b>	<b>(619)</b>	<b>(561)</b>	<b>(561)</b>	<b>(619)</b>	<b>0</b>
<b>Net Expenditure/ (Income)</b>	<b>0</b>	<b>(39)</b>	<b>(67)</b>	<b>(9)</b>	<b>(9)</b>

Projects Budget 2022/23 - as at 31<sup>st</sup> January 2023

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
<b>EU Projects</b>							
Share-North	36	(22)	(18)	10	6	5	(1)
Surflogh	99	(23)	(50)	23	49	52	3
Bling	66	(5)	(33)	12	40	37	(3)
Primaas	59	5	(50)	(9)	5	0	(5)
Connect	68	7	(34)	(7)	34	24	(10)
Regio-Mob	30	(1)	(25)	(2)	2	(9)	(11)
<b>Total EU Projects</b>	<b>358</b>	<b>(39)</b>	<b>(210)</b>	<b>27</b>	<b>136</b>	<b>109</b>	<b>(27)</b>
RTPI	25	30	(20)	8	43	26	(17)
Active Travel Fund	200	0	(200)		0	0	0
Regional Transport Strategy	60	57	0		117	49	(68)
Sustainable Travel	63	59	0	(63)	59	30	(29)
GO e-Bike	10	36	0	(25)	21	24	3
Urban Cycle Networks	121	(6)	(100)	25	40	38	(2)
Projects Consultancy Support	30	(14)	0	24	40	43	3
Equalities Action	10	3	0	(2)	11	0	(11)
Thistle Assistance	30	5	(24)	6	17	22	5
Bus Partnership Development	0	0	0	0	0	(15)	(15)
<b>Total</b>	<b>907</b>	<b>131</b>	<b>(554)</b>	<b>0</b>	<b>484</b>	<b>326</b>	<b>(158)</b>

Risk Description	Mitigation and Controls
<p><b>Pay awards</b> 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 increased cost of £12,141.</p>	<p>Ongoing monitoring and review of all costs and forecasts during 2022/23, to contain the pay award within the approved budget.</p>
<p><b>Staff recharges – Projects</b> 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><b>Inflation</b> 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><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.</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>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>