

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 2023/24, in accordance with the Financial Regulations of the Partnership. This report presents an analysis of financial performance to the end of August 2023.

1.2 The Partnership's Core and Projects budgets for 2023/24 were approved by the Partnership on 17th March 2023.

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 £815,000. Details of the Core budget are provided in Appendix 1.

2.2 Cumulative expenditure for the five months to 31st August 2023 was £265,000. This is within the Core budget resources available for the period.

2.3 Estimates have been updated to reflect current expenditure commitments. The forecast includes provision of £28,500 for pay award of 5.5%, to reflect the proposed COSLA pay award offer to local government employees.

2.4 It is projected expenditure for the year will be £22,000 less than budget. This is due to delays in staff recruitment (£73,000) and other underspends on training/ conferences (£4,000), staff travel (£5,000), general office supplies (£4,000). These underspends are forecast to be partly offset by:

2.4.1 External consultancy expenditure of £51,000 to provide additional capacity due to vacant substantive posts and

2.4.2 legal fees of £13,000, principally to update the Partnership's procurement processes and rules.

Projects Budget

2.5 The approved Projects budget is detailed in Appendix 2.

2.6 The Partnership has an earmarked balance of £159,000, reflecting expenditure slippage on projects in 2022/23. The allocation of project slippage from 2022/23 is shown in Appendix 2.

2.7 Following establishment of the 2022/23 outturn, a review and re-alignment has been undertaken of the Projects budget to reflect current and planned activity. The re-alignment is shown in Appendix 2.

2.8 It is projected that net expenditure on projects in 2023/24 will be £11,000 less than budget. This forecast is based on a full spend of project slippage balances brought forward from 2022/23.

2.9 Expenditure on both the core and projects budgets will be subject of ongoing review for the remainder of 2023/24. 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 2023	-397,370
31 May 2023	+139,961
30 June 2023	+ 207,372
31 July 2023	+ 165,696
31 August 2023	+ 227,503

2.11 Interest is charged/paid on the monthly indebtedness between the Council and the Partnership. Interest will be calculated in March 2024.

2.12 The positive cash balance at 31st August 2023 is 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% (£41,000) of the Partnership's core revenue budget. At 1st April 2023, the Partnership has an unallocated General Fund Reserve of £49,000.

2.14 The Reserves Policy recommends that where slippage occurs on approved revenue projects, the balance of slippage is retained as an earmarked balance. £159,000 of project slippage has been carried forward from 2022/23 and is included in the Projects budget presented in Appendix 2.

2.15 An update of Financial Risks for 2023/24 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 £22,000;

3.2 notes the forecast underspend on the Projects budget of £11,000.

Hugh Dunn
Treasurer
15th September 2023

Appendix Appendix 1 – Core Budget Statement at 31st August 2023
Appendix 2 – Projects Budget as at 31st August 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.

Core Budget 2023/24 – as at 31st August 2023

Appendix 1

	Annual Budget £'000	Period Budget £'000	Period Actual £'000	Annual Forecast £'000	Forecast Variance £'000
Employee Costs					
Salaries	428	178	128	383	(45)
National Insurance	49	21	14	42	(7)
Pension Fund	151	63	40	130	(21)
Recharges	(24)	(4)	(16)	(24)	0
Training & Conferences	10	4	1	6	(4)
Interviews & Advertising	2	1	0	0	(2)
	616	263	167	537	(79)
Premises Costs					
Office Accommodation	18	4	4	18	0
Transport					
Staff Travel	8	3	1	3	(5)
Supplies and Services					
Communications & Computing	48	21	18	49	1
Hosted Service - Novus FX	44	44	49	45	1
Printing, Stationery & General Office Supplies	7	3	1	3	(4)
Insurance	7	0	0	7	0
Equipment, Furniture & Materials, Miscellaneous	4	2	1	4	0
	110	70	69	108	(2)
Support Services					
Finance	31	0	1	31	0
Legal Services / HR	7	0	1	20	13
External Consultants	0	0	22	51	51
	38	0	24	102	64
Corporate & Democratic					
Clerks Fees	12	0	0	12	0
External Audit Fees	12	0	0	12	0
Members Allowances and Expenses	1	0	0	1	0
	25	0	0	25	0
Total Expenditure	815	340	265	793	(22)
Funding:					
Scottish Government Grant	(625)	(329)	(329)	(625)	0
Council Requisitions	(190)	(190)	(170)	(190)	0
Total Funding	(815)	(519)	(499)	(815)	0
Net Expenditure/ (Income)	0	(179)	(234)	(22)	(22)

Projects Budget 2023/24 - as at 31st August 2023

Appendix 2

	Approved Budget	Slippage from 2022/23	EU /Other Grant	Budget Realign ment	Net Expenditure Budget	Annual Forecast	Forecast Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
EU Projects							
Surflogh	5	(3)	(2)	12	12	12	0
Bling	5	(3)	(2)		0	0	0
Primaas	5	4	(3)	(4)	2	2	0
Connect	5	7	(2)	(23)	(13)	(13)	0
Regio-Mob		11		(9)	2	2	0
Total EU Projects	20	16	(9)	(24)	3	3	0
RTPI	25	23	(15)	(23)	10	10	0
Active Travel Fund	350		(350)		0	0	0
Regional Transport Strategy	18	74		(80)	12	12	0
Sustainable Travel	28	41		11	80	69	(11)
GO e-Bike	10	1		51	62	62	0
Urban Cycle Networks	121	2	(100)	(15)	8	8	0
Projects Consultancy Support	43	(7)		2	38	38	0
Equalities Action Forum	10	11		(11)	10	10	0
Thistle Assistance	30	(13)	(24)	13	6	6	0
Mobility as a Service		(3)		22	19	19	0
Bus Strategy Development		14		14	28	28	0
EV Strategy				40	40	40	0
Total	655	159	(498)	0	316	305	(11)

Risk Description	Mitigation and Controls
<p>Pay awards The revenue budget made provision for a pay award of up to 3% in 2023/24. The COSLA pay offer is likely to represent an increase on the budget provision.</p>	<p>Ongoing monitoring and review of all costs and forecasts during 2023/24.</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 2023/24.</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 A 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 2023/24.</p> <p>Recruitment control and additional sources of external funding for activities aligned to the Partnership's objectives to supplement resources.</p>