

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 2023/24, in accordance with the Financial Regulations of the Partnership. This report presents an analysis of financial performance to the end of October 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 seven months to 31st October 2023 was £366,000. 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 the cost of the recently agreed 2023/24 Local Government pay award.

2.4 It is projected expenditure for the year will be £11,000 less than budget. This is due to delays in staff recruitment (£64,000) 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:

- External consultancy expenditure of £51,000 to provide additional capacity due to vacant substantive posts and
- legal fees of £14,000, 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 It is projected that net expenditure on projects in 2023/24 will be £38,000 less than budget. This forecast is based on a full spend of project slippage balances brought forward from 2022/23.

- 2.8** 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

- 2.9** The Partnership continues to maintain 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
30 September 2023	+ 341,471
31 October 2023	+ 329,745

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

- 2.11** The positive cash balance at 31st October 2023 is attributable to funding received from Scottish Government grant and Council requisitions.

Reserves

- 2.12** 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.

- 2.13** 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.

- 2.14** 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 £11,000;

3.2 notes the forecast underspend on the Projects budget of £38,000.

Richard Lloyd-Bithell

Treasurer

24th November 2023

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

Appendix 1

	Annual Budget £'000	Period Budget £'000	Period Actual £'000	Annual Forecast £'000	Forecast Variance £'000
Employee Costs					
Salaries	428	250	180	390	(38)
National Insurance	49	28	19	44	(5)
Pension Fund	151	88	56	132	(19)
Recharges	(24)	(4)	(16)	(24)	0
Training & Conferences	10	6	1	6	(4)
Interviews & Advertising	2	1	0	0	(2)
	616	369	240	548	(68)
Premises Costs					
Office Accommodation	18	9	9	18	0
Transport					
Staff Travel	8	5	1	3	(5)
Supplies and Services					
Communications & Computing	48	29	22	49	1
Hosted Service - Novus FX	44	44	48	45	1
Printing, Stationery & General Office Supplies	7	4	1	3	(4)
Insurance	7	7	0	7	0
Equipment, Furniture & Materials, Miscellaneous	4	2	2	4	0
	110	86	73	108	(2)
Support Services					
Finance	31	0	1	31	0
Legal Services / HR	7	0	1	21	14
External Consultants	0	0	41	51	51
	38	0	43	103	65
Corporate & Democratic					
Clerks Fees	12	0	0	12	0
External Audit Fees	12	0	0	12	0
Members Allowances and Expenses	1	1	0	0	(1)
	25	1	0	24	(1)
Total Expenditure	815	470	366	804	(11)
Funding:					
Scottish Government Grant	(625)	(414)	(414)	(625)	0
Council Requisitions	(190)	(190)	(170)	(190)	0
Total Funding	(815)	(604)	(584)	(815)	0
Net Expenditure/ (Income)	0	(134)	(218)	0	(11)

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

Appendix 2

	Revised Budget	Slippage from 2022/23	EU /Other Grant	Net Expenditure Budget	Annual Forecast	Forecast Variance
	£'000	£'000	£'000	£'000	£'000	£'000
EU Projects						
Surflogh	23	(3)	(8)	12	12	0
Bling	19	(3)	(16)	0	0	0
Primaas	(3)	4	1	2	2	0
Connect	(7)	7	(13)	(13)	(13)	0
Regio-Mob	(11)	11	1	1	1	0
Total EU Projects	21	16	(35)	2	2	0
RTPI	2	23	(15)	10	5	(5)
Active Travel Fund	350		(350)	0	0	0
Regional Transport Strategy	(62)	74		12	15	3
Sustainable Travel	39	41		80	68	(12)
GO e-Bike	114	1	(53)	62	62	0
Urban Cycle Networks	6	2		8	8	0
Projects Consultancy Support	45	(7)		38	38	0
Equalities Action Forum	(1)	11		10	10	0
Thistle Assistance	83	(13)	(64)	6	6	0
Mobility as a Service	260	(3)	(238)	19	19	0
Bus Strategy Development	26	14	(12)	28	0	(28)
EV Strategy	40			40	40	0
Leith Docks/ Newburgh	0			0	4	4
Total	923	159	(767)	315	277	(38)

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 recently agreed Local Government pay award is greater than the budget provision.</p>	<p>The financial impact of the recently agreed Local Government pay award is included in the forecast.</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 2023/24.</p>
<p>Delays in payment of grant by the EU - results in additional short-term borrowing costs.</p>	<p>EU projects are now largely concluded, with grant claims settled.</p>
<p>Pension Fund Contributions A deficit on the staff pension fund could lead to increases in the employer's pension contribution.</p>	<p>The results of the Lothian Pension Fund Triennial Actuarial Review 2023 are due to be received in early 2024. At 31st March 2023, the Partnership had an unrestricted Pension Asset.</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>