

## **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 2023/24, in accordance with the Financial Regulations of the Partnership. This report presents an analysis of financial performance to the end of January 2024.

**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 is provided in Appendix 1.

**2.2** Cumulative expenditure for the ten months to 31<sup>st</sup> January 2024 was £560,000. 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 2023/24 Local Government pay award.

**2.4** It is projected expenditure for the year will be £68,000 less than budget. Forecast underspends include:

**2.4.1** delays in staff recruitment while the structure was reviewed in order to more closely align with organisational priorities (£85,000);

**2.4.2** a provision made for Pension Fund employer contribution salary strain costs of £29,000, not now required following confirmation by Lothian Pension Fund that there will be no salary strain contribution liability for 2023/24;

**2.4.3** other underspends include communications/ computing (£11,000), training/ conferences (£5,000), staff travel (£3,000) and general office supplies (£4,000).

**2.5** These underspends are partly offset by:

**2.5.1** external consultancy expenditure of £51,000 to provide additional capacity due to vacant substantive posts;

**2.5.2** legal fees of £14,000, principally to update the Partnership's procurement processes and rules.

## Projects Budget

- 2.6** The approved Projects budget is detailed in Appendix 2.
- 2.7** 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.
- 2.8** The Revised Projects budget shown in Appendix 2 includes the budget re-alignment reported in the [Finance Officer's Report](#) to the Partnership Board on 22nd September 2023.
- 2.9** It is projected that net expenditure on projects in 2023/24 will be £82,000 less than budget. This forecast is based on a full spend of project slippage balances brought forward from 2022/23.
- 2.10** 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

- 2.11** 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
30 November 2023	+ 356,966
31 December 2023	+ 146,080
31 January 2024	+ 87,735

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

**2.13** The positive cash balance throughout 2023/24 is attributable to funding received from Scottish Government grant and Council requisitions.

### **Reserves**

**2.14** 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 1<sup>st</sup> April 2023, the Partnership has an unallocated General Fund Reserve of £49,000.

**2.15** 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.

**2.16** 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 £68,000;

**3.2** notes the forecast underspend on the Projects budget of £82,000.

### **4 Background Reading/External References**

**4.1** [Finance Officer's Report](#)– report to South East Scotland Transport Partnership 22<sup>nd</sup> September 2023

**Richard Lloyd-Bithell**

Treasurer

8<sup>th</sup> March 2024

**Appendix** Appendix 1 – Core Budget Statement at 31<sup>st</sup> January 2024  
Appendix 2 – Projects Budget as at 31<sup>st</sup> January 2024

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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 January 2024

Appendix 1

	Annual Budget £'000	Period Budget £'000	Period Actual £'000	Annual Forecast £'000	Forecast Variance £'000
<b>Employee Costs</b>					
Salaries	428	356	307	387	(41)
National Insurance	49	41	34	43	(6)
Pension Fund	151	126	67	92	(59)
Recharges	(24)	(4)	(17)	(25)	(1)
Training & Conferences	10	8	1	5	(5)
Interviews & Advertising	2	2	0	0	(2)
	<b>616</b>	<b>529</b>	<b>392</b>	<b>502</b>	<b>(114)</b>
<b>Premises Costs</b>					
Office Accommodation	<b>18</b>	<b>17</b>	<b>17</b>	<b>17</b>	<b>(1)</b>
<b>Transport</b>					
Staff Travel	<b>8</b>	<b>7</b>	<b>4</b>	<b>5</b>	<b>(3)</b>
<b>Supplies and Services</b>					
Communications & Computing	48	40	32	37	(11)
Hosted Service - Novus FX	44	44	44	44	0
Printing, Stationery & General Office Supplies	7	6	2	3	(4)
Insurance	7	7	7	7	0
Equipment, Furniture & Materials, Miscellaneous	4	3	3	4	0
	<b>110</b>	<b>100</b>	<b>88</b>	<b>95</b>	<b>(15)</b>
<b>Support Services</b>					
Finance	31	0	1	31	0
Legal Services / HR	7	0	3	21	14
External Consultants	0	0	51	51	51
	<b>38</b>	<b>0</b>	<b>55</b>	<b>103</b>	<b>65</b>
<b>Corporate &amp; Democratic</b>					
Clerks Fees	12	0	0	12	0
External Audit Fees	12	0	4	12	0
Members Allowances and Expenses	1	1	0	1	0
	<b>25</b>	<b>1</b>	<b>4</b>	<b>25</b>	<b>0</b>
<b>Total Expenditure</b>	<b>815</b>	<b>654</b>	<b>560</b>	<b>747</b>	<b>(68)</b>
<b>Funding:</b>					
Scottish Government Grant	(625)	(540)	(540)	(625)	0
Council Requisitions	(190)	(190)	(190)	(190)	0
<b>Total Funding</b>	<b>(815)</b>	<b>(730)</b>	<b>(730)</b>	<b>(815)</b>	<b>0</b>
<b>Net Expenditure/ (Income)</b>	<b>0</b>	<b>(76)</b>	<b>(170)</b>	<b>(68)</b>	<b>(68)</b>

Projects Budget 2023/24 - as at 31st January 2024

Appendix 2

	Revised Budget (stated after realignment)	Slippage from 2022/23	EU /Other Grant	Net Expenditure Budget	Annual Forecast	Forecast Variance
	£'000	£'000	£'000	£'000	£'000	£'000
<b>EU Projects</b>						
Surflogh	23	(3)	(8)	12	13	1
Bling	19	(3)	(16)	0	0	0
Primaas	(3)	4	1	2	4	2
Connect	(7)	7	(13)	(13)	(13)	0
Regio-Mob	(11)	11	1	1	1	0
<b>Total EU</b>	<b>21</b>	<b>16</b>	<b>(35)</b>	<b>2</b>	<b>5</b>	<b>3</b>
RTPI	2	23	(15)	10	(7)	(17)
Active Travel Fund	350		(350)	0	0	0
Regional Transport Strategy	(62)	74		12	25	13
Sustainable Travel	39	41		80	40	(40)
GO e-Bike	114	1	(53)	62	47	(15)
Urban Cycle Networks	6	2		8	8	0
Projects Consultancy Support	45	(7)		38	38	0
Equalities Action Forum	(1)	11		10	0	(10)
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	(12)	(40)
EV Strategy	40			40	50	10
Leith Docks/ Newburgh	0			0	14	14
<b>Total</b>	<b>923</b>	<b>159</b>	<b>(767)</b>	<b>315</b>	<b>233</b>	<b>(82)</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 2023/24. The agreed Local Government pay award is greater than the budget provision.</p>	<p>The financial impact of the agreed Local Government pay award is included in the forecast.</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 2023/24.</p>
<p><b>Delays in payment of grant by the EU -</b> results in additional short-term borrowing costs.</p>	<p>EU projects are now largely concluded, with grant claims settled.</p>
<p><b>Pension Fund Contributions</b> The value of the Partnership's pension fund was restricted to 'Nil' at 31 March 2023, following proper accounting practice.  The actual surplus may lead to a decrease in future employer's pension fund contributions.</p>	<p>Following Lothian Pension Fund's Triennial Actuarial Review in 2023, Partnership employer pension fund contribution rates are confirmed at 26.8% until 31 March 2027. .</p>
<p><b>Funding Reductions</b> Reduction in funding from Scottish Government and/or council requisitions.  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.  Recruitment control and additional sources of external funding for activities aligned to the Partnership's objectives to supplement resources.</p>