

TAYSIDE AND CENTRAL SCOTLAND TRANSPORT PARTNERSHIP

13 DECEMBER 2022

2023/24 CORE REVENUE BUDGET

JOINT REPORT BY DIRECTOR AND TREASURER

Purpose

This report seeks the Partnership's approval of a proposed 2023/24 Core Revenue Budget.

Summary

There is an anticipated increase in Staff Costs which is partially offset by anticipated reduction in Property Costs and Supplies and Services, providing a Core budget of £541,779, with a general reserve of £18,360, which equates to 3.4% of the proposed Core Budget. It should be noted that Staff Costs include provisional 6 months cost of the Tayside Bus Alliance Project Manager, which assumes a 'worse case' scenario that further Bus Partnership Funding is not forthcoming from Transport Scotland.

1 RECOMMENDATIONS

1.1 That the Partnership:

- (i) approves the proposed 2023/24 Core Revenue Budget as detailed in Appendix A to the report;
- (ii) requests that partner Councils make provision for their proposed respective funding contributions within their 2023/24 Revenue Budgets;
- (iii) agrees to receive a report with a finalised 2023/24 Core Revenue Budget and proposed 2023/24 Regional Transport Strategy Revenue Programme Budget at its next meeting; and
- (iv) notes the estimated Reserves balance at 1 April 2023.

2 BACKGROUND

- 2.1 The Partnership's approved 2022/23 Core Revenue Budget of £519,222 is funded from an allocation of £391,741 from Scottish Government Grant-in-Aid plus amounts totalling £103,020 requisitioned from the four partner Councils, based upon an agreed funding formula. The remaining balance of £24,461 is funded from Reserves.
- 2.2 Confirmation of the Draft Scottish Government Budget for 2023/24 and the anticipated level of Grant-in-Aid funding to be provided next year to Regional Transport Partnerships is anticipated to be published on 15 December 2022.

3 DISCUSSION

- 3.1 The Core budget expenditure is regularly monitored and reviewed to identify budget pressures and any scope for effecting year on year and in-year efficiencies or other savings.
- 3.2 The Covid-19 pandemic has had a significant impact on Tactran's Core Budget during 2021/22 and 2022/23, with staff working from home since mid-March 2020 and returning to the office in a hybrid capacity since March 2022. Hybrid Board meetings have also provided the opportunity to attend on-line rather in person. This has resulted in adjustments to the year-end projections for Property, Supplies and Services and Transport costs during 2021/22 and 2022/23. The 2023/24 Core budget assumes that the current working arrangements will continue indefinitely, and it has been assumed that the Tactran office will be required for hybrid working, pending the review of options for alternative accommodation.
- 3.3 The Partnership agreed at the meeting on 20 September 2022 (Report RTP/22/23 refers) to extend the Tayside Bus Alliance, Project Manager's contract to September 2023. The 6 month cost for the post is included in Staff Costs to present the 'worst case' scenario in the event that further funding from the Transport Scotland Bus Partnership Fund is not forthcoming. The Tayside Bus Alliance STAG corridor appraisal will be submitted to Transport Scotland towards the end of the current financial year, and the funding position will remain uncertain until the gateway review and evaluation is complete.
- 3.4 The proposed 2023/24 Core Budget, which seeks to maintain the Partnership's capacity and capability to fulfil its various statutory duties and responsibilities during the coming year, is detailed in Appendix A with further explanation provided below.

Staff Costs

- 3.5 There are currently no vacant Tactran posts and the proposed budget for 2023/24 is in line with the staffing structure approved by the Partnership at its meeting on 12 September 2017 (Report RTP/P4/17 refers), and subsequently amended following retirement of the Administrative Assistant in March 2021.
- 3.6 The 2022/23 pay award was agreed in October 2022. The 2023/24 budget for Staff Costs assumes the CoSLA pay agreement for 2022/23 has been implemented, and this has been used as the basis from which to establish 2023/24 estimates for Staff Costs. The Staff Cost estimates for 2023/24 includes an allowance for an assumed 3% pay award, however, this may require further adjustment when the final pay award is agreed.
- 3.7 The 2022/23 Staff Costs budget includes an allowance for Relocation Expenses. It has been assumed that any underspend relating to Relocation Expenses will be carried forward in Earmarked Reserves at the end of the 2022/23 financial year, if appropriate.

- 3.8 As in previous years the proposed staffing budget makes no provision for any recovery of staff time or other costs associated with Tactran staff supporting related partnership initiatives such as City Deals and other activity.
- 3.9 The proposed budget for Training/Conferences is maintained at the approved level for 2022/23, which is the minimum considered necessary to support continuing professional input and development.

Property Costs

- 3.10 The lease on the Partnership's Headquarters accommodation was renewed in November 2021 for a further 4 years until November 2025 (Report RTP/21/16 refers). The new lease maintained an annual rental of £13,490/annum with a break clause after 2 years with the same terms and conditions. Options for office accommodation are currently being reviewed to determine a preferred option before May 2023, six months prior to the lease break date.
- 3.11 Proactive monitoring and management of energy usage and costs in previous years has contained expenditure within a reduced budget of £4,800 since 2016/17 and was further reduced to £4,290 in 2019/20 and maintained at this level. It is proposed that the Energy budget be maintained at this level in 2023/24, pending the outcome of the review for office accommodation.
- 3.12 The proposed budgets for Cleaning and Maintenance were reduced by 20% and 50% respectively in 2016/17 and reduced by a similar percentage in 2017/18. It is proposed that the Cleaning budget is maintained at the approved Core Budget level. The 2022/23 Maintenance budget includes £5,000 for the office refurbishment, and it is proposed that the 2023/24 budget will reduce to the previous level at £500. Both budgets are subject to the outcome of the office accommodation review and may require adjustment during 2023/24.

Supplies and Services

- 3.13 As a result of savings implemented over previous years the budget for Office Consumables is now at the minimum required for operational purposes. The budget for Insurances (property and professional indemnity) is determined by market rates and is maintained at the budget for 2023/24.
- 3.14 The Communications budget was reduced by approximately 14% in 2018/19 and it is considered to now be near the minimum requirement. It is proposed to maintain this at £2,500 reflecting the 2022/23 approved Core Budget heading.
- 3.15 The Information Technology budget was increased by £6,800 in 2022/23 for the purchase of essential IT equipment. It is proposed that the budget returns to the previous level at £2,200 to meet recurring costs for Office 365 licences.

- 3.16 The budgets for Hospitality and Miscellaneous Board Expenses were reduced by 12.5% and 33% respectively in 2016/17 and have been maintained at this level since. They are now considered to be at the minimum required for operational needs and it is proposed to maintain these at this level in 2023/24.

Transport Costs

- 3.17 The Travel & Subsistence and Public Transport budgets have been progressively reduced by 33% over previous years and are at the minimum required to accommodate essential travel necessary to fulfil the Partnership's various statutory roles and duties.
- 3.18 The proposed 2023/24 budget seeks to contain Transport Costs at 2022/23 approved Core Budget levels, although the savings arising in the current and previous financial year suggests that the budgets may require further review in 2023/24.

Third Party Payments

- 3.19 It is proposed that Third Party payments for Financial, Secretariat, Legal, Information Technology and Human Resources support services are held at 2022/23 levels. The appointment of KPMG as External Auditor ceased after the audit of the 2021/22 annual accounts, and Audit Scotland is appointed as the External Auditor for 5 years with effect from 2022/23. External Audit fees are maintained at the 2021/22 level however, these are yet to be confirmed and this budget may require adjustment.
- 3.20 The Third Party Payments budget for 2022/23 includes an allowance for the annual pension report and monthly payroll transactions. It is proposed to maintain the budget for Third Party Payments at £1,800 for 2023/24.

Income

- 3.21 As indicated in 2.2 above, confirmation of the level of Scottish Government Grant-in-Aid funding for 2023/24 is awaited. The Partnership's allocation of RTP Grant-in-Aid has been maintained at £522,750/annum since 2013/14. The proposed budget provides for an increased Grant-in-Aid allocation of £438,779 towards Core costs in 2023/24.
- 3.22 Council contributions towards the Partnership's Core costs have reduced from £220,000 in 2009/10 to £103,020 in 2015/16 and have been maintained at this level. The proposed 2023/24 Budget requests that constituent Council's maintain their respective contributions at 2015/16 levels for a further year.

2023/24 Core Budget - Reserves

- 3.23 The Transport Scotland (2019) Act provides RTP's with the powers to establish and maintain General Fund Reserves. The Reserves policy for Tactran was approved by the Partnership at the meeting on 15 September 2020 (Report RTP/20/28 refers).
- 3.24 The policy requires the annual reporting of the Reserves balance during the budget setting process. Given the current economic uncertainty, it is prudent to also ensure that there are no new risks which may have an impact on balances and the Reserves policy remains fit for purpose.
- 3.25 The financial risks outlined in the Reserves policy are: -
- Pay award uplift
 - Inflation pressures
 - Delays in grant funding income
 - Increase in pension fund contributions
 - Reduction in funding
- 3.26 All the above risks remain current, and no new risks have been identified. Future pay awards and a reduction in funding are the main risks which will result in budget pressures and it is, therefore, prudent to ensure that the Reserves balance is sufficient to manage any unforeseen events or variances in assumptions.
- 3.27 The Reserves policy aims to maintain non-earmarked Reserves at between 3% to 5% of the Core budgeted expenditure. The cost of the current 2022/23 pay settlement is £9,589, and this will be funded from savings on other Core Budget lines, and from Reserves. The estimated Reserves balance at 31 March 2023 is £18,360, which equates to 3.4% of the proposed 2023/24 Core Budget and is considered sufficient at this time.

2023/24 RTS Revenue Programme

- 3.28 As indicated above, confirmation of the level of Scottish Government Grant-in-Aid for 2023/24 is awaited. A proposed RTS Revenue Budget and Programme for 2023/24, based on confirmed Grant-in-Aid funding and Council contributions towards Core operating costs, will be reported to the Partnership's next meeting in March 2023.

4 CONSULTATIONS

- 4.1 The proposed 2023/24 Core Revenue Budget and associated Council contributions will be the subject of consultation with partner Councils prior to reporting on a finalised Core and RTS Revenue Programme Budget to the Partnership meeting in March 2023.

5 RESOURCE IMPLICATIONS

- 5.1 The main resource implications are addressed within the report.

6 EQUALITIES IMPLICATIONS

6.1 This report has no direct equalities implications.

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Director

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Treasurer

Report prepared by Mark Speed. For further information contact email markspeed@tactran.gov.uk or call 07919 698611.

NOTE

Background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (and not containing confidential or exempt information) were relied on to a material extent in preparing this Report:

Report to Partnership RTP/15/39, 2015/16 Revenue Budget and Monitoring, 8 December 2015

Report to Partnership, RTP/20/28, RTP Finances: General Fund Reserves, 15 September 2020

Report to Partnership RTP/P4/17 (EXEMPT), Partnership Staffing, 12 September 2017

Report to Partnership RTP/21/16, Directors' Report, 15 June 2021

Report to Partnership RTP/22/23, Directors' Report, 20 September 2022

	2022/23 Approved Budget £	2022/23 Projected Outturn £	2023/24 Proposed Budget £
<u>Income</u>			
Scottish Gov Grant Revenue	391,741	391,741	438,779
Council Req's Revenue	103,020	103,020	103,020
Interest Received	-	-	-
	<u>494,761</u>	<u>494,761</u>	<u>541,799</u>
<u>Expenditure</u>			
<u>Staff Costs</u>			
Salary GP	323,792	328,783	347,731
Salary Supn	52,892	53,741	59,115
Salary NI	35,613	39,362	39,828
Training/Conferences	1,200	2,000	1,200
Subscriptions	330	330	330
	<u>413,827</u>	<u>424,216</u>	<u>448,204</u>
<u>Property Costs</u>			
Energy	4,290	3,500	4,290
Cleaning	2,000	2,000	2,000
Maintenance	5,500	5,500	500
Rent	13,490	13,490	13,490
	<u>25,280</u>	<u>24,490</u>	<u>20,280</u>
<u>Supplies and Services</u>			
Office Consumables	4,125	2,500	4,125
Communications	2,500	2,000	2,500
Insurance	7,100	7,100	7,100
Information Technology	9,000	9,000	2,200
Hospitality	700	1,000	700
Board Expenses - misc.	500	500	500
	<u>23,925</u>	<u>22,100</u>	<u>17,125</u>
<u>Transport Costs</u>			
Travel and Subsistence	1,500	1,000	1,500
Public Transport	2,800	1,500	2,800
Expenses - Board Members	500	500	500
	<u>4,800</u>	<u>3,000</u>	<u>4,800</u>
<u>Third Party Payments</u>			
Audit Fees External	16,340	16,340	16,340
PKC Finance Service	14,000	14,000	14,000
PKC Secretariat Service	8,000	8,000	8,000
PKC Legal Services	3,000	3,000	3,000
PKC IT Services	8,250	8,250	8,250
Other Third Party Payments	1,800	1,800	1,800
	<u>51,390</u>	<u>51,390</u>	<u>51,390</u>
Gross Expenditure	<u>519,222</u>	<u>525,196</u>	<u>541,799</u>
Net Income/(Expenditure)	(24,461)	(30,435)	-
Opening Core Reserves	48,795	48,795	18,360
Transfer to/(from) Earmarked Reserve	(12,661)	(12,661)	-
Transfer to/(from) General Reserve	(11,800)	(17,774)	-
Closing Core Reserves	24,334	18,360	18,360