

## Indicative Financial Plan 2025/26 and 2026/27

### 1. Introduction

- 1.1 This report provides an update on financial planning being progressed for the 2025/26 revenue budget and an indicative plan for 2026/27.

### 2. Main Report

#### Scottish Government Budget 2025-26

- 2.1 The Scottish Government Draft Budget is scheduled to be announced on 4 December 2024.
- 2.2 It is anticipated Scottish Government funding to Regional Transport Partnerships (RTPs) for 2024/25 will be advised in early 2025.

#### Financial Planning 2025/26 and 2026/27

- 2.3 The planning assumptions presented to the Partnership on 15th March 2024 have been updated.
- 2.4 On 26<sup>th</sup> March 2024, Transport Scotland advised the Partnership of a 5% reduction in the Partnership's annual grant funding for core activity in 2024/25 - a reduction of £39,100. Financial planning is currently based on no further change in the Transport Scotland revenue grant for 2025/26, with a grant of £743,100 included in the financial plan. This is identified as a financial planning risk.
- 2.5 In 2024/25, the Partnership was awarded additional funding of £5.326m from Transport Scotland to progress the People and Places Programme (PPP). Confirmation has yet to be received of Programme continuation and funding for 2025/26.
- 2.6 In recent years, the Partnership's Projects budget has included over £400,000 of expenditure funded by the Scottish Government's Active Travel Fund. This funding ceased in 2024/25 as the objectives of the Fund became part of the People and Places Programme funding.
- 2.7 Until confirmation of 2025/26 funding for the People and Places Programme, the indicative Project budget estimates for 2025/26 and 2026/27 are potentially understated. An update of the Projects budget will be reported to the Partnership, following confirmation of additional Scottish Government funding.
- 2.8 Subject to confirmation of project budgets, it is anticipated that a proportion of employee costs will be recharged to projects initiated and progressed towards realising the Regional Transport Strategy.

- 2.9** The financial plans make provision for a pay award of 3% in 2025/26 and a further 3% in 2026/27.
- 2.10** Financial planning has been updated for the change in employers National Insurance contribution rates announced by the Chancellor of the Exchequer in the UK Government Budget of 30<sup>th</sup> October 2024. An additional Council requisition may require to be considered when the final cost and funding arrangements for the increase in National Insurance contributions is confirmed.
- 2.11** The 2023 Actuarial Valuation for Lothian Pension Fund recommended a reduction of 6.3% in employer contribution rates from 2024/25 to 2026/27. The financial plans reflect the revised employer's contribution rate of 26.8%.
- 2.12** Other budget estimates have been updated to reflect forecast future costs.
- 2.13** Financial planning for 2025/26 and 2026/27 is based on receiving £743,100 of grant from Transport Scotland and £190,000 from constituent council requisitions. This represents a stand-still in Transport Scotland grant and Council requisitions.
- 2.14** The Partnership was on track to spend the full Projects budget during 2023/24 until the requirement to deliver the Scottish Government funded 'People and Place Plan' emerged in December 2023. As reported in the Finance Officer's report elsewhere on this Agenda, this resulted in the postponement of some project work and carry forward of £187,000 of projects budget to 2024/25. This is forecast to be fully spent in 2024/25.
- 2.15** An underspend of £50,000 is forecast for Bus Strategy Development for 2024/25. This is forecast to be carried forward and fully spent in 2025/26.
- 2.16** An analysis of the indicative Core budget for 2025/26 and 2026/27 is shown in Appendix 1.
- 2.17** A roll forward of Project budget activity for 2025/26 is shown in Appendix 2. An indicative Projects budget will be developed for 2026/27 when further funding information is available.
- 2.18** Based on updated Core budget costs, a roll forward of the indicative Project financial plan for 2025/26 and 2026/27 and full spend of the forecast Projects underspend from 2024/25 in 2025/26, there is a net funding shortfall of £44,000 in 2025/26. This is shown in Appendix 3.
- 2.19** Appendix 3 shows all budgeted expenditure and income since 2019/20. Council requisitions reduced by 5% in 2017/18 from £200,000 to £190,000.
- 2.20** 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 £45,000, based on 5% of the core revenue budget.
- 2.21** At 1<sup>st</sup> April 2024, the Partnership has an unallocated General Fund Reserve of £135,000. Based on the forecast requirement for drawdown of £14,000 during 2024/25, the Partnership's unallocated General Fund Reserve is forecast to be £121,000 at 1<sup>st</sup> April 2025.

**2.22** In addition to the carry forward noted at paragraph 2.14, budget of £106,000 has been carried forward from 2023/24 to meet future lease cost commitments for an Active Travel Network project. This expenditure is fully committed.

**2.23** A risk assessment for 2025/26 is included at Appendix 4.

### **3 Next Steps**

**3.1** Following review by Performance and Audit Committee, a report on financial planning for 2025/26 to 2026/27 will be presented to the Partnership Board on 6<sup>th</sup> December 2024 for review.

**3.2** The Partnership's Core and Projects budgets will continue to be developed in order to achieve expenditure within available funding, prior to a budget for 2025/26 being presented to the Partnership Board for approval at its meeting in March 2025.

**3.3** The report to be presented to the Partnership Board in March 2025 will include a financial sensitivity analysis.

### **4 Recommendation**

**4.1** It is recommended that the Performance and Audit Committee:

**4.1.1** note the financial planning assumptions for the period 2025/26 to 2026/27;

**4.1.2** note that financial planning for 2025/26 to 2026/27 will continue to be developed for approval of a revenue budget by the Partnership at its meeting in March 2025;

**4.1.3** note that the proposed budget is subject to a number of risks. All income and expenditure of the Partnership will continue to be monitored closely with updates reported to each Partnership meeting.

### **5 Background Reading/External References**

**5.1** [Revenue Budget 2024/25 and Indicative Financial Plan 2025/26](#) – report to South East Scotland Transport Partnership 15<sup>th</sup> March 2024

**Richard Lloyd-Bithell**

Treasurer

25th November 2024

- Appendix**    Appendix 1 – Indicative Core Budget 2025/26 to 2026/27  
 Appendix 2 – Projects – Indicative Activity 2025/26  
 Appendix 3 – Summary of Revenue Budget 2019/20 – 2026/27  
 Appendix 4 - Risk Assessment 2025/26

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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.
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.

## Appendix 1

## Indicative Core Budget 2025/26 and 2026/27

	Approved Budget 2024/25	Indicative Budget 2025/26	Indicative Budget 2026/27
	£000	£000	£000
<b>Employee Costs</b>			
Salaries	499	510	530
National Insurance	57	68	71
Pension Fund	134	135	141
Recharges	0	0	(19)
Training & Conferences	10	8	8
Interviews & Advertising	2	2	2
	<b>702</b>	<b>723</b>	<b>733</b>
<b>Premises Costs</b>	<b>18</b>	<b>21</b>	<b>21</b>
<b>Transport</b>	<b>8</b>	<b>5</b>	<b>5</b>
<b>Supplies and Services</b>			
Communications & Computing	48	48	48
Hosted ICT – Novus FX	44	45	45
Printing, Stationery & General Office Supplies	7	7	7
Insurance	7	7	7
Equipment, Furniture, Materials, Miscellaneous	4	4	4
	<b>110</b>	<b>111</b>	<b>111</b>
<b>Support Services</b>			
Finance	31	31	31
Legal Services / HR	7	7	7
	<b>38</b>	<b>38</b>	<b>38</b>
<b>Corporate &amp; Democratic</b>			
Clerks Fees	12	12	12
External Audit Fees	12	12	12
Members Allowances and Expenses	1	1	1
	<b>25</b>	<b>25</b>	<b>25</b>
<b>Interest</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Gross Expenditure</b>	<b>901</b>	<b>923</b>	<b>933</b>
<b>Funding</b>			
Scottish Government Grant	(711)	(733)	(743)
Council Requisitions	(190)	(190)	(190)
<b>Total Funding</b>	<b>(901)</b>	<b>(923)</b>	<b>(933)</b>

## Projects – Indicative Activity 2025-26

Service	2024/25	2025-26		
	Net Budget £'000	Expenditure £'000	Income £'000	Net Expenditure £'000
Sustainable Travel	25			
Active Travel	3			
Bus Strategy Development	75			
Bus Strategy Development – carry forward to 2025/26	(50)	50		50
Regional Transport Strategy	20	18		18
Transport Appraisal	8			
GO e-BIKE	49	10		10
Thistle Assistance	6	30	(24)	6
Consultancy support	22			
Equalities Access to Healthcare	5	10		10
EV Strategy	35			
Freight Strategy	10			
Real-Time Passenger Information System	0	25	(15)	10
Carried forward from 2023/24	(187)			
<b>People and Places</b>				
Revenue projects	1,914			
Capital projects	3,412			
<b>Total</b>	<b>5,347</b>	<b>143</b>	<b>(39)</b>	<b>104</b>

## Summary of Revenue Budget 2019/20 – 2026/27

	19/20	20/21	21/22	22/23	23/24	24/25	25/26
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Core	584	581	663	619	774	876	923
Projects	690	1,080	809	907	713	275	143
People and Places						5,326	
<b>Total Budget</b>	<b>1,274</b>	<b>1,661</b>	<b>1,472</b>	<b>1,526</b>	<b>1,487</b>	<b>6,477</b>	<b>1,066</b>
<b>External Funding</b>							
EU Grants	82	142	106	210	26	100	0
Other income	220	547	394	344	489	154	39
People and Places						5,326	
<b>Total External Funding</b>	<b>302</b>	<b>689</b>	<b>500</b>	<b>554</b>	<b>515</b>	<b>5,580</b>	<b>39</b>
Scottish Government	782	782	782	782	782	743	743
Council Requisition	190	190	190	190	190	190	190
<b>Total Funding</b>	<b>1,274</b>	<b>1,661</b>	<b>1,472</b>	<b>1,526</b>	<b>1,487</b>	<b>6,513</b>	<b>972</b>
<b>Net Position – Surplus (+ve)/ Shortfall (-ve)</b>						<b>36</b>	<b>-94</b>

## Carry Forward (+ve) /Drawdown Required (-ve)

<b>Core</b>	<b>-14</b>	<b>10</b>
<b>Projects</b>	<b>50</b>	<b>-104</b>
<b>Projects budget carried forward from 2024/25</b>		<b>50</b>
<b>Net Position – Surplus (+ve)/ Shortfall (-ve)</b>	<b>36</b>	<b>-44</b>

<b>Risk Description</b>	<b>Existing Controls</b>
<p><b>Pay awards</b> The indicative budget makes provision for a pay award of up to 3% in 2025/26. An uplift of 1% in pay award equates to an increase of £6,964.</p>	<p>Alignment with Local Government Pay Policy.</p>
<p><b>Inflation</b> There is a risk that the indicative budget does not adequately cover price inflation and increasing demand for services.</p>	<p>Allowance made for specific known price inflation. Budgets adjusted in line with current cost forecasts.</p>
<p><b>Pension Fund Contributions</b> The value of the Partnership’s pension fund was restricted to ‘Nil’ at 31 March 2024, 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 now confirmed at 26.8% until 31 March 2027.</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 activity / staffing cannot be maintained due to funding constraints and that the Partnership will incur staff release costs.</p>	<p>Continue to seek to source external funding.</p> <p>Recruitment control and additional sources of external funding for activities aligned to the Partnership’s objectives to supplement resources.</p>