

Indicative Financial Plan 2026/27 to 2028/29

1. Introduction

- 1.1** This report provides an update on financial planning being progressed for the 2026/27 revenue budget and an indicative plan for 2027/28 to 2028/29.

2. Main Report

Scottish Government Budget 2026-27

- 2.1** The target publication date for the Scottish Government Draft Budget is anticipated to be 13th January 2026.
- 2.2** It is anticipated Scottish Government funding to Regional Transport Partnerships (RTPs) for 2026/27 will be advised shortly thereafter.

Financial Planning 2026/27 to 2028/29

- 2.3** The planning assumptions presented to the Partnership on 14th March 2025 have been updated.
- 2.4** Financial planning is currently based on no change in the Transport Scotland revenue grant for 2025/26, with a grant of £743,100 included in the financial plan. This assumption is identified as a financial planning risk.
- 2.5** In 2025/26, the Partnership was awarded additional funding of £6.369m from Transport Scotland to progress the People and Place Programme (PPP). Final confirmation has yet to be received of Programme funding for 2026/27 and beyond. Transport Scotland has advised to plan for 2026/27 on the basis of funding being at the same level as 2025/26.
- 2.6** The financial plan makes provision for a pay award of 3.5% to reflect the second year of the agreed pay award for 2025/26 and 2026/27. A 3% pay award is included for each of 2027/28 and 2028/29.
- 2.7** 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.
- 2.8** Other budget estimates have been updated to reflect forecast future costs.
- 2.9** The level of employee costs rechargeable to projects in 2026/27 will be confirmed upon confirmation of project budgets for 2026/27.

- 2.10** The cost of hosting Novus FX has been removed from the Core budget. This will be included in the Projects budget in 2026/27, with funding from either People and Place or potentially by a recharge to participating partners.
- 2.11** An analysis of the indicative Core budget for 2026/27 to 2028/29 is shown in Appendix 1.
- 2.12** The 2025/26 Projects budget is shown in Appendix 2. Proposed project activity for 2026/27 is being developed, with confirmation awaited of 2026/27 funding for the People and Place Programme. An update of the Projects budget will be reported to the Partnership, following confirmation of Scottish Government funding.
- 2.13** In 2025/26, the Partnership budgeted for employee costs of £107,000 to be recharged to the Projects budget and to People and Place. Work is being progressed to identify an appropriate level of employee recharge for 2026/27 and future years.
- 2.14** The Projects budget includes:
- £45,000 to meet the cost of the next phase of the RTS Delivery Plan and
 - £51,000 to fund implementation of the Regional Bus Strategy,
- as reflected in the Finance Officer report on this agenda.
- 2.15** Based on the updated Core budget costs for 2026/27, it is forecast that the full Scottish Government grant of £0.743m and Council contribution of £0.190m will be required to meet the cost of the Core budget.
- 2.16** Appendix 3 shows all budgeted expenditure and income since 2019/20.
- 2.17** 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. Based on 5% of the proposed core budget for 2026/27, an unallocated reserve of £47,000 will be required.
- 2.18** At 1st April 2025, the Partnership has an unallocated General Fund Reserve of £221,000. Based on the forecast requirement for drawdown of £32,000 during 2025/26, the Partnership's unallocated General Fund Reserve is forecast to be £189,000 at 1st April 2026.
- 2.19** At paragraph 2.12, the Finance Officer report on this agenda notes that, of the Reserve balance of £189,000 at 1st April 2026, it is intended to set aside:
- £45,000 to meet the cost of the next phase of the RTS Delivery Plan and
 - £51,000 to fund implementation of the Regional Bus Strategy.
- This would leave a Reserve balance of £93,000 which is £46,000 above the Partnership's minimum unallocated Reserve balance.
- 2.20** A risk assessment for 2026/27 is included at Appendix 4. Financial scenario planning is included at Appendix 5.

3 Next Steps

- 3.1** 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 2026/27

being presented to the Partnership Board for approval at its meeting in March 2026.

- 3.2** This work will require ongoing review of Core and Project costs with an assessment of potential funding and an appropriate level of employee recharge for 2026/27. A risk assessment of the deliverability of potential funding will be undertaken.
- 3.3** There will be ongoing discussion of funding for 2026/27 with Transport Scotland.
- 3.4** An assessment will be made of Reserves held in excess of 5% in order to provide Project funding for 2026/27. This offers a one-off funding source for 2026/27.

4 Recommendation

4.1 It is recommended that the Partnership:

- 4.1.1** note the financial planning assumptions for the period 2026/27 to 2028/29;
- 4.1.2** note that financial planning for 2026/27 to 2028/29 will continue to be developed for approval of a revenue budget by the Partnership at its meeting in March 2026;
- 4.1.3** note that the indicative financial plan for 2026/27 to 2028/29 is subject to a number of risks.

5 Background Reading/External References

- 5.1** [Revenue Budget 2025/26 and Indicative Financial Plan 2026/27](#) – report to South East Scotland Transport Partnership 14th March 2025

Richard Lloyd-Bithell

Treasurer

28th November 2025

- Appendix**
- Appendix 1 – Indicative Core Budget 2026/27 to 2028/29
 - Appendix 2 – Projects – Indicative Activity 2026/27
 - Appendix 3 – Summary of Revenue Budget 2019/20 – 2025/26
 - Appendix 4 - Risk Assessment 2026/27

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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.

Indicative Core Budget 2026/27 to 2028/29

	Approved Budget 2025/26	Indicative Budget 2026/27	Indicative Budget 2027/28	Indicative Budget 2028/29
	£000	£000	£000	£000
Employee Costs				
Salaries	564	591	617	638
National Insurance	76	80	84	87
Pension Fund	151	157	165	171
Recharges (Note 1)	(149)	tbc	tbc	tbc
Training & Conferences	8	8	8	8
Interviews & Advertising	2	2	2	2
	652	838	876	906
Premises Costs	21	21	21	21
Transport	5	5	5	5
Supplies and Services				
Communications & Computing	48	48	48	48
Hosted ICT – Novus FX	45	0	0	0
Printing, Stationery & General Office Supplies	7	7	7	7
Insurance	7	9	9	9
Equipment, Furniture, Materials, Miscellaneous	4	4	4	4
	111	68	68	68
Support Services				
Finance	31	31	31	31
Legal Services / HR	7	7	7	7
	38	38	38	38
Corporate & Democratic				
Clerks Fees	12	12	12	12
External Audit Fees	12	12	12	12
Members Allowances and Expenses	1	1	1	1
	25	25	25	25
Interest	0	0	0	0
Total Gross Expenditure	852	995	1,033	1,063
Funding				
Scottish Government Grant	(662)	(743)	(743)	(743)
Council Requisitions	(190)	(190)	(190)	(190)
Total Funding	(852)	(933)	(933)	(933)
Funding Shortfall	0	62	100	130

Note 1: The level of Employee recharges to Projects remains to be confirmed, pending final confirmation of the Projects budget and People and Place funding. The Funding shortfall is therefore stated before the inclusion of employee recharges.

Projects – Indicative Activity 2026-27

Service	2025/26	2026-27		
	Net Budget £'000	Expenditure £'000	Income £'000	Net Expenditure £'000
Sustainable Travel	10			
RTPI – System Maintenance	10			
RTS Delivery Plan	55	45	0	45
Rail Strategy	13			
Equalities Access to Healthcare	60			
Hosted ICT – Novus FX	0	45		45
Regional Bike Share	25			
Thistle Assistance	8			
Transport Appraisal	0			
Active Travel Network	84			
Projects Consultancy	20			
Mobility as a Service	1			
Bus Strategy Development	71	51	0	51
Regional EV Infrastructure	0			
Freight Strategy	50			
Data Strategy	50			
Multi-Modal Exchanges	51			
Conference SEStran 2025	40			
People and Place				
Revenue	2,099			
Capital	4,270			
Scottish Government grant	(6,369)			
Total	548	141	0	141

Summary of Revenue Budget 2019/20 – 2025/26

	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	852
Projects	690	1,080	809	907	713	275	205
People and Place						5,326	6,369
Total Budget	1,274	1,661	1,472	1,526	1,487	6,477	7,426
External Funding							
EU Grants	82	142	106	210	26	100	0
Other income	220	547	394	344	489	154	124
People and Place						5,326	6,369
Total External Funding	302	689	500	554	515	5,580	6,493
Scottish Government	782	782	782	782	782	743	743
Council Requisition	190	190	190	190	190	190	190
Total Funding	1,274	1,661	1,472	1,526	1,487	6,513	7,426

Risk Description	Existing Controls
<p>Pay awards</p> <p>The indicative budget makes provision for a pay award of 3.5% in 2026/27 to reflect the agreed award. An uplift of 1% in pay award in 2027/28 equates to an increase of £8,500.</p>	<p>Alignment with Local Government Pay Policy.</p>
<p>Staff recharges to Projects and People and Place Programme</p> <p>The proposed budget assumes that a level of staff time can be recharged to Projects and to the People and Place Programme.</p> <p>There is a risk this may not be achievable.</p>	<p>The forecast of employee recharges will be reviewed as part of the ongoing budget development.</p> <p>Expenditure commitments will be reviewed in the event of any forecast shortfall in employee recharges.</p>
<p>Inflation</p> <p>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>Pension Fund Contributions</p> <p>The value of the Partnership's pension fund was restricted to 'Nil' at 31 March 2025, 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>Funding Reductions</p> <p>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>

Scenario planning

The principal assumptions underpinning the proposed budget are noted in the table below.

	2026/27	2027/28
Staff pay award (all staff; average provision)	3.5%	3%
Employee Recharges to Projects and People and Place Programme	Employee costs can be recharged to Projects and People and Place Programme in 2026/27.	
Office Rental	Per Scottish Government Memorandum of Terms of Occupation Agreement (MoTO).	
Other contractual commitments	Budget estimates updated when cost commitments are known.	
Transport Scotland core grant funding	Budget estimate updated when funding advised by Transport Scotland.	
People and Place grant funding	Budget estimate updated when funding advised by Scottish Government.	

The factors with the largest impact on the Partnership's income and expenditure at 2026/27 estimated values are noted in the table below.

	At 2025/26 levels, every 1% change would result in following change from core assumptions
Transport Scotland core grant funding year-on-year change	£7,500
Staff pay award (all staff; average provision)	£8,100
Employee Recharges to Projects and People and Place Programme	£1,070
Office Rental cost (MoTO)	£200
People and Place Programme funding	£64,000

In seeking to manage changes from core assumptions, the Partnership would:

- In the first instance, seek to identify additional project funding opportunities. The Partnership has a consistent track record of leveraging external funding.
- Review the partnership's costs, with the intention of reducing costs to achieve expenditure within the available funding.
- Where appropriate, discuss funding with Transport Scotland, using the Regional Transport Partnerships Chairs Forum, as required.
- Where appropriate, discuss funding with constituent councils.