

Financial Planning Procedure

1. Introduction

- 1.1 A recommendation of the 2024/25 Annual Audit was that the Partnership should improve its financial planning by considering medium-term projections beyond the following financial year, and link this to its business plan and strategic priorities.
- 1.2 The Partnership undertook to extend the two-year financial planning horizon to a longer period, as part of a new Financial Planning procedure.
- 1.3 This report presents a Financial Planning Procedure for review and approval.

2. Main Report

- 2.1 A recommendation of the 2024/25 Annual External Audit was that the Partnership should improve its financial planning by considering medium-term projections beyond the following financial year, and link this to its business plan and strategic priorities.
- 2.2 The Partnership undertook to extend the two-year financial planning horizon to a longer period, as part of a new Financial Planning procedure.
- 2.3 The proposed Financial Planning Procedure is appended to this report.
- 2.4 A report elsewhere on this agenda - Indicative Financial Plan 2026/27 to 2028/29 - reflects the proposed policy, with the financial planning period now extended to three financial years.
- 2.5 The Partnership's financial planning process is supported by officers of City of Edinburgh Council, through a service level agreement.

3 Recommendation

- 3.1 It is recommended that the Partnership approves the Financial Planning Procedure, as detailed at Appendix 1.

4 Background Reading/External References

- 4.1 [2024/25 Annual Audit Report and Audited Annual Accounts 2024/25](#) Partnership Board, 26th September 2025

28th November 2025

Appendix	Appendix 1 – Draft Financial Planning Procedure
Contact	iain.shaw@edinburgh.gov.uk
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.

1. Purpose

This procedure outlines the approach to financial planning to ensure that the organisation remains financially viable by implementing robust controls while retaining the ability to adapt quickly to changing conditions. All financial planning activity must be undertaken in accordance with the Partnership's Standing Orders, List of Committee Powers, List of Officer Powers, Financial Rules and Reserves Policy. It covers:

2. Scope

The procedure applies to all financial planning activities within the organisation, including:

- Budgeting and Forecasting
- Cash Flow Management
- Revenue Growth Strategy
- Cost Control and Efficiency
- Risk Management

3. Responsibilities

- **Finance Team:** Responsible for Monitoring and Reporting of Budgets and Projections in consultation with the Management Team, and Treasury Management. This includes development of financial forecasts, scenario analyses, production of Finance reports and the Partnership's Annual Treasury Management Strategy for review and approval as required by the Performance and Audit Committee and the Partnership Board
- **Management Team:** works with the Finance Team to agree Budgets and Projections and undertake procedures 4.2 to 4.4.
- **Audit Teams:** Monitors adherence to governance frameworks and regulatory requirements.
- **Performance and Audit Committee:** Considers financial reports to ensure that performance against budget is being adequately managed, that costs are being controlled, that Best Value is being achieved, and that any statutory requirements are being met. Reviews indicative budget and financial plans and Treasury Management Strategy.
- **Partnership Board:** Considers financial reports to ensure that performance against budget is being adequately managed, that costs are being controlled, that Best Value is being achieved, and that any statutory requirements are being met. Approves the annual revenue budget and Treasury Management Strategy.

4. Financial Planning Process

4.1 Budgeting

4.1.1 Core Budget

The Core budget will be developed in incremental steps.

The previous year's Core budget will be used as the initial basis.

Any known changes will then be factored in e.g. changes to staffing levels, cost increases, changes to grant funding levels.

Assumptions will then be made on variables such as inflation, staff salary increases, pension costs.

All changes to the initial base budget must be documented.

Any surplus of Core Income (Transport Scotland block grant plus Council Requisitions) relative to Core Costs is carried over to the Projects Budget as Income

4.1.2 Projects Budget

The Projects budget (including People and Place) will be developed in incremental steps.

The previous year's Projects budget will be used as the initial basis.

Closed projects will be removed and any new projects will be added.

Any surplus of Core Income (Transport Scotland block grant plus Council Requisitions) relative to Core Costs is carried over from the Core Budget as Income

Project underspend/overspend from the previous year's Projects Budget should be reviewed in line with the Partnership's Reserves Policy and carried forward, as required.

Each project should be broken down to its component costs, and any known changes will then be factored in e.g. changes to project-specific income or costs.

All changes to the initial base budget must be documented.

4.2 Scenario Planning

The Budgets should then be tested for resilience to changing conditions using Scenario Planning. This involves developing and documenting specific scenarios in order to anticipate risks and opportunities:

- **Baseline Scenario:** Assumes stable economic conditions with planned expenditures and revenue streams (the Budgets developed under 4.1.1 and 4.1.2)
- **Optimistic Scenario:** Model improved revenue generation and cost reductions due to favourable conditions
- **Pessimistic Scenario:** Accounts for financial downturns, unexpected expenses, or revenue shortfalls
- **Contingency Planning:** Develops mitigation strategies for financial risks, including emergency funding plans.

As before, all scenarios must be documented.

4.3 Efficiency Savings

In order to ensure Best Value, efficiency savings are identified and implemented as part of the Budgeting process.

The SEStran management team will systematically review the Budget line by line and:

- Market test specific items to ensure that the prices being paid are competitive.
- Discuss project methodologies to identify improved processes or methodologies.

All aspects of the review must be documented.

4.4 Lessons Learned

Financial decision-making is informed by past experiences to enhance future planning:

- **Post-Financial Review:** The Management team will conduct regular audits of budget performance against projections, supported by the Finance Team
- **Stakeholder Feedback:** Collects insights from teams on financial effectiveness.
- **Risk Analysis Adjustments:** Updates financial models based on past risk occurrences.
- **Process Refinements:** Implements corrective actions based on financial miscalculations or inefficiencies.

All Lessons Learned must be documented

5. Key Reporting Milestones

To ensure transparency and effective monitoring, financial reporting follows these milestones:

Milestone	Reporting Frequency	Purpose
Quarterly Financial Review	Quarterly	Assess budget performance and track expenditure trends.
Scenario Planning Update	Annually	Adjust financial models based on economic conditions.
Efficiency Savings Review	Annually	Review cost-saving initiatives and resource allocation.
Risk & Contingency Review	Quarterly	Evaluate financial risks and preparedness strategies.
Stakeholder Feedback Analysis	Annually	Incorporate lessons learned and process refinements.
Audit & Compliance Report	Annually	Ensure adherence to governance and regulatory requirements.