

Revenue Budget 2025/26 and Indicative Financial Plan 2026/27

1. Introduction

- 1.1 This report presents an update on development of a revenue budget for 2025/26 and an indicative financial plan for 2026/27, for review by the Performance and Audit Committee.
- 1.2 The proposed revenue budget for 2025/26 will be presented to the Partnership Board for approval at its meeting on 14th March 2025.

2. Main Report

Scottish Government Budget 2025-26

- 2.1 The Scottish Budget was introduced to Parliament on 18th December 2024 and is now at Stage 2 of the Scottish Parliament approval process.
- 2.2 It is anticipated Scottish Government funding to Regional Transport Partnerships (RTPs) for 2025/26 will be advised in early 2025.
- 2.3 Following a reduction of £39,000 (5%) in 2024/25, it is anticipated there will be no further change to the Partnership's core funding of £0.743m from the Scottish Government, and that there will be no re-allocation of grant among RTP's. Both assumptions remain to be confirmed.
- 2.4 If available, an update will be provided to the meeting of the Partnership Board on 14th March 2025.

Proposed Revenue Budget 2025-26

- 2.5 Section 3 of the Transport (Scotland) Act 2005, as amended by the Section 122 of the Transport (Scotland) Act 2019 requires the constituent councils of a Regional Transport Partnership to meet the estimated net expenses of the Partnership.
- 2.6 A financial planning report was considered by the Partnership on 6th December 2024. The Partnership noted the financial planning assumptions being progressed for 2025/26 and 2026/27.
- 2.7 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.
- 2.8 In 2024/25, the Partnership was awarded additional funding of £5.326m from Transport Scotland to progress the People and Place Programme (PPP).

- 2.9** For 2025/26, the Scottish Government has advised PPP revenue funding of £2.099m and capital funding of £4.270m – a total of £6.369m. This is an increase of £1.043m from 2024/25. A similar level of funding is estimated for 2026/27, although funding for 2026/27 remains to be confirmed.
- 2.10** The financial plan make provision for a pay award of 3% in 2025/26 and 2026/27.
- 2.11** The proposed budget for 2025/26 includes the change in employers National Insurance contribution rates announced by the Chancellor of the Exchequer on 30th October 2024. This is estimated to cost an additional £11,000.
- 2.12** In the Scottish Government Local Government Finance Settlement announcement, it was advised that discussions remained in progress between the Scottish Government and the UK Government on the provision of additional funding to offset the impact of changes in employer’s National Insurance from April 2025.
- 2.13** Following the Scottish Parliament’s Stage 1 debate on the Scottish Government budget, a shortfall is estimated in the funding to be provided for the increase in National Insurance contributions, with the scope of organisations covered by the funding announcement to be confirmed.
- 2.14** The proposed budget for 2025/26 therefore seeks to contain the additional National Insurance contribution liability.
- 2.15** Other budget estimates have been updated to reflect forecast future costs.
- 2.16** An analysis of the proposed Core budget for 2025/26 and Indicative Financial Plan for 2026/27 is shown in Appendix 1.
- 2.17** Appendix 2 shows the Project Financial Plan for 2025/26. The Plan is based on the indicative Project activity reported to the Partnership on 15th March 2024. Proposed project activity for 2026/27 will be developed during 2025/26.
- 2.18** A summary of the proposed revenue budget for 2025/26 and indicative plan for 2026/27 is presented in the table below. Expenditure is forecast to be within the funding available for each year.

	2025/26 £'000	2026/27 £'000
Expenditure		
Core	852	933
Projects	205	tbc
People and Place	6,369	6,369
Total Expenditure	7,426	7,302
Income		
Scottish Government grant	(743)	(743)
Council contribution	(190)	(190)
Other external income	(124)	tbc
People and Places grant	(6,369)	6,369
Total Income	(7,426)	(7,302)
Total	0	0

2.19 Appendix 3 shows all budgeted expenditure and income since 2019/20.

2.20 The 2025/26 Council requisitions, based on the proposed budget are shown in the table below.

Council	Requisition
Clackmannanshire	6,094
East Lothian	13,344
Edinburgh	61,389
Falkirk	18,610
Fife	43,786
Midlothian	11,528
Scottish Borders	13,683
West Lothian	21,565
Total	£190,000

2.21 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 £47,000, based on 5% of the core revenue budget.

2.22 At 1st April 2024, the Partnership has an unallocated General Fund Reserve of £135,000. Based on the forecast of a balanced budget at 31st March 2025, the Partnership's unallocated General Fund Reserve will remain at £135,000. This is 14% of the Core budget.

2.23 A risk assessment for 2025/26 is included at Appendix 4. Financial scenario planning is included at Appendix 5.

3 Next Steps

3.1 Following review by Performance and Audit Committee, the proposed budget for 2025/26 will be presented to the Partnership Board meeting on 14th March 2025, for approval.

3.2 Development of the proposed revenue budget for 2025/26 will continue to be progressed until the meeting of the Partnership Board on 14th March 2025. Any further updates will be reflected in the final report to be presented to the Board.

4 Recommendation

4.1 It is recommended that the Performance and Audit Committee:

4.1.1 note the financial planning assumptions for the Partnership's proposed revenue budget for 2025/26;

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 [Indicative Financial Plan 2025/26 and 2026/27](#) – report to South-East Scotland Transport Partnership 6th December 2024

5.2 [Revenue Budget 2024/25 and Indicative Financial Plan 2025/26](#) – report to South-East Scotland Transport Partnership 15th March 2024

Richard Lloyd-Bithell

Treasurer

21st February 2025

Appendix Appendix 1 – Proposed Core Budget 2025/26 and Indicative Budget 2026/27

Appendix 2(a) – Projects - Proposed Activity 2025/26

Appendix 2(b) - Projects - Indicative Activity 2026/27

Appendix 3 – Summary of Revenue Budget 2019/20 – 2025/26

Appendix 4 - Risk Assessment 2025/26

Appendix 5 – Scenario Planning 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

Proposed Core Budget 2025/26 and Indicative Financial Plan 2026/27

	Approved Budget 2024/25	Proposed Budget 2025/26	Indicative Budget 2026/27
	£000	£000	£000
Employee Costs			
Salaries	499	564	589
National Insurance	57	76	80
Pension Fund	134	151	157
Recharges	0	(149)	(103)
Training & Conferences	10	8	8
Interviews & Advertising	2	2	2
	702	652	733
Premises Costs	18	21	21
Transport	8	5	5
Supplies and Services			
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
	110	111	111
Support Services			
Finance	31	31	31
Legal Services / HR	7	7	7
	38	38	38
Corporate & Democratic			
Clerks Fees	12	12	12
External Audit Fees	12	12	12
Members Allowances and Expenses	1	1	1
	25	25	25
Interest	0	0	0
Total Gross Expenditure	901	852	933
Funding			
Scottish Government Grant	(711)	(662)	(743)
Council Requisitions	(190)	(190)	(190)
Total Funding	(901)	(852)	(933)

Projects – Proposed Activity 2025-26

Service	2024/25	2025-26			Description
	Net Budget £'000	Expenditure £'000	Income £'000	Net Expenditure £'000	
Sustainable Travel	25	20	(20)	0	Development of approaches to Sustainable Travel.
Active Travel	3	5	(5)	0	Design support for infrastructure.
Bus Strategy Development	75	40	(40)	0	Regional Bus Strategy development.
Regional Transport Strategy	20	18	0	18	Development of the Regional Transport Strategy delivery plan.
Transport Appraisal	8	0	0	0	Projects that use transport appraisal STAG guidance e.g. Newburgh Station work.
GO e-BIKE	49	10		10	Regional bike sharing scheme.
Thistle Assistance	6	30	(24)	6	Public facing accessibility programme for public transport.
Consultancy support	22	22	0	22	External support for officers.
Equalities Access to Healthcare	5	10		10	Development and delivery of travel to healthcare work.
EV Strategy	35	5	0	5	Development and coordination of regional approach to EV charging.
Freight Strategy	10	20	(20)	0	Development and coordination of regional approach to freight and logistics.
Real-Time Passenger Information System	0	25	(15)	10	Development and delivery of regional real time information for bus/tram/train.
Carried forward from 2023/24	(187)				
Total	71	205	(124)	81	
People and Places					
Revenue projects	1,914	2,099	(2,099)	0	
Capital projects	3,412	4,270	(4,270)	0	
Total	5,326	6,369	(6,369)	0	

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	901	852
Projects	690	1,080	809	907	713	325	205
People and Places							
- Revenue						1,914	2,099
- Capital						3,412	4,270
Total Budget	1,274	1,661	1,472	1,526	1,487	6,552	7,426
External Funding							
EU Grants	82	142	106	210	26	100	0
Other income	220	547	394	344	489	154	124
People and Places							
- Revenue						1,914	2,099
- Capital						3,412	4,270
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
Net Position – Surplus (+ve)/ Shortfall (-ve)						(39)	0

Note: For 2024/25, the shortfall of £39,000 reflects a reduction in Scottish Government grant funding. The reduction was confirmed after the Partnership had approved the 2024/25 budget. The shortfall is being managed by recharging appropriate staff costs to the People and Place Programme in 2024/25.

Risk Description	Existing Controls
<p>Pay awards 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 £7,757.</p>	<p>Alignment with Local Government Pay Policy. Forecasts will be updated when the final pay settlement is confirmed.</p>
<p>Staff recharges to Projects and People and Place Programme The proposed budget assumes that £149,000 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 throughout 2025/26 as part of the ongoing monitoring of expenditure and income.</p> <p>Expenditure commitments will be reviewed in the event of any forecast shortfall in employee recharges.</p>
<p>Inflation 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 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>Funding Reductions 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.

	2025/26	2026/27
Staff pay award (all staff; average provision)	3%	3%
Employee Recharges to Projects and People and Place Programme	£149,000 of employee costs can be recharged to Projects and People and Place Programme in 2025/26.	
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 2025/26 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)	£7,800
Employee Recharges to Projects and People and Place Programme	£1,490
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.