

## **BUDGET 2026/27 AND INDICATIVE FINANCIAL PLAN 2027/28 TO 2028/29**

### **1. INTRODUCTION**

- 1.1** This report presents a proposed Partnership budget for 2026/27 for approval and an indicative balanced financial plan for 2027/28 to 2028/29 for noting.
- 1.2** An update on the proposed budget was considered by the Performance and Audit Committee on 27<sup>th</sup> February 2026. It should be noted that the proposed budget has been updated following the subsequent confirmation of additional funding of £2.588m in 2026/27 under the Transport to Employment programme (see paragraph 2.18 and Appendix 2).

### **2. MAIN REPORT**

#### **Scottish Government Budget 2026-27**

- 2.1** The Scottish Government Draft Budget was presented to Parliament on 13th January 2026. A budget agreement has now been secured.
- 2.2** It is anticipated that Scottish Government revenue grant and People and Place funding for 2026/27 will be unchanged from 2025/26. As noted above, additional funding of £2.588m for 2026/27 has recently been advised under the Transport to Employment programme.

#### **Financial Planning 2026/27 to 2028/29**

##### Core Budget - Transport Scotland Revenue Grant and Council Requisitions

- 2.3** 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.
- 2.4** A financial planning report was considered by the Partnership on 5th December 2025. The Partnership noted the financial planning assumptions being progressed for 2026/27 to 2028/29. The proposed budget for 2026/27 continues to assume standstill council requisitions totalling £190,000.
- 2.5** Financial planning is based on no change in the Transport Scotland revenue grant for 2026/27, with a grant of £743,000 assumed in the financial plan.
- 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 assumed for each of 2027/28 and 2028/29. Proposed employee budgets reflect estimated salary increments and include provision for the additional employee resource which is rechargeable to the People and Place programme.

- 2.7** The level of employee costs rechargeable across the People and Place and Transport to Employment programmes has been assessed at £255,000 for 2026/27. Inflationary uplifts have been assumed for 2027/28 to 2028/29. This will be subject to ongoing review.
- 2.8** A contingency provision has been introduced to make a general budgetary allowance for inflationary pressures on non-staff budgets and to provide some flexibility for consideration of HR, learning and development and financial administration system improvements which are under consideration. Updates on the use of this contingency allocation will be reported to the Partnership.
- 2.9** The Partnership receives interest on cash balances held and an estimate of £25,000 per annum is included in the proposed and indicative budgets.
- 2.10** It is proposed that project expenditure totalling £165,000 is funded within the Core SEStran 2026/27 budget. This proposed expenditure covers: Regional Bus Action Plan Delivery (£100,000); Sustainable Travel (£10,000); Projects Consultancy (£30,000); and Communications and Marketing (£25,000). Funding in 2026/27 assumes a carry forward of £50,000 from the 2025/26 project budget underspend.
- 2.11** As reported in the recently approved Financial Planning Procedure, efficiency savings will be considered through the budgeting process. The SEStran management team will review each line of the budget and an efficiency savings target totalling £45,000 has been assumed across the indicative budgets for 2027/28 and 2028/29.
- 2.12** An analysis of the proposed Core budget for 2026/27 and indicative budgets for 2027/28 to 2028/29 is shown in Appendix 1.
- 2.13** The 2026/27 Council requisitions, based on the proposed budget, are as follows:

<b>Council</b>	<b>Requisition</b>
Clackmannanshire	£6,052
East Lothian	£13,376
Edinburgh	£61,630
Falkirk	£18,584
Fife	£43,522
Midlothian	£11,599
Scottish Borders	£13,585
West Lothian	£21,652
<b>Total</b>	<b>£190,000</b>

- 2.14** Council requisitions reduced by 5% in 2017/18 from £200,000 to £190,000 and have been unchanged for ten years. Indicative financial planning for 2027/28 and 2028/29 indicates that annual increases in requisition of £10,000 may be required to achieve balanced budgets in 2027/28 and 2028/29. The medium-term financial plan will be subject to ongoing review and development.

## People and Place Programme

- 2.15** In 2025/26, the Partnership was awarded additional funding of £6.356m 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 based on funding being at the same level as 2025/26.
- 2.16** An update on the People and Place Programme was reported to the last meeting of the Partnership Board on 5<sup>th</sup> December. The strategy for 2026/27 is one of stability after several years of significant change in this area, allowing projects to bed in and deliver on agreed outcomes.
- 2.17** The proposed programme allocations for 2026/27 are shown in Appendix 2. Programme Delivery Plan updates will be reported to the Board by the Partnership Programme Manager.

## Transport to Employment Programme

- 2.18** For 2026/27, Transport Scotland are providing additional funding to RTPs to support a Transport to Employment programme which aims to reduce child poverty. Total grant funding is expected to be £2.588m. Full detail on this new programme is provided elsewhere on this agenda. Appendix 2 shows the current proposed delivery budget. The programme is currently in development, and the proposed delivery budget is subject to change.

## SEStran Budget 2019/20 to 2026/27

- 2.19** Appendix 3 summarises budgeted expenditure and income since 2019/20.

## **Risks and Reserves**

- 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. Based on 5% of the proposed core budget for 2026/27, an unallocated reserve of £49,000 will be required.
- 2.21** At 1<sup>st</sup> April 2025, the Partnership had an unallocated General Fund Reserve of £221,000. Based on the forecast requirement for drawdown of £38,000 during 2025/26, the Partnership's unallocated General Fund Reserve is forecast to be £183,000 at 1<sup>st</sup> April 2026.
- 2.22** A risk assessment for 2026/27 is included at Appendix 4. Financial scenario planning is included at Appendix 5.

## **3 NEXT STEPS**

- 3.1** Following approval of a proposed budget by the Partnership, requisitions will be issued to constituent councils.

## 4 RECOMMENDATIONS

4.1 It is recommended that the Partnership:

4.1.1 approves the proposed core budget of £983,000 for 2026/27, as detailed at Appendix 1;

4.1.2 approves the proposed People and Place and Transport to Employment programme budgets for 2026/27, as detailed in Appendix 2;

4.1.3 notes the indicative balanced financial plan for 2027/28 and 2028/29 and that this will be subject to ongoing development and reporting;

4.1.4 notes that the proposed budgets are subject to a number of risks and that 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 2026/27 to 2028/29](#) – report to the South East of Scotland Transport Partnership 5<sup>th</sup> December 2025

**Richard Lloyd-Bithell**

Treasurer

5<sup>th</sup> March 2026

### Appendices

Appendix 1 – Proposed Core Budget 2026/27 and Indicative Budgets 2027/28 to 2028/29

Appendix 2 – People and Place and Transport to Employment Programmes – Proposed Budget 2026/27

Appendix 3 – Summary of Revenue Budget 2019/20 – 2026/27

Appendix 4 - Risk Assessment 2026/27

Appendix 5 – Scenario Planning 2026/27

### Contact

[john.connarty@edinburgh.gov.uk](mailto:john.connarty@edinburgh.gov.uk)

Policy Implications	There are no direct policy implications arising as a result of this report.
Financial Implications	There are no direct financial implications arising.
Equalities Implications	There are no direct equality implications arising.
Climate Change Implications	There are no direct climate change implications arising.

## Proposed Core Budget 2026/27 and Indicative Financial Plan 2027/28 and 2028/29

	Approved Budget 2025/26	Proposed Budget 2026/27	Indicative Budget 2027/28	Indicative Budget 2028/29
	£0	£0	£0	£0
<b>Employee Costs</b>				
Salaries	564	640	668	691
National Insurance	76	86	91	94
Pension Fund	151	171	178	184
Recharges	(104)	(255)	(270)	(282)
Training, Conferences & Recruitment	10	10	10	10
	<b>697</b>	<b>652</b>	<b>677</b>	<b>697</b>
<b>Premises Costs</b>	<b>21</b>	<b>25</b>	<b>25</b>	<b>25</b>
<b>Transport</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>
<b>Supplies and Services</b>				
Communications & Computing	48	48	48	48
Printing & Office Supplies	7	7	7	7
Insurance	7	9	9	9
Equipment, Materials & Miscellaneous	4	4	4	4
	<b>66</b>	<b>68</b>	<b>68</b>	<b>68</b>
<b>Governance &amp; Support Services</b>				
Finance, Legal Services & HR	38	38	38	38
Clerks Fees	12	12	12	12
External Audit Fees	12	12	12	12
Members Allowances and Expenses	1	1	1	1
Contingency Provision		30	40	50
	<b>63</b>	<b>93</b>	<b>103</b>	<b>113</b>
<b>Interest</b>	<b>0</b>	<b>(25)</b>	<b>(25)</b>	<b>(25)</b>
<b>Core Projects</b>				
Regional Bus Action Plan Delivery		100	75	75
Sustainable Travel		10	10	10
Projects Consultancy		30	20	20
Communications and Marketing		25	10	10
2025/26 Projects	81			
	<b>81</b>	<b>165</b>	<b>115</b>	<b>115</b>
<b>Total Gross Expenditure</b>	<b>933</b>	<b>983</b>	<b>968</b>	<b>998</b>
<b>Funding</b>				
Scottish Government Grant	(743)	(743)	(743)	(743)
Council Requisitions	(190)	(190)	(200)	(210)
Efficiency Programme			(25)	(45)
Project Budget Underspend 25/26		(50)		
<b>Total Funding</b>	<b>(933)</b>	<b>(983)</b>	<b>(968)</b>	<b>(998)</b>

**People and Place Programme - Proposed Budget 2026/27 and Indicative Budgets 2027/28 and 2028/29**

	<b>Proposed Budget 2026/27</b>	<b>Indicative Budget 2027/28</b>	<b>Indicative Budget 2028/29</b>
Core staff recharge	£201,664	£270,000	£282,000
Project Support Officer	£24,682	£26,163	£27,733
Project Officer	£48,332	£51,232	£54,306
RTPI – System Maintenance	£52,500	£52,500	£52,500
Thistle Assistance	£40,000	£40,000	£40,000
Regional Project Delivery	£121,264	£137,480	£133,319
Local Authority Delivery Support	£698,165	£745,385	£745,385
Regional Priority Investment Fund	£3,145,712	£3,013,201	£3,009,040
Access to Cycles and Cycle Storage	£1,473,601	£1,517,121	£1,512,960
Community Grant Fund	£589,377	£542,215	£538,054
RTPI - System Maintenance contributions	(£12,000)	(£12,000)	(£12,000)
Thistle Assistance - RTP contributions	(£27,500)	(£27,500)	(£27,500)
Scottish Government grant	(£6,355,797)	(£6,355,797)	(£6,355,797)
	<b>£0</b>	<b>£0</b>	<b>£0</b>

**Transport to Employment Programme - Proposed Budget 2026/27**

	<b>Proposed Budget 2026/27</b>
Core staff recharge	£53,336
Project Officer x2	£96,664
Future Development and Programme Management	£130,000
School to Skills Pathways	£480,000
Rural Transport to Work and Further Education	£850,000
Targeted action to reduce ticket prices	£400,000
Transport to Healthcare	£500,000
Contingency	£77,740
Scottish Government	(£2,587,740)
	<b>£0</b>

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

	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Core	584	581	663	619	774	901	852	843
Projects	690	1,080	809	907	713	275	205	165
People and Place						5,326	6,369	6,356
Transport to Employment								2,588
<b>Total Expenditure</b>	<b>1,274</b>	<b>1,661</b>	<b>1,472</b>	<b>1,526</b>	<b>1,487</b>	<b>6,502</b>	<b>7,426</b>	<b>9,952</b>
EU Grants	(82)	(142)	(106)	(210)	(26)	(100)	0	
Other income	(220)	(547)	(394)	(344)	(489)	(143)	(124)	(75)
People and Place						(5,326)	(6,369)	(6,356)
Transport to Employment								(2,588)
Scottish Government	(782)	(782)	(782)	(782)	(782)	(743)	(743)	(743)
Council Requisition	(190)	(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>(6,502)</b>	<b>(7,426)</b>	<b>(9,952)</b>

Risk Description	Existing Controls
<p><b>Pay awards</b> The indicative budget makes provision for a pay award of 3.5% in 2026/27 to reflect the agreed award.</p>	<p>Alignment with Local Government Pay Policy.</p>
<p><b>Staff recharges to Projects and People &amp; Place and Transport to Employment Programmes</b> The proposed budget assumes that a level of staff time can be recharged to the People &amp; Place and Transport to Employment Programmes. The budget assumption has been discussed and agreed with the Partnership Director and Programme Manager  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.  Expenditure commitments will be reviewed in the event of any forecast shortfall in employee recharges.</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 is made for specific known price inflation. Budgets have been adjusted in line with current cost forecasts.  A contingency budget allocation has been introduced to make some provision for price inflation, increasing demand and service developments.</p>
<p><b>Pension Fund Contributions</b> 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.  Projections will be kept under regular review.</p>
<p><b>Funding Reductions</b> Reduction in funding from Scottish Government and/or council requisitions.  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>Ongoing engagement with Transport Scotland and constituent councils.  Continue to explore external funding opportunities.</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 the People & Place and Transport to Employment Programmes	Employee costs can be recharged to these Programmes in 2026/27.	
Office Rental	Per Scottish Government Memorandum of Terms of Occupation Agreement.	
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.	
Transport to Employment 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 2026/27 levels, every 1% change would result in following change from core assumptions
People and Place Programme Grant	£63,558
Transport to Employment Programme Grant	£25,877
Transport Scotland Core Grant	£7,430
Staff pay award (all staff; average provision)	£8,970
Employee Recharges to Programmes	£2,550
Council Requisitions	£1,900

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.