

## TAYSIDE AND CENTRAL SCOTLAND TRANSPORT PARTNERSHIP

10 DECEMBER 2024

## MEDIUM-TERM FINANCIAL PLAN

## REPORT BY DIRECTOR AND TREASURER

Purpose

This report asks the Partnership to note the Medium-Term Financial Plan (MTFP) and remits officers to maintain a rolling five-year plan.

Summary

This report provides a medium-term financial plan for Tactran Core and RTS Revenue Budget, providing 3 scenarios – balanced, optimistic and pessimistic. The balanced scenario indicates a positive, if decreasing, surplus in Core Budget over the 5-year period of the plan.

It is noted that Tactran has in the past successfully utilised other funding sources to supplement income and continues to seek further funding opportunities. Tactran is also developing a Delivery Plan that will determine resources required to deliver the Regional Transport Strategy

**1 RECOMMENDATIONS**

1.1 That the Partnership:

- (i) notes the Medium-Term Financial Plan; and
- (ii) remits Tactran officers to maintain a rolling five-year plan and further refine the assumptions that underpin it.

**2 BACKGROUND**

- 2.1 At its meeting on 12 December 2023 the Partnership noted the contents of Audit Scotland's Draft Annual Audit Report for the year ended 31 March 2023 and approved the 2022/23 Audited Annual Accounts (Report RTP/23/30 refers).
- 2.2 The 2022/23 Audited Annual Report recommended that Tactran should develop a medium-term financial plan.
- 2.3 The MTFP seeks to provide a range of scenarios for key variables used in the budgeting and financial planning. The report considers the wider economic outlook and how this might impact on Tactran over the medium-term.

**3 DISCUSSION**

- 3.1 Within the wider scope of the 2022/23 Annual Audit Report, it was noted that: *annual funding from the Scottish Government and constituent councils has not increased since 2013/14 and 2015/16 respectively. Over time, the proportion allocated to Tactran's core budget has increased and as a result the amount*

*remaining to fund Regional Transport Strategy projects has decreased. The public sector is facing continuing funding pressures and Tactran will find it increasingly challenging to secure sufficient additional funding to deliver on its priorities and outcomes.*

- 3.2 In addition it was noted that: *to date, Tactran has prepared financial plans on an annual basis. In these fiscally challenging times, planning over the medium-term is essential for Tactran to understand and manage any risks or threats to its financial sustainability. It was therefore recommended that Tactran should develop a medium-term financial plan.*
- 3.3 Tactran has therefore developed a 5-year financial plan, which covers financial years 2025/26 to 2029/30.

#### Core and RTS Revenue Budget

- 3.4 Tactran's operational and delivery funding is provided by Scottish Government Grant in Aid supplemented by partner Council contributions towards Core operating costs.
- 3.5 In 2013/14 Scottish Government Grant in Aid funding provided £522,750 and this annual Scottish Government Grant in Aid has remained at £522,750 through to 2024/25, when it was decreased by 5%. The combined partner Council contributions were £101,000 in 2013/14. This increased to £103,020 in 2015/16 and the annual partner Council contributions have remained at this level.
- 3.6 However, there has been significant increase in inflation between 2013/14 and 2023/24, while the funding from both Central and Local Government has remained virtually static, with no additional funding provided for increasing salaries and other Core costs. Bank of England Consumer Price Index indicates a 34.2% increase over the same period between 2013 and 2023.
- 3.7 The total Core Budget in 2013/14 was 67% of the overall Grant in Aid and Council income, leaving 33% for Regional Transport Strategy projects. In 2023/24 the total Core Budget was 85% of the overall Grant in Aid and Council income, leaving 15% for Regional Transport Strategy projects.
- 3.8 Tactran has also been successful over the years in attracting third party income to supplement its operational and delivery funding and continues to explore opportunities.
- 3.9 The MTFP focuses on the Core income and expenditure and considers three scenarios – balanced, optimistic and pessimistic and makes a number of assumptions regarding pay inflation, superannuation employer contributions, general inflation, Scottish Government Funding (Grant in Aid), Local Government Funding and staff time recharging.
- 3.10 Each scenario assumes that the staffing level and structure remains as at present and that the equivalent of 200% Projects/Strategy Officer is recharged

to projects (Note: in 2024/25 150% Projects/Strategy Officer is being recharged to MaaS and Active Travel People and Place projects). All assumptions are outlined in Appendix D and detailed in the following paragraphs.

- 3.11 Pay Inflation is a primary source for cost increases at Tactran with Staff Costs currently accounting for c80% of the Core budget. The balanced scenario assumes 3% pay inflation for the duration of the MTFP which allows for rises slightly above the Bank of England (BoE) inflation target, but in line with the Scottish Government public sector pay policy. The optimistic scenario assumes pay inflation is in line with the BoE inflation target of 2%; and the pessimistic scenario assumes pay inflation of 4% which allows for awards in excess of inflation.
- 3.12 Superannuation Employer Contributions are paid as a direct percentage of gross pay for staff that are members of the Local Government Pension Scheme. The most recent triennial review of the Tayside Pension Fund was carried out at 31 March 2023 which determined the employers contribution rate was to decrease from 17% to 15.7% until at least 2026/27 when a further review will be undertaken. For the balanced scenario it is assumed this reduction in rate is reversed from 2026/27 reverting to 17%. The optimistic scenario assumes the rate remains for the duration of the MTFP as 15.7%. The pessimistic scenario assumes the contribution rate is increased to 18.3% to compensate for lower rates from 2024-2027.
- 3.13 General Inflation affects various other costs that Tactran incurs. In the past two years this has been highly variable although recently has settled at a more ordinary level. There are still many external factors that affect this rate however the Bank of England recently released forecast inflation data predicting annual CPI of 1.3% for 2026/27 and 1.1% for 2027/28. This has been used as the basis for the optimistic scenario which assumes a slight increase to 1.5% in 2028/29 before settling at the BoE target of 2% in 2029/30. The balanced scenario assumes inflation a little higher being 1% above the optimistic level, with the pessimistic scenario going slightly further, assuming 2% above the optimistic scenario.
- 3.14 Scottish Government Funding provides the majority of the revenue budget for Tactran. As detailed in 3.5 above, funding from the Scottish Government since 2013/14 was £522,750 followed by a 5% reduction in 2024/25 which Tactran understands is a one off reduction. The balanced scenario assumes the Scottish Government funding will revert to £522,750 for the duration of the MTFP with the pessimistic scenario assuming the 5% reduction becomes the new norm. The optimistic scenario assumes the 5% reduction is returned along with 1% increases each year to restore the amount that can be directed towards the RTS.
- 3.15 Local Government Funding from the four constituent authorities of the Tactran region has been maintained at £103,020 since 2015/16. Both the balanced and pessimistic scenarios assume that Local Government Funding will remain at current levels. The optimistic scenario assumes an increase in funding of 5% per annum can be agreed with local authorities in order to restore the funding

that can be directed towards the RTS. This would result in an annual increase of c£28,000 by the end of the MTFP, an average of £7,000p.a. for each constituent authority.

- 3.16 The table below provides a summary of Surplus / (Deficit) from the MTFP over the next 5 years available for the RTS Revenue budget for each scenario.

**Core Budget Surplus / (Deficit) 2025/26 – 2029/10**

	2025/26	2026/27	2027/28	2028/29	2029/30
Balanced	£101,922	£92,545	£78,598	£64,079	£48,911
Optimistic	£116,155	£122,179	£124,185	£126,190	£128,156
Pessimistic	£71,674	£57,497	£38,428	£18,438	(£2,563)

- 3.17 Details of each scenario is provided for in Appendices as follows; Appendix A – Balanced Scenario; Appendix B – Optimistic Scenario; Appendix C – Pessimistic Scenario.
- 3.18 Any surplus from the Core will be utilised for the RTS Revenue budget and supplemented by external funding, for example in 2024/25 the Scottish Government provided Tactran with approximately £1.8m Active Travel Behaviour Change funding. This funding and a MaaS partnership with Sustran (IMPS) resulted in 150% of Projects Manager/Strategy Officer time being recharged to these funding streams.
- 3.19 It can be seen that there remains a positive, if decreasing, surplus in the balanced scenario; an increasing surplus in the optimistic scenario and a decreasing surplus turning into a deficit in the pessimistic scenario.
- 3.20 It should be noted that the balanced scenario is viewed as most likely and therefore that which Tactran will use as the foundation for future financial planning. This approach allows for consideration of options to manage pressures over the medium term and assist in delivering a balanced budget each year. As referenced in sections 3.14 and 3.15, the MTFP makes assumptions around future funding and will be a key document for discussions with Central and Local Government.

Delivery Plan Funding

- 3.21 As reported to the Partnership at its meeting in September 2024, Tactran is in the process of developing a Delivery Plan (Report RTP/24/22 refers) and an update on progress is provided within the Director’s Report to this meeting.
- 3.22 One of the key outcomes will be to determine what resources are required to fulfil the Scottish Government NTS, Tactran RTS and partner organisations objectives and targets within the Tactran region. It is intended that an update on resources required will be provided with a general Delivery Plan update at the Partnership meeting in March 2025.

## **4 CONSULTATIONS**

- 4.1 Tactran officers have consulted with constituent Council officers as well as Transport Scotland and other relevant organisations in developing this report.

## **5 RESOURCE IMPLICATIONS**

- 5.1 Resource implications are outlined within the report

## **6 EQUALITIES IMPLICATIONS**

- 6.1 This report has been screened for any policy implications in respect of Equality Impact Assessment and no major issues have been identified.

**Mark Speed**  
**Director**

**Scott Walker**  
**Treasurer**

For further information contact Niall Gardiner, [niallgardiner@tactran.gov.uk](mailto:niallgardiner@tactran.gov.uk) / telephone 07919990370

### **NOTE**

The following background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (and not containing confidential or exempt information) were relied on to a material extent in preparing this Report:

Report to Partnership RTP/23/30, Draft Audited Annual Accounts 2022/23 and Draft Annual Audit Report to the Members of Tactran and the Controller of Audit for the Year Ended 31 March 2023, 12 December 2023

Report to Partnership RTP/24/22, Regional Transport Strategy: Delivery Plan, 10 September 2024

	<b>Balanced Scenario</b>				
	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>
<b><u>Income</u></b>					
Scottish Gov Grant Revenue	522,750	522,750	522,750	522,750	522,750
Council Req's Revenue	103,020	103,020	103,020	103,020	103,020
<b>Total Income</b>	<b>625,770</b>	<b>625,770</b>	<b>625,770</b>	<b>625,770</b>	<b>625,770</b>
<b><u>Expenditure</u></b>					
<b>Staff Costs</b>					
Salary GP	422,278	434,946	447,994	461,433	475,275
Salary Supn	66,298	68,287	70,335	72,445	74,618
Salary NI	58,102	60,001	61,959	63,973	66,052
Project Recharging	(126,737)	(130,583)	(134,544)	(138,625)	(142,829)
Training/Conferences	2,000	2,000	2,000	2,000	2,000
Subscriptions	400	400	400	400	400
	<u>422,341</u>	<u>435,051</u>	<u>448,144</u>	<u>461,626</u>	<u>475,516</u>
<b>Property Costs</b>					
Energy	8,500	4,250	4,250	4,250	4,250
Cleaning	2,500	2,558	2,612	2,677	2,757
Maintenance	500	500	500	500	500
Rent	13,490	13,490	13,490	13,490	13,490
Rates	4,942	5,056	5,162	5,291	5,450
	<u>29,932</u>	<u>25,854</u>	<u>26,014</u>	<u>26,208</u>	<u>26,447</u>
<b>Supplies and Services</b>					
Office Consumables	4,125	4,220	4,309	4,417	4,550
Communications	2,500	2,558	2,612	2,677	2,757
Insurance	7,500	7,673	7,834	8,030	8,271
Information Technology	2,200	2,251	2,298	2,355	2,426
Hospitality	700	700	700	700	700
Board Expenses - misc.	500	500	500	500	500
	<u>17,525</u>	<u>17,902</u>	<u>18,253</u>	<u>18,679</u>	<u>19,204</u>
<b>Transport Costs</b>					
Travel and Subsistence	1,500	1,500	1,500	1,500	1,500
Public Transport	2,800	2,800	2,800	2,800	2,800
Expenses - Board Members	500	500	500	500	500
	<u>4,800</u>	<u>4,800</u>	<u>4,800</u>	<u>4,800</u>	<u>4,800</u>
<b>Third Party Payments</b>					
Audit Fees External	13,800	14,117	14,413	14,773	15,216
PKC Finance Service	14,000	14,000	14,000	14,000	14,000
PKC Secretariat Service	8,000	8,000	8,000	8,000	8,000
PKC Legal Services	3,000	3,000	3,000	3,000	3,000
PKC IT Services	8,250	8,250	8,250	8,250	8,250
Other Third Party Payments	2,200	2,251	2,298	2,355	2,426
	<u>49,250</u>	<u>49,618</u>	<u>49,961</u>	<u>50,378</u>	<u>50,892</u>
<b>Total Expenditure</b>	<b>523,848</b>	<b>533,225</b>	<b>547,172</b>	<b>561,691</b>	<b>576,859</b>
<b>Surplus / (Deficit)</b>	<b>101,922</b>	<b>92,545</b>	<b>78,598</b>	<b>64,079</b>	<b>48,911</b>
(Balance towards RTS)					

	Optimistic Scenario				
	2025/26	2026/27	2027/28	2028/29	2029/30
<b>Income</b>					
Scottish Gov Grant Revenue	527,716	532,993	538,323	543,706	549,144
Council Req's Revenue	108,171	113,580	119,259	125,221	131,483
<b>Total Income</b>	<b>635,887</b>	<b>646,573</b>	<b>657,582</b>	<b>668,928</b>	<b>680,626</b>
<b>Expenditure</b>					
<b>Staff Costs</b>					
Salary GP	418,177	426,540	435,071	443,773	452,649
Salary Supn	65,654	66,967	68,306	69,672	71,066
Salary NI	57,485	58,741	60,019	61,326	62,654
Project Recharging	(125,491)	(128,030)	(130,620)	(133,264)	(135,958)
Training/Conferences	2,000	2,000	2,000	2,000	2,000
Subscriptions	400	400	400	400	400
	418,225	426,618	435,176	443,907	452,811
<b>Property Costs</b>					
Energy	8,500	4,250	4,250	4,250	4,250
Cleaning	2,500	2,533	2,561	2,599	2,651
Maintenance	500	500	500	500	500
Rent	13,490	13,490	13,490	13,490	13,490
Rates	4,942	5,006	5,061	5,137	5,240
	29,932	25,779	25,862	25,976	26,131
<b>Supplies and Services</b>					
Office Consumables	4,125	4,179	4,225	4,288	4,374
Communications	2,500	2,533	2,561	2,599	2,651
Insurance	7,500	7,598	7,682	7,797	7,953
Information Technology	2,200	2,229	2,254	2,288	2,334
Hospitality	700	700	700	700	700
Board Expenses - misc.	500	500	500	500	500
	17,525	17,739	17,922	18,172	18,512
<b>Transport Costs</b>					
Travel and Subsistence	1,500	1,500	1,500	1,500	1,500
Public Transport	2,800	2,800	2,800	2,800	2,800
Expenses - Board Members	500	500	500	500	500
	4,800	4,800	4,800	4,800	4,800
<b>Third Party Payments</b>					
Audit Fees External	13,800	13,979	14,133	14,345	14,632
PKC Finance Service	14,000	14,000	14,000	14,000	14,000
PKC Secretariat Service	8,000	8,000	8,000	8,000	8,000
PKC Legal Services	3,000	3,000	3,000	3,000	3,000
PKC IT Services	8,250	8,250	8,250	8,250	8,250
Other Third Party Payments	2,200	2,229	2,254	2,288	2,334
	49,250	49,458	49,637	49,883	50,216
<b>Total Expenditure</b>	<b>519,732</b>	<b>524,394</b>	<b>533,397</b>	<b>542,738</b>	<b>552,470</b>
<b>Surplus / (Deficit)</b>	<b>116,155</b>	<b>122,179</b>	<b>124,185</b>	<b>126,190</b>	<b>128,156</b>
(Balance towards RTS)					

	<b>Pessimistic Scenario</b>				
	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>
<b><u>Income</u></b>					
Scottish Gov Grant Revenue	496,613	496,613	496,613	496,613	496,613
Council Req's Revenue	103,020	103,020	103,020	103,020	103,020
<b>Total Income</b>	<b>599,633</b>	<b>599,633</b>	<b>599,633</b>	<b>599,633</b>	<b>599,633</b>
<b><u>Expenditure</u></b>					
<b>Staff Costs</b>					
Salary GP	426,377	443,433	461,170	479,617	498,800
Salary Supn	66,941	69,619	72,404	75,300	78,312
Salary NI	58,714	61,274	63,933	66,702	69,579
Project Recharging	(127,980)	(133,161)	(138,545)	(144,149)	(149,973)
Training/Conferences	2,000	2,000	2,000	2,000	2,000
Subscriptions	400	400	400	400	400
	<u>426,452</u>	<u>443,565</u>	<u>461,362</u>	<u>479,870</u>	<u>499,118</u>
<b>Property Costs</b>					
Energy	8,500	4,250	4,250	4,250	4,250
Cleaning	2,500	2,583	2,663	2,756	2,866
Maintenance	500	500	500	500	500
Rent	13,490	13,490	13,490	13,490	13,490
Rates	4,942	5,105	5,263	5,447	5,665
	<u>29,932</u>	<u>25,928</u>	<u>26,166</u>	<u>26,443</u>	<u>26,771</u>
<b>Supplies and Services</b>					
Office Consumables	4,125	4,261	4,393	4,547	4,729
Communications	2,500	2,583	2,663	2,756	2,866
Insurance	7,500	7,748	7,988	8,268	8,599
Information Technology	2,200	2,273	2,343	2,425	2,522
Hospitality	700	700	700	700	700
Board Expenses - misc.	500	500	500	500	500
	<u>17,525</u>	<u>18,065</u>	<u>18,587</u>	<u>19,196</u>	<u>19,916</u>
<b>Transport Costs</b>					
Travel and Subsistence	1,500	1,500	1,500	1,500	1,500
Public Transport	2,800	2,800	2,800	2,800	2,800
Expenses - Board Members	500	500	500	500	500
	<u>4,800</u>	<u>4,800</u>	<u>4,800</u>	<u>4,800</u>	<u>4,800</u>
<b>Third Party Payments</b>					
Audit Fees External	13,800	14,255	14,697	15,211	15,819
PKC Finance Service	14,000	14,000	14,000	14,000	14,000
PKC Secretariat Service	8,000	8,000	8,000	8,000	8,000
PKC Legal Services	3,000	3,000	3,000	3,000	3,000
PKC IT Services	8,250	8,250	8,250	8,250	8,250
Other Third Party Payments	2,200	2,273	2,343	2,425	2,522
	<u>49,250</u>	<u>49,778</u>	<u>50,290</u>	<u>50,886</u>	<u>51,591</u>
<b>Total Expenditure</b>	<b>527,959</b>	<b>542,136</b>	<b>561,205</b>	<b>581,195</b>	<b>602,196</b>
<b>Surplus / (Deficit)</b>	<b>71,674</b>	<b>57,497</b>	<b>38,428</b>	<b>18,438</b>	<b>(2,563)</b>
(Balance towards RTS)					



### Medium-Term Financial Plan Assumptions

	2025/26	2026/27	2027/28	2028/29	2029/30
<b><u>Pay Inflation</u></b>					
Optimistic	2.0%	2.0%	2.0%	2.0%	2.0%
Balanced	3.0%	3.0%	3.0%	3.0%	3.0%
Pessimistic	4.0%	4.0%	4.0%	4.0%	4.0%
<b><u>Superannuation Employer Cont.</u></b>					
Optimistic	0.0%	0.0%	0.0%	0.0%	0.0%
Balanced	0.0%	0.0%	1.3%	1.3%	1.3%
Pessimistic	0.0%	0.0%	2.6%	2.6%	2.6%
<b><u>General Inflation</u></b>					
Optimistic	0.0%	1.3%	1.1%	1.5%	2.0%
Balanced	0.0%	2.3%	2.1%	2.5%	3.0%
Pessimistic	0.0%	3.3%	3.1%	3.5%	4.0%
<b><u>Scottish Government Funding</u></b>					
Optimistic	6.26%	1.0%	1.0%	1.0%	1.0%
Balanced	5.26%	0.0%	0.0%	0.0%	0.0%
Pessimistic	0.0%	0.0%	0.0%	0.0%	0.0%
<b><u>Local Government Funding</u></b>					
Optimistic	5.0%	5.0%	5.0%	5.0%	5.0%
Balanced	0.0%	0.0%	0.0%	0.0%	0.0%
Pessimistic	0.0%	0.0%	0.0%	0.0%	0.0%
<b><u>Staff Time Recharging</u></b>					
Projects Officer Funding	100%	100%	100%	100%	100%
Strategy Officer Funding	100%	100%	100%	100%	100%