



Proposed Revenue Budget for 2025/2026

Date of meeting 21 February 2025

Date of report 5 February 2025

Report by Director of Finance & Corporate Support

1. Object of report

To present to the Committee for scrutiny prior to submission to the Partnership, a draft revenue budget for 2025/2026 highlighting the assumptions made in the preparation of the budget, proposals for fees and charges, and the draft proposed local authority requisition.

2. Background to report

Since the beginning of 2022, financial challenges have arisen due to high inflation and the cost-of-living crisis. This has included increased pay pressures, supported service contract increases and increases in external contract costs. These challenges have been managed within the funding envelope available. Although inflation is decreasing gradually, there are still a number of financial challenges to SPT and its stakeholders in 2025/2026 and beyond.

Notwithstanding the above uncertainties, financial planning for 2025/2026 and beyond has endeavoured to take account of the current environment and pressures being faced, but also anticipating some of the pressures that may be brought to bear from the external environment. As a result, the proposed draft budget and delivery plan continues to focus within the resources available, on funding socially necessary bus services with ever increasing demand expected as the commercial market continues to face challenges, supporting transitional plans for the Subway as the new fleet is fully embedded in the system including updated working practices and providing staff resources to deliver initial work on Clyde Metro and Bus Reform.

As previously reported to members, the process of Subway Modernisation is ongoing and will require staff resource for a period to manage and maintain old and new assets, at the same time as we transition to the new fleet and associated equipment. Although the new fleet is now in full service, transitional staff resource is still required during the bedding in period until the remaining elements of the modernisation project, such as signalling and platform screen doors, are concluded.

In 2025/2026 the new Operations Control Centre (OCC), the hub of the new Subway operating model, is due to go live. This will require a period of dual running for the new OCC and the current control room and some additional staff resource to satisfy training requirements. The project is now at a stage where additional staff resource is required in a number of areas in the short term and the draft budget reflects those additional temporary resource requirements in support of project delivery.

With regards to wider public transport initiatives, SPT remains committed to ensuring that transport is a key enabler to economic recovery and a key contributor to the carbon reduction agenda. SPT has been identified as the lead partner to take the Clyde Metro programme of work all the way through to the case for investment. SPT was also tasked with administering a proportion of the People and Place Active Travel funding in 2024/2025 and this will continue in 2025/2026.

Work will also continue on the delivery of Strathclyde Regional Bus Strategy in 2025/2026 which, if approved, will lead to the commencement of Bus Reform strategic assessment in 2025/2026 and future financial years. There will be a resource requirement for SPT (over and above business as usual activities) to fully contribute to the challenges ahead in progressing to direct transport delivery measures when the scope of these projects is fully established.

In addition, SPT plans to continue to invest in new digital solutions for transport information and ticketing solutions and in maintaining bus stations and other assets to a high standard, all of which puts pressure on the constrained revenue resources.

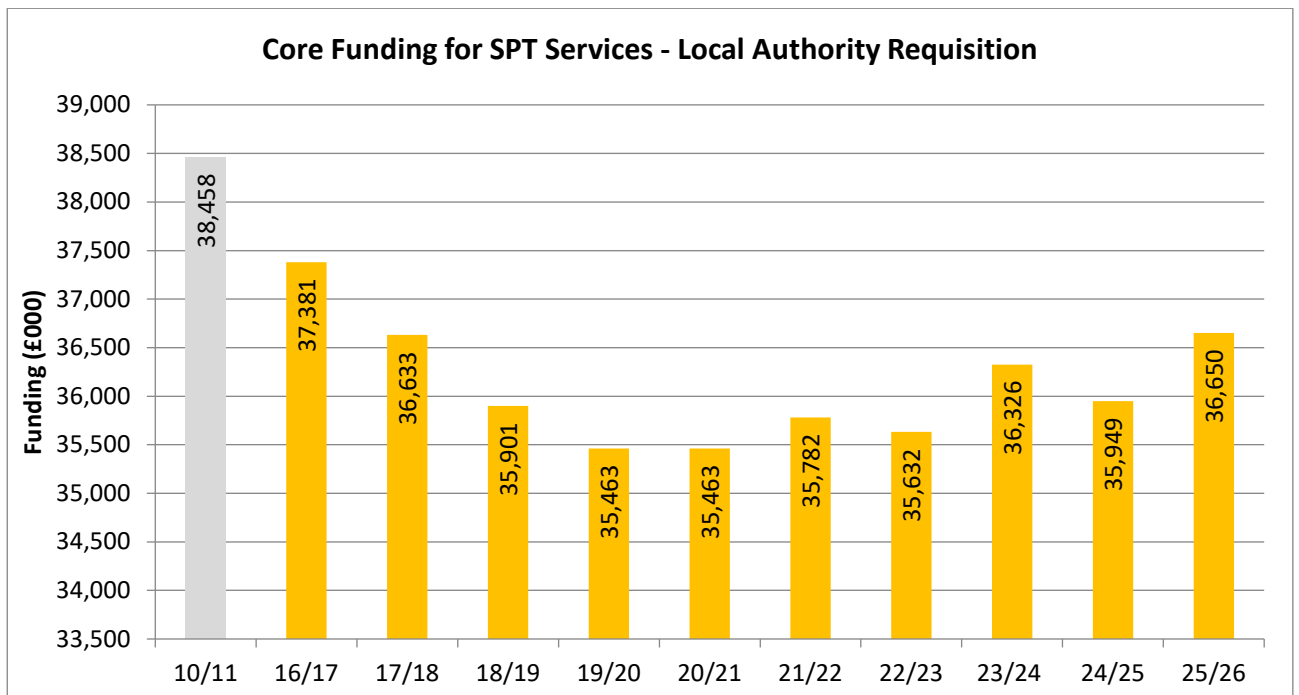
Balancing the SPT revenue budget over the last decade has involved the reallocation of resources and significant works to redesign and streamline the organisation, including reducing the headcount, in order to ensure that SPT remains a lean, efficient organisation. Over the last year, staff resourcing has been reviewed in line with the priorities identified within the Corporate Plan, Subway transitional requirements and work on wider public transport initiatives. The proposed draft budget reflects the resources needed to meet those priorities.

SPT hold a number of reserves, the majority of which are ringfenced for specific commitments and challenges SPT are anticipating in 2025/2026 and beyond. These reserves have been established over recent years to ensure that SPT can continue to maintain its transport infrastructure and support key transport initiatives in the SPT area without placing any adverse financial pressure on our local authority partners through seeking increased requisition levels or a one-off significant funding request.

3. Current Position

For 2025/2026, The Scottish Government has again announced a one-year budget and local government settlement. This approach fundamentally undermines long term planning. SPT has actively engaged with both the local authorities and the Scottish Government throughout the budget setting process and the established agreement with local authority partners that the SPT requisition will mirror the percentage change to the settlement has again been implemented for 2025/2026. Local authority partners have indicated the settlement will result in an increase of 1.95% which was reflected in the original proposed local authority requisition. If the final local authority settlement for 2025/2026 changes the SPT requisition will also change. It is assumed that revenue support grant from Transport Scotland will continue at the same level as 2024/2025 which represented a 5% decrease compared to previous financial years (£0.617m).

Notwithstanding the requisition increase noted above, the chart below demonstrates the reductions over the last decade and confirms that funding for transport at a regional level still remains a significant challenge, particularly in this period of high inflation. Since 2016, inflation as measured by CPI has increased by 29.5%, an additional financial burden which has been borne directly by SPT in that period.



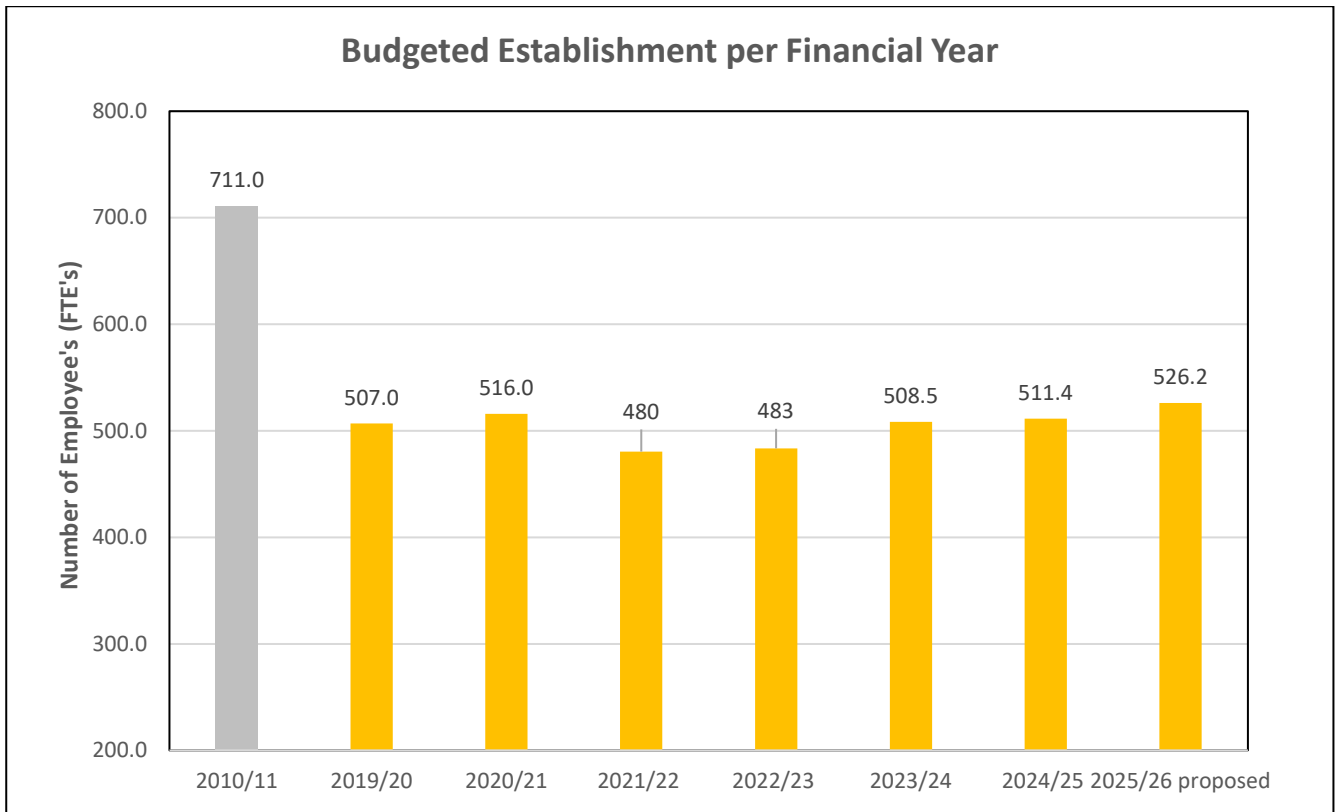
The proposed requisition for 2025/2026 split by local authority can be seen in Appendix 1.

The proposed revenue budget for 2025/2026 can be found at Appendix 2. It has been prepared on the assumption that Subway passenger numbers will be sustained at the current levels following a period of strong recovery and generate increased Subway income compared to the 2024/2025 budget. It has also been drafted after a comprehensive review of all expenditure lines, taking into account known cost pressures including increases in staff costs, bus contracts and other costs including the impact of inflation. Members' attention is drawn to the following:

- (i) The staff costs budget for 2025/2026 has been prepared reflecting the implementation of the COSLA pay award for 2024/2025 and an estimation of the 2025/2026 award recognising current inflationary levels in the UK. The planned staffing establishment for 2025/2026 (see graph below), includes increases to support the Subway modernisation transformation programme as well as strengthening other areas in support of organisational objectives including short term support for Clyde Metro and People and Places programme. It is anticipated that these increased resource levels in support of Subway modernisation will reduce on conclusion of the programme and consequential bedding in period of new systems and working practices.

Increased employer national insurance contributions which come into effect in April 2025 have been built into the 2025/2026. The increase in the contribution rate from 13.8% to 15% coupled with a reduction in the threshold for when employers need to start paying contributions from £9,100 to £5,000 has an ongoing increase of circa £0.488m per year. No additional funding has been received relative to these increased costs.

Offsetting the additional employee costs above are short term savings in other employee costs. In line with 2024/2025 the proposed employer contribution rate will be 6.5% in 2025/2026. This will then increase to 17.5% in 2026/2027. Although this reduction in contributions is extremely welcome in the current climate it is clear these savings in employee costs are very short term in nature and will not have a material impact on SPT's long term financial position.



- (ii) In relation to property costs there are some movements in 2025/2026 when compared to the 2024/2025 budget. These includes reductions in electricity costs based on current expenditure in 2024/2025 and the projected decrease in unit rates in 2025/2026. There has also been an increase in Subway cleaning costs in 2025/2026 due to a new cleaning regime and increased hours to ensure the new fleet is kept in good condition.
- (iii) Inflationary pressures have been factored in across a number of budget lines, in particular reflecting existing contracts with annual CPI contractual increases. This includes specific pressures impacting on cleaning and security costs in respect of real living wage increases. While these have been incorporated into the 2025/2026 draft budget, contractual increases are not at the same high level as previous financial year.
- (iv) Shared costs associated with the safe and secure operation of the Subway non-operational area (NOA) have been included within the 2025/2026 draft budget. This includes costs associated with security and traffic control officers who perform a safety function to control all movements within the NOA. These are agreed shared costs between SPT and ANSTA and the agreement will continue until these assets are fully handed over to SPT. This impacts on budget lines under property costs and third party payments. This is a continuation of transitional costs which were budgeted in 2024/2025.
- (v) The subsidised bus budget has been increased to reflect pre-existing annual contractual increases and also forecast increases for contracts due for renewal in 2025/2026 in line with current market conditions. In challenging times SPT has worked hard to protect the subsidised bus budget understanding the importance of supporting bus services in the SPT area. As part of the renewals process for 2025/2026 SPT have been looking at mitigations that can be put in place to reduce the cost of supported service renewals. These include reviewing specifications and altering timetables to ensure the best value possible for each contract is achieved. This has been achieved for some contracts by removing journeys with low passenger

numbers or providing scope for optional timetables offering enhanced provision and optional farescale.

However, if contract cost increases are sustained at this high level over the short to medium term then this will have a significant impact on future subsidised bus budgets with the potential for reduced network provision or frequency of services especially if the overall funding envelope stays the same or is reduced. In the worst case scenario this may result in contract cancellations or contracts not being renewed. Options will be assessed with a view to reducing the impact on future year budgets.

- (vi) Other third party payments have increased in 2025/2026 in comparison to 2024/2025. The main reason for this is increased Subway TSSSA costs in line with agreed profile and inflation incorporated. This is partially offset by a reduction in core consultancy costs and computer maintenance costs. This budget also includes budgets for the People and Places Programme revenue projects administered by SPT, Clyde Metro and Bus Reform which is either fully funded by external funding from Transport Scotland or Glasgow City Region City Deal or a draw on reserves.
- (vii) The Subway income budget has been prepared on the basis that the strong patronage figures seen in 2024/2025 will be sustained in 2025/2026. It also incorporates plans for an increase in Subway fares in January 2026, largely on the same basis as that which was implemented in January 2025, and which will take cognisance of other public transport fare increases and also economic circumstances, as detailed in section 4 below.
- (viii) Bus Operations income has decreased in 2025/2026 due to decreased income for supported bus services from external stakeholders in comparison with 2024/2025. This is partially offset by increased income projected for bus station facilities. These include departure charges, parking charges, passenger related facilities (left luggage and toilet income) and also rental income. Budget projections are in line with 2024/2025 outturns for these income sources. It also factors in annual increases in departure and parking charges which are detailed in section 4 below.
- (ix) Interest received has been estimated based on current interest rate and cashflow forecasts. Rates of return have decreased in the current financial year and have likely now peaked in 2024/2025 with the anticipation that rates will fall further over the next 12 months. The projected rate reduction as well as a fall in cash balances held by SPT have been incorporated into the budget in 2025/2026 with a further drop in 2026/2027 likely. The long term fall off thereafter is included in the Long Term Financial Strategy (LTFS).
- (x) A planned revenue contribution to the Capital Budget to provide support to the programme, in line with previous budgets. As members are aware no general capital grant was provided by the Scottish Government in 2024/2025. It is anticipated that the Scottish Government will provide £12.4m in general capital grant in 2025/2026. Although this is welcome it remains significantly below historical annual levels of £25m, making it necessary to supplement the general capital funding grant to support transport projects across the SPT area including a number of strategic and multi modal projects. This will be detailed further in the Capital Plan paper being presented to this Committee.
- (xi) A planned contribution to the Subway Fund to support Subway Modernisation transition costs. As mentioned above, this includes the requirement for additional short term resources during 2025/2026 and 2026/2027 and additional external costs for the Subway non-operational area security and traffic control officers to control all movements in the NOA. The fund will also cover costs relating to organisation change and changes relating to the Target Operating Model. Subway transitional costs can be covered from within the overall revenue budget in 2025/2026. However, as costs

increase in 2026/2027 transitional costs will be funded in part from core budget funding with the balance funded from a draw on the Subway Fund.

Taking all of the above into account, a balanced budget is now presented to the Strategy & Programmes Committee for consideration and, subject to members' comments and further refinements, subsequent approval by the Partnership. Further work will continue before Partnership approval to minimise the uncertainties around some of the assumptions made.

4. Proposals for Fares, Fees and Charges

As part of the budget setting process, SPT has reviewed the fares, fees and charges that it sets for the various services that it provides to both the traveling public and transport operators. In reviewing the fares SPT has considered the potential increased income as well as the potential impact to the travelling public, operators and other stakeholders.

Subway fares are reviewed annually to ensure that all fares are set at an appropriate level for the service provided, whilst taking account of the offerings of other operators in the area. Subway fares were increased by around 3% in January 2025. A broadly similar approach is proposed for January 2026, to ensure appropriate income levels are generated to support operational costs. There are also some other factors to consider for 2026.

Towards the end of 2025, contactless payment – using debit card, credit card, or mobile wallet – will be introduced at Subway gates for the first time. Pricing for travel using this payment method will need to be included in the 2026 fares. There will now be three comparable options for Subway travel – contactless payment, disposable ticket and Pay As You Go (PAYG) on smart. To improve equality of access and make Subway travel easier to understand and use, SPT intends working towards offering the same pricing for all three ticketing/payment options. Aligning these prices in one year is challenging as the difference in price for an adult single disposable ticket is £0.20 higher than the price for an adult single PAYG on smart ticket. In order to mitigate the level of increase for existing PAYG customers this change will be phased over two years.

Contactless payment at the Subway entry gates will offer significant convenience benefits for many customers. However, SPT recognises that contactless payment (and smartcard ticketing) are not accessible for all customers. As a result single, return and day ticket prices for adult disposable tickets (which are accessible to cash customers) will be retained and those prices will be frozen from 2025 to 2026, which is a real-terms reduction taking into account inflation.

The single and daily cap contactless prices will be matched to PAYG smart prices for 2026. These will be further aligned to also match the disposable ticket price in 2027. Contactless customers will also benefit from a weekly price cap when making 5 or more return journeys in any Monday-Sunday period; this has been matched to the weekly season ticket price. Child season ticket prices have been frozen at 2025 levels. All other prices (including car parking charges) have been increased by around 3%, subject to some rounding affecting the exact percentages particularly for the lowest cost tickets.

Concession fares are set separately by Strathclyde Concessionary Travel Scheme Joint Committee. From April 2025 onwards the concession fare will be set at half of the standard adult fare, subject to a minimum of £1.00 single and £1.50 return. The single concession fare for Subway remains at the minimum level in 2026 while the return will increase in line with adult PAYG on smart.

For context, the last change to Subway fares prior to January 2024 was in April 2019 and SPT absorbed all additional cost and income pressures during and after the pandemic without passing these costs onto passengers. It is proposed that implementation of these proposed fares be scheduled for January 2026 to align to other rail operator's fare increases. In budgeting for Subway income, consideration is given to many factors – fare increases, current

and trending patronage levels, plans which may inadvertently risk service disruption, reliability and quality of service provision, and general economic and market conditions.

PAYG on Smart	Current Fare 2025	Proposed Fare 2026	Change
Adult Single	£1.65	£1.80	£0.15
Adult Daily Cap	£3.20	£3.40	£0.20
Child Single	£0.85	£0.90	£0.05
Child Daily Cap	£1.60	£1.65	£0.05
Concession Single	£1.00	£1.00	£0.00
Concession Return	£1.60	£1.70	£0.10
Disposable	Current Fare 2025	Proposed Fare 2026	Change
Adult Single	£1.85	£1.85	£0.00
Adult Return	£3.50	£3.50	£0.00
Adult Daily	£4.45	£4.45	£0.00
Child Single	£0.90	£0.95	£0.05
Child Return	£1.65	£1.70	£0.05
Child Daily	£2.20	£2.25	£0.05
Concession Single	£1.00	£1.00	£0.00
Concession Return	£1.60	£1.70	£0.10
Contactless (cEMV)	Current Fare 2025	Proposed Fare 2026	Change
Adult Single	N/A	£1.80	N/A
Adult Daily Cap	N/A	£3.40	N/A
Adult Weekly Cap	N/A	£15.50	N/A
Season Tickets – Online	Current Fare 2025	Proposed Fare 2026	Change
Adult 7 day	£14.00	£14.50	£0.50
Adult 28 day	£53.50	£55.00	£1.50
Adult 10 week	£128.00	£132.00	£4.00
Adult 6 month	£265.00	£275.00	£10.00
Adult Annual	£485.00	£500.00	£15.00
Child 7 day	£6.50	£6.50	£0.00
Child 28 day	£25.00	£25.00	£0.00
Child 10 week	£60.00	£60.00	£0.00
Child 6 month	£125.00	£125.00	£0.00
Child Annual	£225.00	£225.00	£0.00
Season Tickets (in stations)	Current Fare 2025	Proposed Fare 2026	Change
Adult 7 day	£15.00	£15.50	£0.50
Adult 28 day	£58.00	£60.00	£2.00
Adult 6 month	£285.00	£295.00	£10.00

Adult Annual	£500.00	£515.00	£15.00
Child 7 day	£7.00	£7.00	£0.00
Child 28 day	£27.00	£27.00	£0.00
Child 6 month	£135.00	£135.00	£0.00
Child Annual	£245.00	£245.00	£0.00
Park and Ride	Current Fare 2025	Proposed Fare 2026	Change
Park and Ride (return disposable)	£7.90	£8.15	£0.25
Park and Ride (all day PAYG) (from 1 April 2025)	£7.90	£8.15	£0.25
Concession Park and Ride (return disposable) (from 1 April 2025)	£6.30	£6.45	£0.15
Concession Park and Ride (all day PAYG)	£6.30	£6.45	£0.15
Parking only - 30 minutes	£1.05	£1.10	£0.05
Parking only - 1 hour	£2.05	£2.10	£0.05
Parking only - 2 hours	£3.10	£3.20	£0.10
Parking only - all day	£7.90	£8.15	£0.25
Park and Ride - 7 day season ticket	£37.00	£38.00	£1.00
Park and Ride - 28 day season ticket	£139.00	£143.00	£4.00
Park and Ride - 6 month season ticket	£695.00	£715.00	£20.00
Park and Ride - annual season ticket	£1,230.00	£1,270.00	£40.00
Overstay day rate	£7.90	£8.15	£0.25
Parking add-on	£4.70	£4.75	£0.05

In addition to Subway fares, there are a number of other fees and charges applicable at Bus Stations and applied to Subsidised Bus Services. Bus station departure charges are a core element in the funding of SPT's bus stations and are graded to reflect the services provided at each bus station. The current bus station departure charging regime allows SPT to increase charges annually in line with movements between CPI in August each year. The increase of 2.2% will be applied to charges in April 2025.

SPT also has a small number of other fares in operation for subsidised bus services and My Bus services (known as the bus maximum fare table). This is the maximum fare that operators fulfilling SPT contracts can apply. This farescale had not been increased since April 2018 prior to the last increase in August 2024. Many operators who operate SPT contracts have made representation that the maximum fare table is currently out of step with the cost of operating services and a number of recent tenders have been awarded using optional farescales which are more aligned to the operators' commercial fare structure. Therefore, it is proposed that fares increase by 3% in 2025/2026. This will be applied in April 2025, so it is aligned to the start of the financial year.

5. Long Term Financial Strategy and Reserves

The Partnership is required to update and approve its Long Term Financial Strategy (LTFS). The LTFS has been drafted based on the current estimates within the 2025/2026 and 2026/2027 draft revenue budgets with future projections for costs and income being adjusted by various indices over the years. In addition to the inflationary increases and decreases that have been applied changes have been made for assumed future changes in the organisation, most notably with respect to Subway modernisation.

The forecasts can be broken down into three main categories:

- Short term forecast
- Medium term forecast
- Long term forecast

As would be expected the further out the forecast gets in years the less reliable it may be as there are many factors that may change in the internal or external environment that could affect the forecasts but are not known at this time. The LTFS demonstrates the projected requirement to utilise the Subway Fund reserve, as planned, in the short to medium term to support the transition to a modernised system and mode of operation, including longer operating hours. In addition, SPT recognises the need to continue with the current programme of business improvement and operational reviews to drive further efficiencies throughout the organisation.

The reserves policy states that reserve balances must be reported / reviewed annually as part of the budget setting process to the Partnership. The current reserves held by SPT along with the projected balances at 31 March 2025 are detailed in Appendix 4. It is anticipated, based on the current revenue position for 2024/2025, that there will be additions to Reserves. However, there will be an overall net decrease in reserves in 2024/2025 as a result of the complete removal of general capital funding and contribution to the Subway Modernisation project by Transport Scotland in 2024/2025. This requires SPT to draw on the Subway Fund and the Subway Infrastructure Fund at a higher value than originally planned.

6. Conclusion

The proposed revenue budget for 2025/2026 has been drafted taking account of SPT's and our partners priorities and links planned spend to desired outcomes but also the current external environment which all public sector organisations have faced over recent years and into the future. The financial challenges continue and SPT continues to work to maintain a stable, sustainable financial position whilst delivering transport services and developments for the residents and businesses in the west of Scotland. The proposed budget presented at Appendix 2 and LTFS at Appendix 3 and Reserves at Appendix 4 are cornerstones in achieving those objectives.

7. Committee action

Notwithstanding that the final Local Government Settlement remains outstanding, the committee is requested to consider and recommend to the Partnership of 14 March 2025 the approval of:

- (i) the attached draft revenue budget for 2025/2026 at Appendix 2 of £37.267m, subject to refinements over the coming weeks;

- (ii) requisitions totalling £36.650m, an increase of 1.95% compared to 2024/2025, noting that this will be amended to reflect any final change in the local government settlement formula;
- (iii) an increase to Subway fares in January 2026 as outlined in section 4;
- (iv) an increase to bus station departure and parking charges in April 2025 as outlined in section 4;
- (v) an increase in the maximum permitted farescale for supported bus services in April 2025 as outlined in section 4;
- (vi) the update to the LTFS in Appendix 3; and
- (vii) the current Reserves Policy in Appendix 4.

7. Consequences

Policy consequences	<i>Draft budget has been aligned to agreed priorities.</i>
Legal consequences	<i>Requirement to set a balanced budget will be satisfied with Partnership approval.</i>
Financial consequences	<i>As detailed in the report.</i>
Personnel consequences	<i>As detailed in the report.</i>
Equalities consequences	<i>None directly.</i>
Risk consequences	<i>As detailed in the report.</i>
Climate Change, Adaptation & Carbon consequences	<i>Draft budget has been aligned where possible to agreed priorities including related to Climate Change, Adaptation and Carbon management priorities.</i>

Name	Lesley Aird	Name	Valerie Davidson
Title	Director of Finance & Corporate Support	Title	Chief Executive

For further information, please contact *Stuart Paul, Head of Finance* on 0141 333 3382.



Proposed Council Requisition - SPT

Financial Year 2025/2026

	Requisition Financial Year 2024/2025	Proposed Financial Year 2025/2026
Argyll and Bute	412,121	424,881
East Ayrshire	1,933,883	1,959,967
East Dunbartonshire	1,752,230	1,772,979
East Renfrewshire	1,556,109	1,600,437
Glasgow	9,978,062	10,257,893
Inverclyde	1,260,319	1,271,422
North Ayrshire	2,144,472	2,168,057
North Lanarkshire	5,481,746	5,549,426
Renfrewshire	2,954,677	3,027,845
South Ayrshire	1,794,026	1,815,181
South Lanarkshire	5,259,905	5,360,977
West Dunbartonshire	1,421,074	1,440,556
Total Requisition	35,948,625	36,649,623

1. Assumes 1.95% increase in overall requisition at this stage but this may change before Partnership approval.
2. Change in % allocation to Councils due to update on the latest Mid Point population survey (mid-2023)
3. SPT covers the Helensburgh and Lomond area of Argyll and Bute.



Budget Report by Division

Draft Budget Summary - 2025/26 - 2026/27

	Historic Data	Proposed		Draft	
	Budget 2024/25	Budget 2025/26	Variance 24/25 v 25/26	Budget 2026/27	Variance 25/26 v 26/27
Chief Executive					
Policy & Strategy	687,132	858,231	(171,099)	964,778	(106,548)
Chief Executive Unit	1,504,917	1,548,922	(44,006)	1,745,451	(196,528)
Total Chief Executive	2,192,048	2,407,153	(215,105)	2,710,229	(303,076)
Operations					
Subway	9,405,301	9,975,208	(569,907)	11,768,128	(1,792,920)
Bus Operations	19,046,411	20,196,695	(1,150,284)	21,761,645	(1,564,950)
Projects	338,924	286,793	52,130	321,904	(35,111)
Health and Safety	179,060	187,948	(8,888)	214,104	(26,156)
Customer Standards	655,808	688,627	(32,819)	766,407	(77,780)
Total Operations	29,625,503	31,335,271	(1,709,768)	34,832,188	(3,496,917)
Business Support					
Finance	1,410,993	1,545,131	(134,139)	1,737,391	(192,260)
Digital	1,441,875	1,407,461	34,414	1,609,596	(202,134)
Human Resources	372,961	387,235	(14,274)	434,284	(47,049)
Elected Members	64,278	67,000	(2,722)	67,000	-
Contact Centre	350,361	372,062	(21,701)	413,326	(41,264)
Corporate	(3,101,400)	(4,161,820)	1,060,420	(1,555,957)	(2,605,863)
Total Business Support	539,067	(382,932)	921,999	2,705,639	(3,088,571)
Contribution to Subway Fund (modernisation transitional costs)	-	922,156	(922,156)	-	922,156
Contribution to Capital Funded from Revenue	4,241,507	2,985,000	1,256,507	-	2,985,000
Net Total	36,598,125	37,266,649	(668,524)	40,248,056	(2,981,407)
Funded by:					
SPT Requisition	35,948,625	36,649,624	700,999	36,649,624	-
RTP Core Funding	649,500	617,025	(32,475)	617,025	-
Transport Future Investment Fund	-	-	-	1,500,000	(1,500,000)
Subway Fund	-	-	-	1,481,407	(1,481,407)
Total Funding	36,598,125	37,266,649	0	40,248,056	(2,981,407)
Difference	0	0	0	0	0



Revenue Monitoring Report

Draft Budget Summary - 2025/26 - 2026/27

Historic Data	Proposed		Draft		Notes	
Budget 2024/25	Budget 2025/26	Variance 24/25 v 25/26	Budget 2026/27	Variance 25/26 v 26/27		
EXPENDITURE						
Employee Costs					1. Increased costs due to projected cost of living uplifts, increments, short term roles to support Subway Modernisation programme transitional arrangements and roles for the new Subway Operations Control Centre. 2. 2024/2025 overtime included allowance for enhanced BARST work for Axiom. 3. Increased oncosts due to increased establishment in 2025/2026 and increased national insurance contributions. 2026/2027 also includes increase in pension contributions from 6.5% to 17.5%. 4. Based on current run rate of electricity costs in 2024/2025 and projected decrease in unit rates in 2025/2026. 5. Due to increase in contract costs across all areas including real living wages increases and CPI for cleaning and security. Also includes increase in cleaning costs due to additional cleaning hours required at the Subway and provision for OCC security costs in 2025/2026. 6. Reduced expenditure on old rolling stock due to new trains being in operation and increased capitalisation projected based on assessment of planned work in 2025/2026. 7. Projected contract costs in 2025/2026 based on current active contracts. Increase due to provision for contract inflation and renewals. 8. Includes increase costs of TSSSA in line with profile offset by reduced Subway consultancy costs, BTIP costs and corporate computer maintenance costs. Also includes budgets for People and Places Programme, Clyde Metro and Bus Reform which is fully funded by external funding or a draw on reserves below. 9. A planned contribution to the Subway Fund in 2025/2026 to support transitional costs in future financial years. 10. A planned revenue contribution to the Capital Budget to provide support to the programme in 2025/2026. 11. Increased Subway income in 2025/2026 based on 2023/2024 actuals and current 2024/2025 run rate. Also incorporates 3% fares increase annually in January each year. 12. Reduction in income due to reduced funding for supported bus services. This was partially offset by increased departure charges and rental income at bus stations. 13. Based on projected cash balances and interest rates. Interest expected to drop in 2026/2027. 14. Includes matched funding for People and Places Programme and Clyde Metro (please see note 8 above).	
Salaries	21,314,551	22,479,201	(1,164,650)	23,896,235		(1,417,034)
Overtime	721,236	689,258	31,978	698,446		(9,188)
Other Employee Costs	4,142,614	4,512,914	(370,300)	7,486,332		(2,973,418)
Sub Total Employee Costs	26,178,401	27,681,373	(1,502,973)	32,081,013		(4,399,640)
Property Costs						
Electricity	3,849,228	3,640,405	208,823	3,631,916		8,488
Repairs and Maintenance	436,500	454,000	(17,500)	464,000		(10,000)
Property Insurance	468,000	440,500	27,500	461,410		(20,910)
Other Property Costs	5,011,366	5,609,646	(598,279)	5,596,606		13,040
Sub Total Property Costs	9,765,094	10,144,550	(379,456)	10,153,932	(9,382)	
Supplies & Services	1,263,816	1,163,134	100,682	1,217,972	(54,838)	
Transport & Plant Costs	138,100	131,000	7,100	131,000	-	
Third Party Payments						
Bus Operator Payments	16,764,826	17,508,905	(744,079)	18,344,350	(835,445)	
Communications	370,000	370,000	(0)	370,000	-	
Other Third Party Payments	11,285,558	15,712,701	(4,427,142)	13,871,612	1,841,089	
Sub Total Third Party Payments	28,420,384	33,591,606	(5,171,221)	32,585,962	1,005,644	
Financing Costs						
Contribution to Subway Fund (modernisation transitional costs)	-	922,156	(922,156)	-	922,156	
Contribution to Capital Funded from Revenue	4,241,507	2,985,000	1,256,507	-	2,985,000	
Sub Total Financing Costs	4,241,507	3,907,156	334,351	-	3,907,156	
TOTAL EXPENDITURE	70,007,302	76,618,820	(6,611,518)	76,169,879	448,941	
INCOME						
Subway Income	(20,903,528)	(22,193,278)	1,289,749	(22,780,767)	587,489	
Bus Operations Income	(3,972,887)	(3,756,817)	(216,070)	(3,618,869)	(137,947)	
Agency Income - Agency Fee	(1,625,361)	(1,666,577)	41,216	(1,740,687)	74,111	
Interest Received	(6,500,000)	(7,000,000)	500,000	(5,700,000)	(1,300,000)	
Other Income	(407,400)	(4,735,500)	4,328,100	(2,081,500)	(2,654,000)	
TOTAL INCOME	(33,409,177)	(39,352,171)	5,942,995	(35,921,823)	(3,430,348)	
Net Total	36,598,125	37,266,649	(668,524)	40,248,056	(2,981,407)	
Funded by:						
SPT Requisition	35,948,625	36,649,624	700,999	36,649,624	-	
RTP Core Funding	649,500	617,025	(32,475)	617,025	-	
Transport Future Investment Fund	-	-	-	1,500,000	(1,500,000)	
Subway Fund	-	-	-	1,481,407	(1,481,407)	
Total Funding	36,598,125	37,266,649	-	40,248,056	(2,981,407)	
Difference	0	0	-	0	0	



Budget Report by Directorate - Policy & Strategy

Draft Budget Summary - 2025/26 - 2026/27

	Historic Data	Proposed		Draft		Notes
	Budget 2024/25	Budget 2025/26	Variance 24/25 v 25/26	Budget 2026/27	Variance 25/26 v 26/27	
EXPENDITURE						
Employee Costs						
Salaries	572,496	699,984	(127,488)	722,285	(22,301)	1
Other Employee Costs	97,135	140,747	(43,611)	224,993	(84,246)	2
Sub Total Employee Costs	669,632	840,731	(171,099)	947,278	(106,548)	
Supplies & Services	1,000	1,000	(0)	1,000	-	
Transport & Plant Costs	1,500	1,500	0	1,500	-	
Third Party Payments						
Communications	15,000	15,000	(0)	15,000	-	
Sub Total Third Party Payments	15,000	15,000	(0)	15,000	-	
TOTAL EXPENDITURE	687,132	858,231	(171,099)	964,778	(106,548)	
Net Total	687,132	858,231	(171,099)	964,778	(106,548)	

Notes

1. Increased costs due to projected cost of living uplifts, increments and short term roles to support Clyde Metro development and People and Places Programme.
2. Increased oncosts due to increased establishment in 2025/2026 and increased national insurance contributions. 2026/2027 also includes increase in pension contributions from 6.5% to 17.5%.



Budget Report by Directorate - Chief Executive Unit

Draft Budget Summary - 2025/26 - 2026/27

	Historic Data	Proposed		Draft		Notes
	Budget 2024/25	Budget 2025/26	Variance 24/25 v 25/26	Budget 2026/27	Variance 25/26 v 26/27	
EXPENDITURE						
Employee Costs						
Salaries	1,274,787	1,310,656	(35,869)	1,350,202	(39,546)	1
Other Employee Costs	217,129	265,266	(48,137)	422,248	(156,982)	2
Sub Total Employee Costs	1,491,916	1,575,922	(84,006)	1,772,451	(196,528)	
Supplies & Services	8,000	(32,000)	40,000	(32,000)	-	3
Transport & Plant Costs	5,000	5,000	-	5,000	-	
TOTAL EXPENDITURE	1,504,917	1,548,922	(44,006)	1,745,451	(196,528)	
Net Total	1,504,917	1,548,922	(44,006)	1,745,451	(196,528)	

Notes

1. Increased costs due to projected cost of living uplifts and increments.
2. Increased oncosts due to increased national insurance contributions. 2026/2027 also includes increase in pension contributions from 6.5% to 17.5%.
3. Reflects capitalisation recharges related to the Corporate Programme Assurance team.



Budget Report by Directorate - Subway

Draft Budget Summary - 2025/26 - 2026/27

	Historic Data	Proposed		Draft		Notes
	Budget 2024/25	Budget 2025/26	Variance 24/25 v 25/26	Budget 2026/27	Variance 25/26 v 26/27	
EXPENDITURE						
Employee Costs						
Salaries	12,241,975	12,804,988	(563,013)	13,905,730	(1,100,742)	1
Overtime	595,736	613,258	(17,522)	621,006	(7,748)	
Other Employee Costs	2,009,276	2,574,569	(565,293)	4,372,298	(1,797,729)	2
Sub Total Employee Costs	14,846,987	15,992,815	(1,145,828)	18,899,033	(2,906,219)	
Property Costs						
Electricity	3,382,560	3,263,976	118,584	3,263,976	-	3
Property Insurance	430,000	405,000	25,000	425,250	(20,250)	4
Other Property Costs	2,921,921	3,451,924	(530,003)	3,298,083	153,841	4
Sub Total Property Costs	6,734,481	7,120,900	(386,419)	6,987,309	133,591	
Supplies & Services	1,028,299	955,460	72,839	1,078,949	(123,489)	5
Transport & Plant Costs	9,000	5,000	4,000	5,000	-	
Third Party Payments						
Bus Operator Payments	35,545	39,099	(3,554)	41,054	(1,955)	
Other Third Party Payments	7,654,517	8,055,212	(400,695)	7,537,549	517,663	6
Sub Total Third Party Payments	7,690,062	8,094,311	(404,249)	7,578,603	515,708	
TOTAL EXPENDITURE	30,308,829	32,168,485	(1,859,657)	34,548,894	(2,380,409)	
INCOME						
Subway Income	(20,903,528)	(22,193,278)	1,289,749	(22,780,767)	587,489	7
TOTAL INCOME	(20,903,528)	(22,193,278)	1,289,749	(22,780,767)	587,489	
Net Total	9,405,301	9,975,208	(569,907)	11,768,128	(1,792,920)	

Notes

1. Increased costs due to projected cost of living uplifts, increments, short term roles to support Subway Modernisation programme transitional arrangements and roles for the new Subway Operations Control Centre.
2. Increased oncosts due to increased establishment in 2025/2026 and increased national insurance contributions. 2026/2027 also includes increase in pension contributions from 6.5% to 17.5%.
3. Based on current run rate of electricity costs in 2024/2025 and projected decrease in unit rates in 2025/2026.
4. Due to increase in contract costs across all areas including real living wages increases and CPI for cleaning and security. Also includes increase in cleaning costs due to additional cleaning hours required at the Subway and provision for OCC security costs in 2025/2026.
5. Reduced expenditure on old rolling stock due to new trains being in operation partially offset by increased bank charges as a result of increased ticket sales.
6. Includes increase costs of TSSSA in line with profile offset by reduced Subway consultancy costs and BTP costs.
7. Increased Subway income in 2025/2026 based on 2023/2024 actuals and current 2024/2025 run rate. Also incorporates 3% fares increase annually in January each year.



Budget Report by Directorate - Bus Operations

Draft Budget Summary - 2025/26 - 2026/27

	Historic Data	Proposed		Draft		Notes
	Budget 2024/25	Budget 2025/26	Variance 24/25 v 25/26	Budget 2026/27	Variance 25/26 v 26/27	
EXPENDITURE						
Employee Costs						
Salaries	3,052,557	3,077,874	(25,317)	3,171,037	(93,163)	1
Overtime	100,000	58,500	41,500	59,940	(1,440)	2
Other Employee Costs	482,264	604,738	(122,474)	972,810	(368,072)	3
Sub Total Employee Costs	3,634,821	3,741,112	(106,291)	4,203,788	(462,676)	
Property Costs						
Electricity	350,028	291,429	58,599	282,940	8,488	4
Repairs and Maintenance	409,000	419,000	(10,000)	429,000	(10,000)	
Property Insurance	24,000	22,000	2,000	22,660	(660)	
Other Property Costs	1,610,568	1,715,565	(104,997)	1,842,340	(126,775)	5
Sub Total Property Costs	2,393,596	2,447,993	(54,398)	2,576,940	(128,947)	
Supplies & Services	68,000	74,000	(6,000)	75,500	(1,500)	
Transport & Plant Costs	113,100	109,100	4,000	109,100	-	
Third Party Payments						
Bus Operator Payments	16,729,282	17,469,806	(740,525)	18,303,296	(833,490)	6
Other Third Party Payments	300,500	321,500	(21,000)	321,890	(390)	
Sub Total Third Party Payments	17,029,782	17,791,306	(761,525)	18,625,186	(833,880)	
TOTAL EXPENDITURE	23,239,298	24,163,512	(924,213)	25,590,514	(1,427,003)	
INCOME						
Bus Operations Income	(3,972,887)	(3,756,817)	(216,070)	(3,618,869)	(137,947)	7
Agency Fee Income - Councils	(220,000)	(210,000)	(10,000)	(210,000)	-	
TOTAL INCOME	(4,192,887)	(3,966,817)	(226,070)	(3,828,869)	(137,947)	
Net Total	19,046,411	20,196,695	(1,150,284)	21,761,645	(1,564,950)	

- Notes**
1. Increased costs due to projected cost of living uplifts and increments
 2. 2024/2025 overtime included allowance for enhanced BARST work for Axiom.
 3. Increased oncosts due to increased national insurance contributions. 2026/2027 also includes increase in pension contributions from 6.5% to 17.5%.
 4. Based on current run rate of electricity costs in 2024/2025 and projected decrease in unit rates in 2025/2026.
 5. Due to increase in contract costs across all areas including real living wages increases and CPI for cleaning and security.
 6. Projected contract costs in 2025/2026 based on current active contracts. Increase due to provision for contract inflation and renewals.
 7. Reduction in income due to reduced funding for supported bus services. This was partially offset by increased departure charges and rental income at bus stations.



Budget Report by Directorate - Projects

Draft Budget Summary - 2025/26 - 2026/27

	Historic Data	Proposed		Draft		Notes
	Budget 2024/25	Budget 2025/26	Variance 24/25 v 25/26	Budget 2026/27	Variance 25/26 v 26/27	
EXPENDITURE						
Employee Costs						
Salaries	706,450	689,994	16,456	712,155	(22,161)	1
Other Employee Costs	120,859	139,349	(18,490)	222,450	(83,102)	2
Sub Total Employee Costs	827,309	829,343	(2,034)	934,605	(105,262)	
Supplies & Services	(493,385)	(547,549)	54,164	(617,701)	70,151	3
Transport & Plant Costs	5,000	5,000	(0)	5,000	-	
TOTAL EXPENDITURE	338,924	286,793	52,130	321,904	(35,111)	
Net Total	338,924	286,793	52,130	321,904	(35,111)	

Notes

1. Reduction of 1 post offset by increased costs due to projected cost of living uplifts and increments.
2. Increased oncosts due to increased national insurance contributions. 2026/2027 also includes increase in pension contributions from 6.5% to 17.5%.
3. Reflects increased capitalisation projected based on assessment of planned work in 2025/2026.



Budget Report by Directorate - Health and Safety

Draft Budget Summary - 2025/26 - 2026/27

	Historic Data	Proposed		Draft		Notes
	Budget 2024/25	Budget 2025/26	Variance 24/25 v 25/26	Budget 2026/27	Variance 25/26 v 26/27	
EXPENDITURE						
Employee Costs						
Salaries	151,362	155,143	(3,781)	161,695	(6,553)	1
Other Employee Costs	26,898	32,006	(5,107)	51,609	(19,603)	2
Sub Total Employee Costs	178,260	187,148	(8,888)	213,304	(26,156)	
Supplies & Services	600	600	0	600	-	
Transport & Plant Costs	200	200	(0)	200	-	
TOTAL EXPENDITURE	179,060	187,948	(8,888)	214,104	(26,156)	
Net Total	179,060	187,948	(8,888)	214,104	(26,156)	

Notes

1. Increased costs due to projected cost of living uplifts and increments.
2. Increased oncosts due to increased national insurance contributions. 2026/2027 also includes increase in pension contributions from 6.5% to 17.5%.



Budget Report by Directorate - Customer Standards

Draft Budget Summary - 2025/26 - 2026/27

	Historic Data	Proposed		Draft		Notes
	Budget 2024/25	Budget 2025/26	Variance 24/25 v 25/26	Budget 2026/27	Variance 25/26 v 26/27	
EXPENDITURE						
Employee Costs						
Salaries	509,246	520,399	(11,152)	535,981	(15,582)	1
Overtime	10,000	10,000	(0)	10,000	-	
Other Employee Costs	82,561	104,228	(21,667)	166,426	(62,198)	2
Sub Total Employee Costs	601,807	634,627	(32,819)	712,407	(77,780)	
Supplies & Services	53,000	53,000	0	53,000	-	
Transport & Plant Costs	1,000	1,000	(0)	1,000	-	
TOTAL EXPENDITURE	655,808	688,627	(32,819)	766,407	(77,780)	
Net Total	655,808	688,627	(32,819)	766,407	(77,780)	

Notes

1. Increased costs due to projected cost of living uplifts and increments.
2. Increased oncosts due to increased national insurance contributions. 2026/2027 also includes increase in pension contributions from 6.5% to 17.5%.



Budget Report by Directorate - Finance

Draft Budget Summary - 2025/26 - 2026/27

	Historic Data	Proposed		Draft		Notes
	Budget 2024/25	Budget 2025/26	Variance 24/25 v 25/26	Budget 2026/27	Variance 25/26 v 26/27	
EXPENDITURE						
Employee Costs						
Salaries	1,204,375	1,213,453	(9,078)	1,250,434	(36,981)	1
Other Employee Costs	195,918	236,478	(40,561)	386,256	(149,778)	2
Sub Total Employee Costs	1,400,293	1,449,931	(49,639)	1,636,691	(186,760)	
Supplies & Services	5,500	77,500	(72,000)	77,500	-	3
Transport & Plant Costs	200	200	(0)	200	-	
Third Party Payments						
Other Third Party Payments	5,000	17,500	(12,500)	23,000	(5,500)	3
Sub Total Third Party Payments	5,000	17,500	(12,500)	23,000	(5,500)	
TOTAL EXPENDITURE	1,410,993	1,545,131	(134,139)	1,737,391	(192,260)	
Net Total	1,410,993	1,545,131	(134,139)	1,737,391	(192,260)	

Notes

1. Increased costs due to projected cost of living uplifts and increments.
2. Increased oncosts due to increased national insurance contributions. 2026/2027 also includes increase in pension contributions from 6.5% to 17.5%.
3. Costs in relation to Smart Zonecard which will be recovered through the agency fee charged to scheme members.



Budget Report by Directorate - Digital

Draft Budget Summary - 2025/26 - 2026/27

	Historic Data	Proposed		Draft		Notes
	Budget 2024/25	Budget 2025/26	Variance 24/25 v 25/26	Budget 2026/27	Variance 25/26 v 26/27	
EXPENDITURE						
Employee Costs						
Salaries	1,210,227	1,168,179	42,049	1,221,204	(53,026)	1
Overtime	13,000	5,000	8,000	5,000	-	2
Other Employee Costs	182,167	231,283	(49,116)	380,391	(149,109)	3
Sub Total Employee Costs	1,405,394	1,404,461	932	1,606,596	(202,134)	
Supplies & Services	2,000	2,000	(0)	2,000	-	
Transport & Plant Costs	1,000	1,000	(0)	1,000	-	
Third Party Payments						
Other Third Party Payments	33,482	-	33,482	-	-	2
Sub Total Third Party Payments	33,482	-	33,482	-	-	
TOTAL EXPENDITURE	1,441,875	1,407,461	34,414	1,609,596	(202,134)	
Net Total	1,441,875	1,407,461	34,414	1,609,596	(202,134)	

Notes

1. Due to reduced establishment offset by increased costs due to projected cost of living uplifts and increments.
2. 2024/2025 included allowance increased overtime or agency support for enhanced BARST work for Axiom.
3. Increased oncosts due to increased national insurance contributions. 2026/2027 also includes increase in pension contributions from 6.5% to 17.5%.



Budget Report by Directorate - Human Resources

Draft Budget Summary - 2025/26 - 2026/27

	Historic Data	Proposed		Draft		Notes
	Budget 2024/25	Budget 2025/26	Variance 24/25 v 25/26	Budget 2026/27	Variance 25/26 v 26/27	
EXPENDITURE						
Employee Costs						
Salaries	314,300	314,823	(523)	324,227	(9,404)	1
Other Employee Costs	51,660	62,412	(10,752)	100,057	(37,645)	2
Sub Total Employee Costs	365,960	377,235	(11,274)	424,284	(47,049)	
Supplies & Services	7,000	10,000	(3,000)	10,000	-	
TOTAL EXPENDITURE	372,961	387,235	(14,274)	434,284	(47,049)	
Net Total	372,961	387,235	(14,274)	434,284	(47,049)	

Notes

1. Increased costs due to projected cost of living uplifts and increments.
2. Increased oncosts due to increased national insurance contributions. 2026/2027 also includes increase in pension contributions from 6.5% to 17.5%.



Budget Report by Directorate - Elected Members

Draft Budget Summary - 2025/26 - 2026/27

	Historic Data	Proposed		Draft	
	Budget 2024/25	Budget 2025/26	Variance 24/25 v 25/26	Budget 2026/27	Variance 25/26 v 26/27
EXPENDITURE					
Supplies & Services	62,278	64,000	(1,722)	64,000	-
Transport & Plant Costs	2,000	3,000	(1,000)	3,000	-
TOTAL EXPENDITURE	64,278	67,000	(2,722)	67,000	-
Net Total	64,278	67,000	(2,722)	67,000	-



Budget Report by Directorate - Contact Centre

Draft Budget Summary - 2025/26 - 2026/27

	Historic Data	Proposed		Draft		Notes
	Budget 2024/25	Budget 2025/26	Variance 24/25 v 25/26	Budget 2026/27	Variance 25/26 v 26/27	
EXPENDITURE						
Employee Costs						
Salaries	507,776	523,709	(15,934)	541,284	(17,575)	1
Overtime	2,500	2,500	(0)	2,500	-	
Other Employee Costs	68,746	96,339	(27,593)	161,292	(64,954)	2
Sub Total Employee Costs	579,022	622,548	(43,526)	705,076	(82,528)	
Supplies & Services	63,600	63,200	400	63,200	-	
Transport & Plant Costs	100	-	100	-	-	
Third Party Payments						
Other Third Party Payments	50,000	48,000	2,000	48,000	-	
Sub Total Third Party Payments	50,000	48,000	2,000	48,000	-	
TOTAL EXPENDITURE	692,722	733,748	(41,026)	816,276	(82,528)	
INCOME						
Agency Fee Income - Councils	(342,361)	(361,687)	19,326	(402,951)	41,264	3
TOTAL INCOME	(342,361)	(361,687)	19,326	(402,951)	41,264	
Net Total	350,361	372,062	(21,701)	413,326	(41,264)	

Notes

1. Increased costs due to projected cost of living uplifts and increments.
2. Increased oncosts due to increased national insurance contributions. 2026/2027 also includes increase in pension contributions from 6.5% to 17.5%.
3. Increased recovery from the Concessionary Travel Joint Committee due to increased employee costs above.



Budget Report by Directorate - Corporate

Draft Budget Summary - 2025/26 - 2026/27

	Historic Data	Proposed		Draft		Notes
	Budget 2024/25	Budget 2025/26	Variance 24/25 v 25/26	Budget 2026/27	Variance 25/26 v 26/27	
EXPENDITURE						
Employee Costs						
Other Employee Costs	177,000	25,500	151,500	25,500	-	1
Sub Total Employee Costs	177,000	25,500	151,500	25,500	-	
Property Costs						
Electricity	116,640	85,000	31,640	85,000	-	2
Repairs and Maintenance	27,500	35,000	(7,500)	35,000	-	
Property Insurance	14,000	13,500	500	13,500	-	
Other Property Costs	478,877	442,157	36,720	456,183	(14,026)	
Sub Total Property Costs	637,017	575,657	61,360	589,683	(14,026)	
Supplies & Services	457,924	441,924	16,000	441,924	-	
Third Party Payments						
Communications	355,000	355,000	(0)	355,000	-	
Other Third Party Payments	3,242,059	7,270,489	(4,028,430)	5,941,173	1,329,316	3
Sub Total Third Party Payments	3,597,059	7,625,489	(4,028,430)	6,296,173	1,329,316	
Financing Costs						
Contribution to Subway Fund (modernisation transitional costs)	-	922,156	(922,156)	-	922,156	4
Contribution to Capital Funded from Revenue	4,241,507	2,985,000	1,256,507	-	2,985,000	5
Sub Total Financing Costs	4,241,507	3,907,156	334,351	-	3,907,156	
TOTAL EXPENDITURE	9,110,507	12,575,726	(3,465,219)	7,353,280	5,222,446	
INCOME						
Agency Fee Income - Councils	(1,063,000)	(1,094,890)	31,890	(1,127,737)	32,847	
Interest Received	(6,500,000)	(7,000,000)	500,000	(5,700,000)	(1,300,000)	6
Other Income	(407,400)	(4,735,500)	4,328,100	(2,081,500)	(2,654,000)	7
TOTAL INCOME	(7,970,400)	(12,830,390)	4,859,990	(8,909,237)	(3,921,153)	
Net Total	1,140,107	(254,664)	1,394,771	(1,555,957)	1,301,293	

Notes

1. Due to reduced pension contributions required to the pension fund for retired members.
2. Based on current run rate of electricity costs in 2024/2025 and projected decrease in unit rates in 2025/2026.
3. Includes budgets for People and Places Programme, Clyde Metro and Bus Reform which is fully funded by external funding or a draw on reserves.
4. A planned contribution to the Subway Fund in 2025/2026 to support transitional costs in future financial years.
5. A planned revenue contribution to the Capital Budget to provide support to the programme in 2025/2026.
6. Based on projected cash balances and interest rates. Interest expected to drop in 2026/2027.
7. Includes matched funding for People and Places Programme and Clyde Metro (please see note 3 above).

APPENDIX 3

Strathclyde Partnership for Transport Long Term Financial Strategy (LTFS)

1. Introduction

The Partnership is currently operating in an extremely challenging environment with inflationary pressures impacting on all organisational costs. Conversely, the core requisition income that SPT receives is not rising in line with the external inflationary pressures, which will lead to a funding gap if corrective action is not taken. This Financial Strategy highlights the challenges that SPT will face in future years whilst taking account of known changes in the internal environment along with pressures and opportunities from the external environment.

The Financial Strategy doesn't stand alone and is one of a suite of internal strategies that complement each other, support the Corporate Plan and ensure sound organisational governance. The other strategies are touched upon along with external strategies that impact on the organisation. In addition, the framework that SPT has in place to ensure sound financial governance is detailed within the strategy.

The major financial risks facing the organisation are described along with the effect the risks will have if they come to fruition, the mitigation for the risk and the fall-back plan if the mitigations are not wholly successful.

Finally, the financial strategy should be a living document and kept under constant review. The parameters for review and seeking approval are also detailed.

2. Financial Context

2.1 Introduction

As touched upon in the introduction SPT is currently operating in a challenging financial environment with potentially significant cost and income pressures impacting on the organisation at present and over the medium to long term.

2.2 Core Funding

SPT receives its core funding via a requisition from the 12 local authorities within the SPT area. A revised funding methodology was agreed for 2018/2019 and subsequent years, which means there is certainty over the formula for determining the requisition amount and also how it will be apportioned across the 12 local authorities. The annual requisition will be adjusted each year by the movement in the floor calculation for all Scottish local authorities, which is published by the Scottish Government as part of their budget process. For every one percent reduction /increase SPT loses / gains approximately £360,000.

2.3 Subway Modernisation

Subway Modernisation continues to place increased cost pressures on the Partnership in the short term as SPT continues to operate both old and new systems, processes and equipment, which means that there is a period of double cost for the organisation.

Savings in the medium / long term may be generated through revised staffing models along with the negation of external costs in relation to the old rolling stock and associated equipment.

The savings in regards to areas like Maintenance will be driven by the ultimate performance of the new units and systems and technology which will negate some of the manual checks that previously had to be carried out on a regular basis.

Savings within Operations will be offset by additional costs related to extended operating hours and will be impacted by the eventual move to unattended train operations.

For the Subway as a whole, future operational models are currently being developed as part of the overall project, however latest estimates have been built into the current LTFS at this stage.

In addition to potential cost savings a year on year increase in Subway income has been factored into the LTFS. The increase is based on patronage growth of 1% each year from 2026/2027 for the next 5 years. In addition an uplift has been included for annual ticket price raises of 3%.

2.4 Subsidised Bus Services

The subsidised bus budget is an area that historically has been protected from any reductions and has increased significantly over the requisition percentage change over the past few years. SPT carried out a review of its Guideline Criteria for Subsidised Local Bus Services, but any potential financial benefit that could have been derived from the review has been negated by overall changes in the external bus market. Through the current service model SPT seeks to plug gaps in the commercial market, in line with the Framework for Supported Services, where an operator deems a service to be commercially unviable and where it is affordable for SPT to do so. This can result in services being run commercially during the day but being subsidised in the evenings or weekends even though if looked at as a whole the service may be viable.

It is clear that from a financial perspective the current delivery model and growing costs and demands are not sustainable in the long term and need to be reviewed whilst taking account of the options contained within the Transport (Scotland) Act 2019.

2.5 Transport (Scotland) Act 2019, Bus Reform and Clyde Metro

The Transport (Scotland) Act 2019 gave SPT more powers in respect of the bus market with for example, franchising now being possible. Work is ongoing to develop the Strathclyde Regional Bus Strategy (SRBS) with a report detailing the preferred market reform option due to go to the Partnership during 2025.

The SRBS may create a longer term solution which helps to negate the issues where SPT would need to plug gaps in the bus market for certain areas, but the powers have not been tested before in Scotland and therefore the costs and complexities of implementation are unknown.

However, allowance has been made within the LTFS for additional resources to take forward the initial development stages of the Strathclyde Regional Bus Strategy (SRBS) and Clyde Metro Projects, building on the experience of similar circumstances in England.

2.6 Staffing Costs

As employee costs amount to approximately 36% of SPT's gross expenditure any inflationary increase has a significant financial impact. The projected salary increase rate has been set at 3.5% a year, which is the rate used by the actuaries of the Strathclyde Pension Fund in their annual valuation of the funds for accounting purposes. An inflationary increase of 3.5% would cost the organisation approximately £1m annually or in simplistic terms over the 10-year financial projection pay awards could increase organisational costs by in excess of £10 million.

2.7 Inflation

Contracts are predominantly linked to the Consumer Price Index (CPI), which is currently running at 2.5% (December 2024), which is above the government target of 2%. The Office of Budget Responsibilities is currently forecasting the medium-term rate at the government target of 2%. Most general supplies and services that are procured by SPT can also increase year on year based on CPI. Service contracts that are labour intensive can also be affected by the annual change in the real living wage. For projection purposes varying indices have been used depending on the cost category (see section 6.3).

3. Economic Outlook

The UK economy continues to face challenges and uncertainty. Economic growth has been slow. Inflation has fallen back but is expected to rise again. Unemployment remains at historically low levels.

UK GDP in volume terms was estimated to have risen by 0.5% in 2024 Q2 (April to June). The expectation was that UK GDP would fall back to 0.25% per quarter over the second half of 2024. Four-quarter growth is expected to pick up to 1.75% in 2025 before falling back slightly as a margin of economic slack is projected to emerge during 2026.

CPI inflation decreased from 2.3% in April 2024 to 1.7% in September 2024 as previous global shocks subsided, although remaining domestic inflationary pressures are resolving more slowly. CPI inflation was expected to increase to 2.5% by the end of 2024 as weakness in energy prices falls out of the annual comparison. Thereafter, the expectation is that CPI inflation will fall back to the 2% target by 2026, as a margin of economic slack emerges and acts against second-round effects in domestic prices and wages.

The unemployment rate was 4.1% in the three months to July 2024. Conditions in the labour market have eased, although they appear to be relatively tight by historical standards. Pay growth has slowed. The unemployment rate is expected to rise gradually to 4.4% by 2027 Q4 (October to December).

4. Links to Other Strategies

4.1 Introduction

The Partnerships financial strategy draws upon and complements a number of SPT's internal strategies as well as strategies and guidance from its key stakeholders. The most significant of these being the RTS.

4.2 Regional Transport Strategy (RTS)

The primary strategy covering SPT's activities is the Regional Transport Strategy 2023 – 2038 (RTS) https://www.spt.co.uk/media/nr2c0jtt/spt_regional-transport-strategy-2023-2038.pdf . The new RTS contains 10 policy themes, which are detailed and described below: -

- **Policy Theme: Accessing and using transport**

This policy theme focuses on ensuring everyone can use the transport system by improving the accessibility, affordability, availability and safety of the transport system.

- **Policy Theme: Reducing the need to travel and managing demand for car Travel**

This policy theme focuses on reducing the need to travel and, in particular, reducing travel by car to help reduce harmful transport emissions, improve our health and overall quality of life, and enable investment in sustainable transport.

- **Policy Theme: Enabling walking, wheeling and cycling**

This policy theme focuses on making walking, wheeling and cycling the natural choice for shorter everyday journeys to improve our quality of life and to support a modal shift to more sustainable travel.

- **Policy Theme: Enhancing quality and integration of public transport**

This policy theme focuses on improving the quality of public transport particularly reliability, punctuality and value for money and facilitating an integrated public transport system including networks and services, ticketing, information and journey planning, and integration with other modes including active travel, Community Transport and Park and Ride, and ensuring governance models for public transport enable delivery of an integrated transport system and the RTS.

- **Policy Theme: Improving road safety**

The policy theme focuses on improving road safety in the region particularly to improve safety for vulnerable road users and enable more walking, wheeling and cycling and development of high-quality places designed for the movement of people.

- **Policy Theme: Decarbonising vehicles and improving air quality**

This policy theme focuses on the transition from conventionally fuelled vehicles to electric, hydrogen and other alternative fuels whilst continuing to support councils to manage and improve air quality in Air Quality Management Areas and deliver Low Emission Zones.

• **Policy Theme: Moving goods more sustainably**

This policy theme focuses on the sustainable movement of goods in the region, particularly increasing rail freight and increasing sustainability of delivery of goods.

• **Policy Theme: Increasing resilience and adapting to climate change**

This policy theme focuses on the resilience of the regional transport system to disruption and adapting to climate change impacts.

• **Policy Theme: Protecting and enhancing natural and built environments**

This policy theme focuses on the design and development of the transport system to protect and enhance natural and built environments, particularly helping improve biodiversity and human health through incorporation and integration of green infrastructure and other nature-based solutions, green networks and placemaking into transport strategies, plans and projects.

• **Policy Theme: Connecting Places**

This policy theme focuses on the spatial context for the RTS and future RTS Delivery Plans, setting out the strategic gateways, corridors and locations that will be a focus for future transport appraisal and investment to support regional development priorities, economic strategies and the Growth Deals.

When planning both capital and revenue spend the policy themes and wider strategic framework of the RTS must be considered.

4.3 Other Transport Strategies

The final draft of SPT’s Regional Bus Strategy will be consulted on during 2025. The Strategy is cognisant of the new RTS, changes in the bus market and external environment that have arisen since the previous version was published in 2014. Further details of the Strathclyde Regional Bus Strategy can be found at spt.co.uk/about-us/what-we-are-doing/regional-transport-strategy/bus-strategy/.

Strathclyde Regional Bus Strategy – proposed structure and content	
Strategic Framework	Vision, Objectives and Outcomes Policies: <ul style="list-style-type: none"> • Level of Service Framework • Service Quality Framework • Fare and Ticketing Policy and Index
Strategy Components	Network Plan Fares, Ticketing and Information Action Plan Accessibility Action Plan Safety & Security Action Plan Decarbonisation Plan Behaviour Change and Marketing Action Plan Operating and Funding Model(s) – Strategic Business Case

Delivery Plan	Capital investment plan & programme Operating & Funding Model(s) – Full Business Case Project plans and programmes to support delivery of the Action Plans
Monitoring and Evaluation Components	Passenger Satisfaction Monitoring Network and Operational Performance Monitoring Fares Monitoring Patronage and demand monitoring Strategy Component/Action Plan Progress Reports

4.4 Stakeholder Strategies

There are a number of stakeholder strategies that either directly influence SPT's overall strategies or need to be considered when evaluating investment proposals: -

- National Transport Strategy

The Transport (Scotland) Act 2019 now makes it a statutory requirement for the Scottish Government to produce a National Transport Strategy (NTS). The NTS sets out the Scottish Government's vision for transport for the next 20 years. More details on the National Transport Strategy can be found at <https://www.transport.gov.scot/our-approach/national-transport-strategy/>.

- Local Transport Strategies

The local authorities within the SPT area each individually produce Local Transport Strategies. These strategies set out at a local level how transport can enable each local authority's vision for their area and what interventions are required to meet that vision.

4.5 Financial Strategies

There are a number of other financial strategies, which have a direct influence on the long term financial strategy. The other strategies are:-

- Procurement Strategy
https://www.spt.co.uk/media/ibqfxuqh/procurementstrategy_2023-2026.pdf
- Treasury Strategy (see section 7)
- Capital Strategy (see section 7)

The above strategies complement the Financial Strategy and are part of SPT's overall financial governance framework.

5. Financial Governance

5.1 Introduction

SPT has a range of governance controls and measures to enable sound financial stewardship. The arrangements cover policy and procedures, training, roles and responsibilities, reporting and approvals.

5.2 Governance Manual

SPT has a suite of governance documents that are consolidated into the Partnerships Governance Manual. The Governance Manual is available through SPT's intranet and internet sites as well as being provided in hard copy to all managers. All SPT employees and elected members must comply with the guidance and regulations within the Governance Manual. The Governance Manual includes: -

- Standing Orders of the Partnership
- Committee Terms of Reference
- Scheme of Delegated Functions
- Financial Regulations
- Standing Orders Relating to Contracts
- Code of Corporate Governance
- Members' Code of Conduct
- Members' Allowances and Expenses Guide
- Multi Member Wards Protocol
- Code of Practice on Publicity
- Counter Fraud Strategy
- Code of Conduct for Employees
- Guidance on the Register of Interests for Employees

Although all of the guidance contained within the Governance Manual can impact on financial stewardship the most important document in financial terms is SPT's Financial Regulations. The purpose of the Financial Regulations is to: -

- Establish the financial framework to minimise risk and protect the Partnership and its assets, as well as recognising fiduciary duty (the Partnership's duty to tax payers, other funding partners and stakeholders within the Partnership area);
- Reflect and provide guidance on best practice;
- Ensure flexibility on compliance but still maintaining proper control over risk;
- Balance risk, cost and control and effectiveness of operations; and
- Clearly set out responsibilities for compliance and for ensuring compliance.

Where any serious breaches in financial regulations are identified Audit and Assurance will be requested to carry out an investigation, which may lead to specific recommendations, including the need instigate formal disciplinary investigations.

5.3 Training

SPT is committed to training both its employees and members and has specific training programmes for all managers and budget holders. Specific internal training sessions are available in Financial Management, Procurement and Corporate Governance.

5.4 Roles and Responsibilities

There are clearly defined roles and responsibilities for those involved in the financial stewardship of the Partnership.

Director of Finance & Corporate Support

The Director of Finance & Corporate Support under section 95 of the Local

Government (Scotland) Act 1973 is the nominated proper officer for the Partnership's financial affairs. The proper officer (also known as the section 95 Officer) is responsible for all financial affairs, advice and record keeping of all the Partnership's activities.

Strategy Group

The Strategy Group is comprised of the Chief Executive, Director of Finance & Corporate Support, Director of Transport Operations, Head of Bus Strategy & Delivery and Head of Policy & Planning. The Strategy Group is responsible both collectively and individually for ensuring effective financial management across the organisation.

The individual members of the Strategy Group are responsible for the budgets allocated to each of the directorates / services that they control. Budget responsibility can be delegated to others, however the members of the Strategy Group will hold overall responsibility for effective financial management.

Managers / Budget Officers

All managers' / budget officers are responsible for ensuring that the services / projects that they manage are delivered in line with the Partnership's policies and objectives. As budget holders they are responsible for the budgets delegated to them to deliver their services/projects in a manner which demonstrates value for money.

Finance

SPT's finance function provides a full range of services including payroll, treasury management, procurement, contract management, accounts payable, accounts receivable, insurance services and financial and management accounting services/ advice. With regard to the Financial Strategy the key services are: -

- providing accounting and financial management services;
- reporting on the financial performance of the organisation;
- providing stewardship of Partnership funds;
- preparing and monitoring of Revenue and Capital Budgets; and
- providing financial appraisals and support to projects.

Audit and Assurance

The Audit and Assurance team provides the following services to the Partnership:

- **Assurance** services are an objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes to ensure operations are being conducted in accordance with external regulations, legislation, internal policies and procedures (e.g. financial, performance, compliance, system security, etc.). The provision of assurance services is the **primary role** for Audit and Assurance.

- **Consulting** services are advisory and related to service activities, the nature and scope of which are agreed with senior management.
- **Fraud Prevention and Detection:** The Counter Fraud Strategy (including Anti-Fraud and Corruption Policy, Whistle Blowing Policy and Financial Regulations relating to financial irregularity) outlines the Partnership's commitment to prevent, detect, investigate and report fraud. Audit and Assurance assist management in the effective discharge of this strategy.

External Audit

The role of External Audit is to provide assurance to the Controller of Audit and Audit Scotland that the Partnership has spent public money properly to deliver outcomes in an efficient and effective manner. They also provide assurance to the Elected Members, the Strategy Group and general public that the Partnerships performance is reported in accordance with the Code of Practice on Local Authority Accounting / Financial Accounting Standards and presents a true and fair view of the Partnerships activities.

5.5 Reporting and Approvals

Budget Setting

Both the capital and revenue budget go through various rounds of scrutiny before being approved. Once drafted by budget officers / finance, the budgets are presented to the Strategy Group and go through a series of challenge sessions as the budgets go through their various iterations. Once approved by the Strategy Group the budgets will be presented to the Strategy and Programmes Committee who have an opportunity to question officers on the budget submission and if they see fit they will recommend that the Partnership approves the budget. The final stage is the budget being put before the Partnership for approval where there is another opportunity to scrutinise the budget plans before the budget is approved.

Budget Monitoring

SPT operates a 4 weekly accounting period and therefore produces 13 budgetary control reports a year for both capital and revenue spend. On a 4 weekly basis reports are issued to the Strategy Group for review and challenge. In addition, reports are issued to Managers and Budget Officers throughout the organisation.

Both revenue and capital monitoring reports are presented to the Strategy and Programmes Committee for review. The revenue report includes actual spend to date against budget and an estimated projected outturn for the year against the full year's budget. For capital the budgetary control report is presented along with any amendments to the programme, which when taken together formulates the projected outturn for the year.

6. Financial Forecasts

6.1 Introduction

The financial forecast is based on known factors projected forward over a 10-year period. The forecast can be broken down into three main categories: -

- Short term forecast
- Medium term forecast
- Long term forecast

As would be expected the further out the forecast gets in years the less reliable it may be as there are many factors that may change in the internal or external environment that could affect the forecasts, but are not known at this time.

6.2 Short Term Forecast

The short-term forecast covers the years 2024/2025 to 2025/2026 and due to the short time frame the reliance on estimations is far lower than the other forecasts. The current financial year is almost complete and the 2025/2026 budget has been drafted, but has yet to be approved. The table below summarises the financial position for the two years and is detailed within the 10 year forecast at Appendix 1.

Category	Year 1 2024/25 £000's	Year 2 2025/26 £000's
Expenditure	67,932	72,711
Reserves Contribution	3,689	0,922
Capital Funded from Revenue	4,241	2,985
Operational Income	(39,264)	(39,352)
Net Expenditure	36,598	37,266
Financed By	36,598	37,266
Variance	0	0

As can be seen from the above SPT is able to contribute to Reserves and Capital funded from Revenue in both 2024/2025 and 2025/26, whilst continuing with all current operations. In year 2 the monies received from local authorities has been increased by 1.95% (£0.695), which is based on the current Scottish Government Floor calculation.

- **Medium Term Forecast**

The medium-term forecast covers the years 2026/2027 to 2027/2028 and includes estimated changes that are planned to take place in the organisation. Only changes where there are advanced plans in place have been included, but as you would expect changes will be made over the years beyond what is included within the current projections. No indices have been used to adjust the forecasts for 2026/2027 within the financial model as this year forms part of the draft budget for submission for the 2025/2026 cycle. The indices used to adjust the forecasts for 2027/2028 and beyond are: -

- Employee Costs – Increase based on SPFO's, actuaries' projections, 3.5%
- Other Expenditure – Based on current CPI projections, 2%
- Subway Income - Based on 1% passenger growth and 3% annual fares increase for all passenger related income for 5 years after 2026/2027 and then 3% for the remaining years. CPI for all other income streams.
- Other Income - Based on current CPI projections, 2%
- Requisition Income – Flat, no uplift
- RTP Grant - Flat, no uplift

The table below summarises the financial position for the two medium term years and is detailed within the 10 year forecast at Appendix 1.

Category	Year 3 2026/27 £000's	Year 4 2027/28 £000's
Expenditure	76,170	79,260
Reserves Contribution	0	0
Capital Funded from Revenue	0	0
Operational Income	(35,922)	(35,565)
Net Expenditure	40,248	43,695
Financed By	40,248	41,766
Variance	0	1,929

In 2026/2027 a balanced budget is achieved, but this includes a £2.981m draw on reserves to fund dual Subway transitional costs and also offset costs in relation to SPT's bus aspirations. In 2026/27 SPT's employer pension contribution will increase from 6.5% to 17.5%.

In the year 2027/28 the projection has been adjusted for operational changes within the Subway and includes some one-off costs in relation to Subway transitional costs, which are funded from reserves. In addition, reserves have been utilised to continue to fund SPT's bus reform aspirations. The increase in costs is driven by inflationary pressures with no corresponding increase in core funding to offset. Overall, there is a deficit that without corrective action would result in an unbalanced budget or a short term draw on reserves would be required.

6.3 Long Term Forecast

The long-term forecast covers the years from 2028/2029 onwards and includes estimated changes that are planned to take place in the organisation. Only changes where there are advanced plans in place have been included, but as you would expect changes will be made over the years beyond what is included within the current projections. The indices used to adjust the forecasts for 2028/2029 onwards are the same as those used for the medium-term forecast.

Category	Year 5 2028/29 £000's	Year 6 2029/30 £000's	Year 7 2030/31 £000's	Year 8 2031/32 £000's	Year 9 2032/33 £000's	Year 10 2033/34 £000's
Expenditure	79,383	81,630	83,762	83,254	88,208	90,526
Reserves Contribution	0	0	0	0	0	0
Capital Funded from Revenue	0	0	0	0	0	0
Operational Income	-35,647	-36,469	-37,333	-38,241	-38,935	-39,957
Net Expenditure	43,736	45,161	46,429	45,013	49,273	50,569
Financed By	40,668	40,447	40,267	37,567	37,567	37,567
Variance	3,068	4,714	6,162	7,446	11,706	13,002

As can be seen from the table above with the assumed inflation factors and no planned increase in funding the organisation continues in a deficit. The financial

forecast will need to be monitored closely over the coming years and corrective measures put in place if the funding deficit looks likely to become a reality.

6.4 Scenarios

The indices and financial forecasts detailed in section 6.2 to 6.4 are the best estimates of income and expenditure for future years. However, they are by no means certain and therefore various scenarios have to be modelled to ensure that the organisation is as prepared as it can be. Appendices 2 and 3 detail the same 10 year forecasts, but the indices have been varied by 1% each way i.e. +1% and -1%.

The scenarios clearly show that unless there is a reduction in organisational costs over the long term or there is a significant change in income streams there will be a clear requirement for efficiency programs.

7. Treasury Management

SPT has adopted the CIPFA “Treasury Management in the Public Services – Code of Practice” which sets out good practice for treasury management governance. In addition, SPT is fully compliant with the Prudential Code of Capital Finance in Local Authorities, which is intrinsically linked to the Treasury Management Code. The Partnership complies with legal and regulatory requirements in relation to its Treasury Management activities and has appointed consultants to provide advice on Treasury Management issues, including technical issues and the formulation of views on interest rates.

The primary requirements of the Treasury Management Code of Practice are as follows:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of SPT’s treasury management activities.
- Creation and maintenance of Treasury Management Practices which set out the manner in which SPT will seek to achieve those policies and objectives.
- Receipt by the Partnership of an annual Treasury Management Strategy Statement (including the Annual Investment Strategy) for the year ahead; a Mid-Year Review Report; an Annual Review Report covering activities during the previous year; and regular reporting during the financial year of prudential and treasury indicators.
- Delegation by SPT of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

Treasury management in this context is defined as:

“The management of the organisation’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

The CIPFA Prudential and Treasury Management Codes require, the preparation of a capital strategy, which includes the following:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services.
- an overview of how the associated risk is managed.
- the implications for future financial sustainability.

The Treasury Management Strategy Statement, Annual Investment Strategy and Capital Strategy can be found on SPT's website

https://www.spt.co.uk/media/jofbwk4f/p150324_agenda7.pdf

SPT is in the fortunate position that it is currently debt free with no plans to borrow in the short to medium term. As at period 10, 2024/2025 SPT held £158 million in investments. The funds were split across a number of UK institutions in various instant, term and fixed accounts. The large investment balance is predominantly due to the Subway Modernisation project with the funds being earmarked for the project and other operational expenditure in future years.

8. Reserves

A key component the Financial Strategy is the Partnerships reserve position.

Reserves can be held for three main purposes: -

- a working balance to help cushion the impact of uneven cash flows - this forms part of General Reserves;
- a contingency to cushion the impact of unexpected events or emergencies which also forms part of General Reserves; and
- a means of building up funds, often referred to as earmarked reserves, to meet known or predicted liabilities.

The current proposed reserves to be held by SPT and their current balances are detailed in the table below.

	2023/24 Actual £000's	2024/25 Movements £000's	2024/25 Balance £000's	2025/26 Movements £000's	2025/26 Balance £000's	Projected Future Years Movement £000's	Balance £000's
General Fund Balance							
Subway Fund	61,456		61,456	922	62,378	-32,485	29,893
Subway Infrastructure Fund	23,903	-4,860	19,043	-1,832	17,211	-17,211	0
Transport Future Investment Fund	12,000	1,800	13,800		13,800	-13,800	0
Strategic Bus Routes Fund	5,223		5,223		5,223	0	5,223
Earmarked	102,582	-3,060	99,522	-910	98,612	-63,496	35,116
Non-earmarked	13,496		13,496		13,496	2,004	15,500
Total General Fund Balance	116,078	-3,060	113,018	-910	112,108	-61,492	50,616
Insurance Fund	1,219		1,219		1,219	0	1,219
Capital Fund	26,360		26,360		26,360	0	26,360
Renewal and Repair Fund	1,500		1,500		1,500	0	1,500
Capital Grants Unapplied Account	28,644	-27	28,617	-1,439	27,178	-17,345	9,833
Total Other Reserves	57,723	-27	57,696	-1,439	56,257	-17,345	38,912
						0	0
Total Reserves	173,801	-3,087	170,714	-2,349	168,365	-78,837	89,528

It is anticipated that over the term of the LTFS that all earmarked reserves will be significantly utilised.

The Subway Fund will be used to fund any transition costs following on from the reorganisation of both Operations and Maintenance within the Subway. In addition, it will fund the mid-life refurbishment of the new rolling stock & associated equipment along with funding other major Subway works e.g. new Sub Stations. It is projected that a transfer will be required to the Subway Infrastructure Fund to ensure the continuing work on SPT's tunnels.

The Subway Infrastructure Fund funds the vital work that is carried out in the tunnels on an annual basis. It ensures that the General Capital Grant is protected. A transfer from the Subway Fund will be required to ensure the fund has appropriate resources to last until the end of the LTFS.

The Transport Future Investment Fund will be utilised to ensure that there is a steady pipeline of projects to be brought forward to the capital programme, fund preparatory works for major strategic projects and fund SPT's transport ambitions for the west of Scotland, including bus reform following on from the Transport (Scotland) Act 2019) and STPR2. It is projected that the full fund will be utilised over the life of the LTFS, funding SPT's aspirations in relation to bus reform.

Although no specific draw has been shown against the Strategic Bus Route Fund its purpose is to fund any unanticipated material changes that occur in the market or costs in relation to strategic bus routes. The cost base applied to this fund could be categorised as emerging and therefore is not planned other than for ensuring there is a financial provision set aside.

As can be seen from the table above it is estimated that SPT's reserve balances will reduce from £174m to £90m over the life of the LTFS.

9. Risk Management

SPT has a Corporate risk register that is reported to each meeting of the Audit & Standards Committee. In addition, individual departments may have their own risk registers as well as risk registers for significant projects that are undertaken.

Within the corporate risk register there are a number of finance related risks, which are directly relevant to the Financial Strategy. The risks are reproduced in the table below with full details of the risk and mitigations being found at https://spt.production.d8.studio/media/hnnagtke/as291124_agenda4.pdf

Ref	Risk
SPT 1	Capital funding allocation not matched to programme demands in a period of higher inflation or public sector funding availability.
SPT 5a	Insufficient short-term revenue funding to meet SPT's corporate objectives for public transport.
SPT 5b	Insufficient long-term revenue funding to meet SPT's corporate objectives for public transport.
SPT 11	Current economic conditions (cost base and inflation) impact on SPT's operational income and return on cash reserves

10. Strategy Review

The financial strategy must be reviewed and approved by the Partnership at least annually where practicable. The last Financial Strategy was produced in 2023/2024, with no update being provided until now. The gap in review / reporting was due to the uncertainty in relation to SPT's capital funding for both General and Subway Modernisation. The delayed approach was discussed with SPT's external auditors. The Director of Finance & Corporate Support may review the Financial Strategy at any time where a change in the external or internal environment has had or is going to have a significant impact on the current Financial Strategy. Any in year changes to the strategy must be presented to the Strategy and Programmes Committee with the revised Financial Strategy ultimately being approved by the Partnership.

Long Term Financial Forecast - Summary

Category	Year 1 2024/25 £000's	Year 2 2025/26 £000's	Year 3 2026/27 £000's	Year 4 2027/28 £000's	Year 5 2028/29 £000's	Year 6 2029/30 £000's	Year 7 2030/31 £000's	Year 8 2031/32 £000's	Year 9 2032/33 £000's	Year 10 2033/34 £000's
Employee Costs	25,385	27,681	32,081	32,790	31,983	33,282	34,447	35,653	36,901	38,192
Property Costs	9,915	10,145	10,154	10,357	10,564	10,775	10,991	11,211	11,435	11,664
Supplies & Services	1,414	1,163	1,218	1,242	1,267	1,293	1,318	1,345	1,372	1,399
Transport & Plant Costs	138	131	131	134	136	139	142	145	148	150
Third Party Payments	31,080	33,592	32,586	34,738	35,432	36,141	36,864	34,901	38,353	39,120
Contribution to Reserves	3,689	922	-	-	-	-	-	-	-	-
Capital Funded from Revenue	4,242	2,985	-	-	-	-	-	-	-	-
Total Expenditure	75,862	76,619	76,170	79,261	79,383	81,631	83,762	83,254	88,208	90,526
Subway Income	(21,904)	(22,193)	(22,781)	(22,949)	(23,852)	(24,790)	(25,766)	(26,780)	(27,575)	(28,394)
Bus Income	(4,173)	(3,757)	(3,619)	(3,691)	(3,765)	(3,840)	(3,917)	(3,996)	(4,075)	(4,157)
Agency Income - Agency F	(1,625)	(1,667)	(1,741)	(1,802)	(1,865)	(1,930)	(1,997)	(2,067)	(2,140)	(2,215)
Interest Received	(8,500)	(7,000)	(5,700)	(5,000)	(4,000)	(3,700)	(3,400)	(3,100)	(2,800)	(2,800)
Other Income	(447)	(4,736)	(2,082)	(2,123)	(2,166)	(2,209)	(2,253)	(2,298)	(2,344)	(2,391)
People and Places Fundin	(2,615)									
Total Income	(39,264)	(39,352)	(35,922)	(35,565)	(35,647)	(36,469)	(37,334)	(38,241)	(38,935)	(39,957)
Net Expenditure	36,598	37,267	40,248	43,695	43,736	45,161	46,429	45,013	49,273	50,569
Financed By										
Local Authority Requisition	35,949	36,650	36,650	36,650	36,650	36,650	36,650	36,650	36,650	36,650
Scottish Government Gran	650	617	617	617	617	617	617	617	617	617
Contribution from Reserve	-	-	2,981	4,500	3,402	3,180	3,000	300	300	300
Total Financed By	36,598	37,267	40,248	41,767	40,669	40,447	40,267	37,567	37,567	37,567
Variance	(0)	0	0	1,929	3,068	4,714	6,162	7,446	11,707	13,002

Long Term Financial Forecast - Summary

1% Increase in Indices

Category	Year 1 2024/25 £000s	Year 2 2025/26 £000s	Year 3 2026/27 £000s	Year 4 2027/28 £000s	Year 5 2028/29 £000s	Year 6 2029/30 £000s	Year 7 2030/31 £000s	Year 8 2031/32 £000s	Year 9 2032/33 £000s	Year 10 2033/34 £000s
Employee Costs	25,639	27,958	32,402	33,118	32,303	33,615	34,792	36,010	37,270	38,574
Property Costs	10,014	10,246	10,255	10,461	10,670	10,883	11,101	11,323	11,549	11,780
Supplies & Services	1,428	1,175	1,230	1,255	1,280	1,305	1,332	1,358	1,385	1,413
Transport & Plant Costs	139	132	132	135	138	140	143	146	149	152
Third Party Payments	31,391	33,928	32,912	35,085	35,787	36,502	37,233	35,250	38,737	39,511
Contribution to Reserves	3,725	931	-	-	-	-	-	-	-	-
Capital Funded from Revenue	4,284	3,015	-	-	-	-	-	-	-	-
Total Expenditure	76,621	77,385	76,932	80,053	80,177	82,447	84,600	84,087	89,090	91,431
Subway Income	(22,123)	(22,415)	(23,009)	(23,179)	(24,090)	(25,038)	(26,024)	(27,048)	(27,851)	(28,678)
Bus Income	(4,215)	(3,794)	(3,655)	(3,728)	(3,803)	(3,879)	(3,956)	(4,035)	(4,116)	(4,199)
Agency Income - Agency Fee	(1,642)	(1,683)	(1,758)	(1,820)	(1,883)	(1,949)	(2,017)	(2,088)	(2,161)	(2,237)
Interest Received	(8,585)	(7,070)	(5,757)	(5,050)	(4,040)	(3,737)	(3,434)	(3,131)	(2,828)	(2,828)
Other Income	(452)	(4,783)	(2,102)	(2,144)	(2,187)	(2,231)	(2,276)	(2,321)	(2,368)	(2,415)
People & Places	(2,641)	-	-	-	-	-	-	-	-	-
Total Income	(39,657)	(39,746)	(36,281)	(35,921)	(36,004)	(36,834)	(37,707)	(38,624)	(39,324)	(40,356)
Net Expenditure	36,964	37,639	40,651	44,132	44,173	45,613	46,893	45,463	49,766	51,075
Financed By										
Local Authority Requisition	36,308	37,016	37,016	37,016	37,016	37,016	37,016	37,016	37,016	37,016
Scottish Government Grant	656	623	623	623	623	623	623	623	623	623
Contribution from Reserves	-	-	3,011	4,545	3,436	3,212	3,030	303	303	303
Total Financed By	36,964	37,639	40,651	42,184	41,075	40,851	40,669	37,942	37,942	37,942
Variance	(0)	0	0	1,948	3,098	4,762	6,224	7,521	11,824	13,132

Long Term Financial Forecast - Summary

1% Decrease in Indices

Category	Year 1 2024/25 £000s	Year 2 2025/26 £000s	Year 3 2026/27 £000s	Year 4 2027/28 £000s	Year 5 2028/29 £000s	Year 6 2029/30 £000s	Year 7 2030/31 £000s	Year 8 2031/32 £000s	Year 9 2032/33 £000s	Year 10 2033/34 £000s
Employee Costs	25,131	27,405	31,760	32,462	31,663	32,950	34,103	35,297	36,532	37,811
Property Costs	9,816	10,043	10,052	10,253	10,459	10,668	10,881	11,099	11,321	11,547
Supplies & Services	1,400	1,152	1,206	1,230	1,255	1,280	1,305	1,331	1,358	1,385
Transport & Plant Costs	137	130	130	132	135	138	140	143	146	149
Third Party Payments	30,770	33,256	32,260	34,390	35,078	35,780	36,495	34,552	37,970	38,729
Contribution to Reserves	3,652	913	-	-	-	-	-	-	-	-
Capital Funded from Revenue	4,199	2,955	-	-	-	-	-	-	-	-
Total Expenditure	75,104	75,853	75,408	78,468	78,589	80,814	82,925	82,422	87,326	89,621
Subway Income	(21,684)	(21,971)	(22,553)	(22,720)	(23,613)	(24,542)	(25,508)	(26,513)	(27,300)	(28,110)
Bus Income	(4,131)	(3,719)	(3,583)	(3,654)	(3,727)	(3,802)	(3,878)	(3,956)	(4,035)	(4,115)
Agency Income - Agency Fee	(1,609)	(1,650)	(1,723)	(1,784)	(1,846)	(1,911)	(1,978)	(2,047)	(2,118)	(2,192)
Interest Received	(8,415)	(6,930)	(5,643)	(4,950)	(3,960)	(3,663)	(3,366)	(3,069)	(2,772)	(2,772)
Other Income	(443)	(4,688)	(2,061)	(2,102)	(2,144)	(2,187)	(2,231)	(2,275)	(2,321)	(2,367)
People & Places	(2,589)	-	-	-	-	-	-	-	-	-
Total Income	(38,872)	(38,959)	(35,563)	(35,209)	(35,291)	(36,105)	(36,960)	(37,859)	(38,545)	(39,557)
Net Expenditure	36,232	36,894	39,846	43,259	43,299	44,710	45,964	44,563	48,781	50,063
Financed By										
Local Authority Requisition	35,589	36,283	36,283	36,283	36,283	36,283	36,283	36,283	36,283	36,283
Scottish Government Grant	643	611	611	611	611	611	611	611	611	611
Contribution from Reserves	-	-	2,952	4,455	3,368	3,148	2,970	297	297	297
Total Financed By	36,232	36,894	39,846	41,349	40,262	40,042	39,864	37,191	37,191	37,191
Variance	(0)	0	0	1,910	3,037	4,667	6,100	7,372	11,590	12,872

Strathclyde Partnership for Transport Reserves Policy

1.0 Introduction

- 1.1 It is best practice that the Partnership has a documented and approved Reserves Policy.
- 1.2 Local Authority Accounting Practice (LAAP) Bulletin 99 published in July 2014 provides advice from CIPFA in respect of Local Authority Reserves and Balances. This guidance applies to the Partnership, as the Partnership follows local authority accounting rules.
- 1.3 The following Policy reflects the key messages from the LAAP Bulletin and also outlines the practical application.

2.0 LAAP Bulletin 99 – Main Messages

- 2.1 In Scotland there are explicit statutory powers under Schedule 3 of the Local Government (Scotland) Act 1975 permitting Local Authorities to establish a Renewal and Repair Fund, an Insurance Fund and Capital Fund alongside a requirement to maintain a General Fund Reserve. These powers extend to the Partnership as well.
- 2.2 Within the General Fund Reserve, organisations are allowed to create specific funds earmarked for specific purposes, which are called earmarked reserves.
- 2.3 It is the duty of the Chief Finance Officer to report on the robustness of estimates and adequacy of reserves as part of their statutory duty. This requirement also needs to take account of the requirements of CIPFA's Prudential Code in respect of affordability when making recommendations about the Partnership's future Capital Programme.
- 2.4 The LAAP Bulletin makes it clear it is not the responsibility of External Auditors to prescribe the optimum or minimum level of reserves for organisations.
- 2.5 Whilst not prescribing a generally acceptable minimal level of reserves the LAAP Bulletin makes it clear that reserves should not be held without a clear purpose. This purpose however does include "a contingency to cushion the impact of unexpected events or emergencies".
- 2.7 In the case of Earmarked Reserves there should be a clear protocol setting out the purpose of the reserve, how and when the reserve can be used and a process for review of the reserve to ensure continuing relevance and adequacy.
- 2.8 The LAAP Bulletin concludes that "it is not normally prudent for reserves to be deployed to finance recurrent expenditure" and "where such action is taken it should be made explicit and an explanation given as to how such expenditure will be funded in the medium to long term"

3.0 Types of Reserves Operated by the Partnership

3.1 General Fund Reserve

The General Fund Reserve is split between earmarked and non-earmarked reserves. As the name suggests the earmarked reserves are held for a specific purpose, but there is

no restriction on whether the funds are spent on capital or revenue. The non-earmarked reserve is SPT's true general reserve and is held as an organisational contingency. SPT's non earmarked reserve is targeted to be held at approximately six months of Operational income.

3.2 Repairs and Renewals Fund

The Repairs and Renewals Fund is held to fund expenditure which relates directly to the repairing, maintaining, replacing works of plant, building or equipment. Utilisation of this fund can only be agreed as part of the annual budget process (or capital / revenue amendments).

3.3 Insurance Fund

The Insurance Fund can only be used to fund expenditure directly relating to insurance, including the costs of insurance excesses, premiums and risk management.

3.4 Capital Fund

The Capital Fund can be utilised to fund approved capital expenditure. Utilisation of this fund can only be agreed as part of the annual capital budget process (or capital amendments).

4.0 Governance of Reserves

4.1 It is important that there is clarity on the rules and responsibilities in respect of the governance of the Partnership's Funds and Reserves. The governance arrangements are: -

- Balances – The non-earmarked general fund balance will be held at approximately six months of Operational income. All other balances to be held at approved levels varied for any draws and additions. Balances will be reviewed annually as part of the budget setting process.
- Creation – With the exception of earmarked reserves all other reserves are statutory. The creation of a new earmarked reserve requires the approval of the Strategy & Programmes Committee. As a minimum a request to create a new earmarked reserve must include: -
 - a description of what the reserve is for;
 - the reason that the reserve is required;
 - the amount of reserve that is required;
 - timescales for the utilisation of the reserve; and
 - how the reserve will be funded.
- Additions – Where an addition to reserves is planned as part of the budget setting process it must be approved by the Partnership. In year additions to reserves must be approved by the Strategy and Programmes Committee.
- Draws – The utilisation of reserves must be approved by the Partnership as part of the Capital or Revenue budget process. Where the need to utilise a reserve arises in

year it must be approved by the Strategy and Programmes Committee and reported to the Partnership.

- Reporting / Review – Reserve balance must be reported / reviewed annually as part of the budget setting process to the Partnership. Any amendments to reserves required following the review, will be proposed as part of the budget setting process. Where any amendments are being made to reserves or new reserves created in year the report to the Strategy and Programmes Committee must include details of all current reserve balances held.

Unapplied Capital Grants are excluded from the above governance arrangements as, although a cash reserve, the fund is simply utilised to account for capital grants between financial years.

5.0 Review

The Reserves Policy requires to be reviewed and approved no less frequently than three yearly by the Strategy and Programmes Committee. The Director of Finance & Corporate Support may review the Reserves Policy at any time where a change in the external or internal environment has had or is going to have a significant impact on the policy. Any changes to the policy must be presented to the Strategy and Programmes Committee with the revised Reserves Policy ultimately being approved by the Partnership.

Reserves Balances 2025/26

	2023/24 Actual £000's	2024/25 Movements £000's	2024/25 Balance £000's	2025/26 Movements £000's	2025/26 Balance £000's	Description	Reason	Timing
General Fund Balance								
Subway Fund	61,456		61,456	922	62,378	Reserve required to meet SPT's ongoing obligation to fund the overall Subway Modernisation Programme. In addition the new trains, signalling and associated equipment are planned to have significant overhauls over their useful life. The fund may also be required to offset revenue spend in relation to severance costs and cover increased costs in relation to moving from the current to revised Subway operating model.	The contributions made to the Subway fund from revenue were intended to part fund the overall Subway modernisation project, major overhauls to the assets created, to fund one off revenue costs in relation to the overall modernisation programme and to fund major infrastructure works going forward.	30 years
Subway Infrastructure Fund	23,903	-4,860	19,043	-1,832	17,211	Significant investment is required in Subway Tunnels and other infrastructure to ensure their long term fitness for service.	As above	20 years
Transport Future Investment Fund	12,000	1,800	13,800		13,800	The Transport Future Investment Fund will be utilised to ensure that there is a steady pipeline of projects to be brought forward to the capital programme, fund preparatory works for major strategic projects and fund SPT's transport ambitions for the west of Scotland, including bus reform following on from the Transport (Scotland) Act 2019) and STPR2.	The reserve is required as it is not possible to capitalise early optioneering works and feasibility studies which are required to bring projects to a point where they can enter the capital programme. Although some allowances for these if made within the revenue budget more focus has to be put on priming projects now that Subway Modernisation is in it's final few years. In addition the exploration of Bus Reform is likely to be very costly based on the experience of English Authorities and without specific funding would be difficult to fund from general revenue resources.	10 years
Strategic Bus Routes Fund	5,223		5,223		5,223	Fund to be utilised in the event that an unanticipated material change occurs in the market provision or cost in the designated strategic bus routes.	The bus market is volatile and in a constant state of flux. It is sound financial management to have a reserve for funding one off emergencies.	15 years
Earmarked	102,582	-3,060	99,522	-910	98,612			
Non-earmarked	13,496		13,496		13,496	Contingency fund to be used in emergencies. Funds to be held at approximately 6 months of Operational income.	Statutory Reserve	n/a
Total General Fund Balance	116,078	-3,060	113,018	-910	112,108			
Insurance Fund	1,219		1,219		1,219	Insurance fund can be used to fund expenditure directly relating to insurance, including the costs of insurance excesses, premiums and risk management.	Statutory Reserve	n/a
Capital Fund	26,360		26,360		26,360	Cash reserve, which accumulates capital receipts from the sale of the Partnership's assets. The reserve can also include specific contributions from revenue. The reserve can be utilised to fund capital expenditure and to fund SPT's strategic objectives and action plans.	Statutory Reserve	n/a
Renewal and Repair Fund	1,500		1,500		1,500	Used to fund expenditure which relates directly to the repairing, maintaining, replacing works, plant, building or equipment.	Statutory Reserve	n/a
Total Other Reserves	29,079	0	29,079	0	29,079			
Total Reserves	145,157	-3,060	142,097	-910	141,187			