

Item:  
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## **Report to Partnership Meeting 6 February 2026**

### **FINANCE**

#### **Medium Term Financial Plan**

##### **Purpose of Report**

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

##### **Background**

At its meeting on 20 September 2024 the Partnership noted the contents of Audit Scotland's Draft Annual Audit Report for the year ended 31 March 2024 and approved the 2023/24 Audited Annual Accounts.

In their report Audit Scotland noted that progress had been made through the 2024/25 Business Plan to develop a Medium Term Financial forecast for HITRANS in line with the recommendation of the 2022/23 Annual Audit Report but recommended that 'HiTrans should continue to progress developing a medium-term financial plan'

HITRANS duly amended and developed the Medium Term Financial Plan (MFTP) with a more detailed plan approved by the Partnership in February 2025 and then included in the 2025/26 Business Plan. This report updates on this document continuing to set out the Medium-Term Financial Plan (MTFP) with a range of scenarios for key variables used in the budgeting and financial planning. The report considers the wider economic outlook and how this might impact on HITRANS over the medium-term.

##### **Introduction to Medium Term Financial Plan**

The Medium Term Financial Plan (MTFP) provides the strategic financial framework through which HITRANS will plan, manage and monitor its financial sustainability over the medium term. The attached Financial Plan was approved by the Partnership as part of the HITRANS 2025/26 Business Plan and represents a significant progression from single-year budgeting by establishing a more detailed and forward-looking basis for financial decision-making, risk management and organisational resilience.

The development of the MTFP responds directly to audit advice and the recommendations contained within the Annual Audit Report, which highlighted the increasing funding pressures facing Regional Transport Partnerships and the associated risks to long-term financial sustainability. In particular, the MTFP enables HITRANS to identify, assess and manage the financial risks that could impact the delivery of statutory functions, Regional Transport Strategy objectives and key performance indicators.

These risks, and their potential implications for service delivery, behaviour change and regional economic and social wellbeing, are explored in more detail later in this report.

In line with audit advice, this Medium Term Financial Plan will be refreshed on an annual basis. This rolling approach will ensure that the Plan continues to reflect the best available and most current information held by officers, including confirmed funding awards, indicative allocations and emerging cost pressures. Annual refresh of the MTFP will also allow the Partnership to reassess financial risks and mitigations on a regular basis, ensuring that sustainability considerations remain central to business planning and strategic decision-making.

The current MTFP incorporates confirmed and anticipated additional income associated with a number of key programmes and commissions, including the Regional People and Place Programme, the Active Travel Infrastructure Fund, the development of a Health and Transport Action Plan, and the proposed Fort William Integrated Transport Plan. These funding streams are integral to delivery of HITRANS' objectives but also introduce dependencies and uncertainties that are addressed within the risk and sustainability commentary later in this report. Each programme is therefore updated on in the narrative sections that follow and reflected within the detailed spreadsheet of forecast income and expenditure underpinning the MTFP.

By establishing a rolling Medium Term Financial Plan that is explicitly linked to financial risk, sustainability and delivery considerations, HITRANS is strengthening its ability to anticipate and respond to funding volatility, align resources with strategic priorities, and make informed decisions about future service delivery. This approach provides a clear line of sight between financial planning, organisational sustainability and the risks to achieving regional and national transport outcomes, as set out in the subsequent sections of this report.

### **Scottish Government / Transport Scotland Grant Funding**

Looking towards the development of the MTFP it should be noted that People and Place Programme is anticipated to remain in line with 2025/26 at £2,479,218. We reduced budgets estimated for Active Travel Infrastructure Fund in the final MTFP and Business Plan but these were reinstated following the confirmation of awards totaling £1,059,516 in November and December 2025. HITRANS will bid for further funding through the ATIF Tier 2 process in future years.

While Scottish Government Core funding is expected to continue to match the combined Local Authority Contributions (£200,000) and Scottish Government support for Non-Core Activities will continue at the level applied from 2024-25 of £296,612.50. For Planning purposes Scottish Government has indicated this is the level of award they expect to make for the 2026/27 Financial Year.

The National Islands Plan published late in 2025 included provision for an annual award from 2026/27 to HITRANS of £105,000 to support the implementation of a Health and Transport Action Plan covering the entirety of the Highlands and Islands.

HITRANS continue to work with Transport Scotland and Highland Council on the development of the Integrated Transport Plan for Fort William. To support this work

Transport Scotland have increased HITRANS grant in aid funding by a total of £249,000 (with £156,000 provided in 2025/26) to support delivery of this important commission.

HITRANS are working with partners on the development of a Renewable Energy Transport Opportunities study with grant funding committed by Transport Scotland in 2025/26 of £25,000 which will allow the study to be initiated with additional funding to be provided by HITRANS in 2026/27 matching this contribution and potential funding from other partner organisations under discussion.

### **Core and RTS Revenue Budget**

In 2011/12, Scottish Government Grant-in-Aid funding provided £522,750 to HITRANS, a level of funding that remained unchanged until 2024/25, when it was decreased by 5%. The combined partner Council contributions to HITRANS have remained at £200,000 since 2006/07, with this funding being matched by £200,000 from the Scottish Government grant.

However, despite the stable funding levels from both Central and Local Government, there has been a significant rise in inflation between 2013/14 and 2024/25. Over this period, inflation has led to a substantial increase in operational costs, with the Bank of England Consumer Price Index indicating a 34.2% rise between 2013 and 2023.

Unfortunately, there has been no corresponding increase in funding to meet these rising costs, particularly for staff salaries and other core operational expenses. This static funding level has led to growing challenges in maintaining service delivery and meeting the demands of an increasingly complex transport and economic landscape.

HITRANS has been successful in attracting third-party income to supplement its operational and delivery funding, through various sources such as the Bus Route Development Grant, Bus Investment Fund, MaaS Investment Fund, Islands Team Funding, multiple EU funds, and UKRI / Innovate UK. While these efforts have helped to secure additional financial support, they are not a sustainable or reliable solution to the funding gap. The ongoing uncertainty surrounding the availability of such funding makes long-term planning and the successful delivery of HITRANS' objectives increasingly difficult.

As detailed in the five-year forecast of income and expenditure, prepared by the Treasurer and included in the Appendix, a more refined consideration of salary inflation and income forecasts has been undertaken. This forecast highlights the growing gap between available resources and the funding required to meet HITRANS' operational and strategic needs.

### **Risk to Delivery of KPIs, Behaviour Change, and Economic/Social Wellbeing**

If HITRANS is not adequately resourced in the coming years, there are significant risks to the delivery of key performance indicators (KPIs), the ability to drive the required behaviour change, and the potential to impact economic and social wellbeing across the Highlands and Islands.

#### **1. Risk to KPI Achievement:**

Without sufficient resources, HITRANS will face challenges in meeting the ambitious targets outlined in the Regional Transport Strategy (RTS) and National Transport

Strategy (NTS). The ability to deliver planned improvements in public transport infrastructure, services, and integration is contingent on adequate funding. Without this, the ability to make progress on key metrics such as reduced carbon emissions, improved access to transport services, and enhanced connectivity between communities will be compromised.

## 2. Impact on Behaviour Change:

A core objective of HITRANS' strategy is to encourage a shift towards more sustainable travel modes, including public transport, active travel, and electric vehicles. However, without the necessary resources to implement the required infrastructure and initiatives, such as more frequent services, better-integrated networks, and improved travel options for rural and island communities, the desired behavioural shift may not occur. Public awareness campaigns, community engagement, and the implementation of new technologies to support MaaS (Mobility as a Service) will also be at risk, undermining efforts to drive long-term change.

## 3. Economic and Social Wellbeing:

The Highlands and Islands rely heavily on an effective transport network to support economic growth, social inclusion, and access to services. Inadequate resourcing of HITRANS risks exacerbating regional inequalities, particularly for rural and island communities that are already disadvantaged by limited access to affordable and reliable transport. This could lead to greater social isolation, hinder economic opportunities, and perpetuate cycles of deprivation. Inadequate transport links also impact critical sectors such as tourism, healthcare access, and education, all of which rely on robust transport systems.

## 4. The Case for Retaining and Increasing Budget Support:

It is important to recognise that addressing the funding challenges faced by HITRANS is a key plank in making the argument for retaining existing budgets, as well as advocating for an increase in budget support. The risks outlined above—namely the inability to deliver on KPIs, create behaviour change, and foster economic and social wellbeing—are not merely hypothetical but are tangible threats to the long-term success and sustainability of the transport and economic strategies for the Highlands and Islands. The funding shortfall puts in jeopardy the achievement of regional and national transport objectives, undermining not only transport policy goals but also broader efforts related to climate change, social inclusion, and economic development.

Ensuring that HITRANS is adequately funded is not only about maintaining the status quo but about enabling the delivery of transformative, strategic objectives that will benefit communities across the region. The case for securing a higher, more flexible, and inflation-adjusted funding arrangement is therefore critical to mitigate the risks to transport infrastructure, service provision, and long-term regional development.

In summary, if HITRANS is not adequately resourced, it risks failing to meet its strategic objectives, undermining the delivery of critical KPIs, hindering behaviour change towards sustainable transport, and damaging the economic and social fabric of the Highlands and Islands. The impacts of this would be felt not only in terms of transport outcomes but also across the broader social and economic wellbeing of communities in the region. Hence, securing appropriate and sustainable funding for HITRANS is essential to ensure the success of both existing and future transport strategies.

In 2011/12 Scottish Government Grant in Aid funding provided £522,750 and this annual Scottish Government Grant in Aid remained at £522,750 through to 2024/25, when it was decreased by 5%. The combined partner Council contributions to HITRANS have remained at 2006/07 levels of £200,000 throughout with this matched by £200,000 of the Scottish Government grant.

### **RTS Delivery Plan Funding**

The new Regional Transport Strategy (RTS) received formal Ministerial approval in spring 2025. To guide implementation of the Strategy the first RTS Delivery Plan was prepared and then approved by the Partnership Baord when they met in September 2025.

Below is a summary of some of the key actions set out in the draft which HITRANS will seek to implement over the timeframe of the 1<sup>st</sup> Delivery Plan covering the period up to Summer 2027:

- Advocate for the early completion of committed strategic transport projects including A9 dualling, A83 at Rest and Be Thankful and A96 dualling between Inverness and Auldearn and bypasses of Elgin and Keith.
- Develop Regional Rail and Bus Strategies as daughter documents to the RTS
- Update the Regional Active Travel Strategy
- Develop the Regional People and Place Behaviour Change Programme in partnership with local authorities and anchor community organisations
- Expand HI-Bike e-bike share scheme within Inverness, Fort William and into Elgin
- Lead the development of an Integrated Transport Plan for Fort William
- Work with local and national partners to improve transport integration between modes at points of key interchange including Inverness, Oban and Fort William.
- Lead work to migrate all public local authority owned EV chargers in Argyll and Bute, Comhairle nan Eilean Siar, Orkney Islands and Shetland Islands onto a new back office and replace those that are out of date by mid 2026.
- Finalise an EV charging network expansion strategy for Argyll and Bute and the Northern and Western Isles that seeks to attract private investment, and procure it.
- Continue to support the expansion of our Moove Flexi app for new DRT services across our region
- Establish a Highlands and Islands Health and Transport Action Plan building on recent collaboration and progress made in the Western Isles and elsewhere with the region
- Expand the Sustainable Aviation Test Environment (SATE) across the Highlands & Islands with different demonstration activities across the region, with the overall aim to integrate sustainable aviation within the overall transport mix
- Support The Highland Council in developing the business case and procuring an improved PSO contract serving Wick airport
- Expand and maintain provision of online and wayside public transport information in partnership with local authorities and operators

These actions and others set out in first Delivery Plan complement a wide range of ongoing work that HITRANS will continue to undertake in support of objectives and policies set out in the updated Regional Transport Strategy.

### **MTFP Management Commentary**

RTP annual funding has been provided on an annual basis since before the inception of the statutory regional transport partnerships through the Transport (Scotland) Act 2005. A degree of single year funding allocations is inevitable with our main funding being provided through the annual Scottish Government and Local Government budget setting processes. For HITRANS it should be noted though that there has been a degree of stability within this and for that as an organisation we are particularly grateful to our partners Councils and Transport Scotland who have maintained a broadly consistent level of support since the establishment of the statutory HITRANS.

While 2024/25 saw a drop in non-core Scottish Government budget this was more than offset with the significant increase in Scottish Government funding overall as a result of the establishment of the People and Place Programme with delivery through Regional Transport Partnerships.

HITRANS partner Councils have maintained their Core contributions of £200,000 from the outset of the statutory HITRANS which has provided consistency and confidence for the organisation to succeed.

Costs including staffing, inflation, travel and office costs have continued to increase for HITRANS and this has meant that in order to stand still it has been essential for the organisation to seek additional funding from external sources.

Within the region HITRANS have developed two shared service projects where local delivery areas are managed regionally to improve efficiency in the delivery of local public services through a small specialist resource that is available to the partner Councils involved. These are:

- Public Transport Information Shared Service – this collaboration involved the five HITRANS partner Councils and has seen resources shared to enable HITRANS to employ a dedicated public transport information officer to deliver roadside information (at 2,500 bus stops), manage a regional real time information contract, fund a single database / software costs for management of public transport timetable data and the annual costs of managing / delivering / maintaining the Real Time Information System. This project has recently extended with support from bus operators towards the costs of maintaining bus stop infrastructure in Highland Council area.
- Electric Vehicle Infrastructure Fund Shared Service – initially covering Comhairle nan Eilean Siar, Moray Council, Orkney Islands Council and Shetland Islands Council this shared service evolved with Moray moving into the Highland Council led EVIF and Argyll and Bute Council joining the HITRANS supported programme. The project has seen HITRANS secure £3million funding for an ambitious programme of EV infrastructure across the West and North of the country. HITRANS appointed Scottish Power as the charge point network operator following a public procurement process. Procurement for a locally delivered maintenance service and 35 replacement chargers is now live. We are

also completing the draft expansion strategy for extending the network of EV chargers. The EVIF programme necessitates a long-term partnership to secure a return on investment for the private sector. It is therefore critical for the Councils that the EVIF programme delivers an EV charging network that is self-sustaining financially.

The principles that have allowed HITRANS regional shared services to succeed have been applied to the Regional People and Place Programme. Placing collaboration with local authorities and other partners such as Cairngorms National Park Authority at its heart the Regional People and Place Programme saw Transport Scotland allocate over £1.6m to HITRANS in 2024/25. The budget for 2026/27 is expected to be maintained at approximately £2.5m and will expand the programme focus beyond Active Travel Behaviour Change to encompass a number of wider sustainable travel objectives. RTP Lead Officers and Transport Scotland Active Travel Leads have also discussed the viability of including an element of longer-term funding to be identified within the People and Place Programme allocation to provide longer term security particularly relating to staff costs. This is expected to initially be for a 3-year horizon rather than the 5-year horizon covered within the MTFP but reflects a very welcome recognition of the need to move towards multiyear financial security.

In the past EU funding has been an area of significant success for HITRANS. EU Exit has reduced the availability funding with the loss of access to European Territorial Cooperation Funding being a significant loss for HITRANS. We will continue to advocate for a new approach in this regard in future ETC programmes but recognise this is a matter reserved to UK Government. HITRANS has continued to seek opportunities within available programmes and have secured Horizon Europe funding through the RURALITIES project. We have also participated in further Horizon Europe consortium bids and will continue to look to utilise our extensive network of EU Member State contacts to seek new opportunities to bid for Horizon Europe funding. The high intervention rate (100% funded) makes Horizon Europe an extremely competitive funding stream.

HITRANS has successfully bid for a range of domestic funds through competitive bidding programmes including success in recent years in the following sources:

- UKRI – Future of Flight Challenge
- UKRI – Centre for Connected and Autonomous Vehicles
- Bus Partnership Fund

As the success of the People and Place Programme is captured through monitoring and evaluation HITRANS will make the case that it represents a model that supports the delivery of the National Performance Framework and key Government priorities in a way that works best within the Highlands and Islands with real collaboration with key local partners. We believe that this model would work well for other areas of transport currently managed at a national level or where funding is not being provided to meet the needs of rural or island areas as fairly or equitably as we believe should be the case. Our 2021 Rural Bus Funding and Support Report set out areas for improvement in the way we support bus services in Scotland and the recommendations of this report would represent a good opportunity to improve Bus Futures in the Highlands and Islands with support to both partner Councils and HITRANS. This has been built on with a key asks document prepared ahead of the Scottish Parliament Elections in May 2026.

HITRANS have actively supported the public service reform agenda and contributed a proposal under the Democracy Matters workstream within the Local Governance Review setting out how HITRANS and our partner Councils could assume additional transport responsibilities. A number of the areas proposed by HITRANS in this work have featured in the new approach taken to Active Travel following the Transformation Project undertaken by Transport Scotland on behalf of Ministers.

HITRANS new Regional Transport Partnership includes recommendations on transport governance that align well with the work of Audit Scotland on Fiscal Sustainability and Public Service Reform. Collectively RTPs have refreshed the Develop to Deliver report that helps set out a framework on how and where RTPs can be more engaged in a new delivery approach on supporting transport in Scotland. Opportunities for this are also reflected in the commitment to re-start work on the Review of Transport Governance which Scottish Government / Transport Scotland include as a commitment within the Fair Fares Review to re-start the Review of Transport Governance.

A major demand driver for transport is Health. In the Highlands and Islands Health Travel both for patients, companions and staff can be particularly challenging. HITRANS has commenced work on developing the potential for a Health and Transport Action Plan for the Highlands and Islands. This work has been recognised as a key commitment within the Scottish Government's Transport to Health Delivery Plan. This Plan also recognises HITRANS work on developing a report to recommend improvements for patient travel from Uist and Barra to Stornoway to improve outcomes for patients within its recommendations. These are two examples where HITRANS is working in line with the National Performance Audit of NHS in Scotland 2024 underlining our potential and an enabler of improvement and change in public service delivery. This work has now reached a fruitful stage with a commitment in the national Islands Plan to provide revenue funding to HITRANS to support the development of a Highlands and Islands wide Health and Transport Plan.

Audit Scotland's 2025 Sustainable Transport Audit helped clarify the direction of travel for delivery of a range of national commitments including the ambition to reduce car kms. This has now seen meaningful progress on targets captured in the Climate Change Plan which has recently been consulted on by Scottish Government. RTPs and local authorities will be important partners to Scottish Government in delivering the ambitions around decarbonising transport and this offers an opportunity for further collaboration and a focus on the best range of measures to support reduced car use and increased active and sustainable travel to and within the Highlands and Islands. Building this on a foundation of a commitment to secure funding and resourcing in the next five-year period is going to be critical to meeting this shared ambition and underlines the importance of HITRANS establishing a clear Medium Term Financial Plan.

## **Recommendation**

1. Members are invited to note the report.
2. Members are asked to delegate preparation of the final Medium Term Financial Plan to the Partnership Treasurer and Partnership Director and for this to be included in the 2026/27 Business Plan that will be taken to the April 2026 Partnership Meeting for approval by the Partnership Board.

**Report by:** Ranald Robertson  
**Designation:** Partnership Director  
**Date:** 20<sup>th</sup> January 2026  
**Background Paper:** Five Year Budget Forecast Table (to follow)