

**202600506234 – Document C**

**1. Scottish Budget 2026 – 27: Proposal Assessment Template**

**Scottish Budget 2026-27**

**Proposal Assessment Template**

Commission Purpose:

**[REDACTED Section 30(b)(i)]**

Template for Completion:

	Detail:	For Completion:			
1. Request:	To provide proposals and cost assessment of freezing rail fares in Scotland for financial year 2026/2027.				
2. Deadline:	To be received no later than <b>Monday 1<sup>st</sup> December 2025, 12pm.</b>				
3. Proposal Detail:	Freeze ScotRail fares from 1 April 2026 for financial year 2026/2027.				
4. Alignment with PfG:	ScotRail peak fares removed from 01 September (PfG 2025 commitment)				
5. Alignment with FM Priorities:	A sustainable rail fares policy contributes to all Four Priorities				
6. Directorate:	Transport Scotland: Rail Delivery				
7. Lead Minister:	Cabinet Secretary for Transport				
8. Estimated Approximate Cost Profile:	All £m	2026-27	2027-28	2028-29	2029-30
	Resource – loss of CPI+1	14.5	15.0	15.5	16.0
	Potential demand increase –	(9.7)	(9.7)	(9.7)	(9.7)

	<table border="1"> <tr> <td data-bbox="608 194 810 416"><b>[REDACTED Section 30(b)(i)]</b></td> <td data-bbox="810 194 916 416"></td> <td data-bbox="916 194 1023 416"></td> <td data-bbox="1023 194 1129 416"></td> <td data-bbox="1129 194 1241 416"></td> </tr> <tr> <td data-bbox="608 416 810 725">Net Resource <b>[REDACTED Section 30(b)(i)]</b></td> <td data-bbox="810 416 916 725">4.8</td> <td data-bbox="916 416 1023 725">5.3</td> <td data-bbox="1023 416 1129 725">5.8</td> <td data-bbox="1129 416 1241 725">6.3</td> </tr> </table>	<b>[REDACTED Section 30(b)(i)]</b>					Net Resource <b>[REDACTED Section 30(b)(i)]</b>	4.8	5.3	5.8	6.3
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Net Resource <b>[REDACTED Section 30(b)(i)]</b>	4.8	5.3	5.8	6.3							
9. Resource or Capital (Denote):	Resource										
10. Proposal Benefits:	<p>Potentially it helps with cost-of-living crisis, but main beneficiaries would tend to be above average income households who could be in less need of support rather than below average income households. This was evidenced in the evaluation of the recent peak fares removal trial and considered as part of the socio-economic case for the Outline Business Case to permanently remove peak fares.</p> <p>The benefits of the proposal should be considered in light of the permanent removal of peak fares which reduced fares across the network by an average of around 17% but by up to almost 50% for some journeys. The permanent removal of peak fares, as opposed</p>										

	<p>to a temporary freeze, allows households to make long-term decisions about where they live and work on the basis of significantly reduced travel costs at peak times.</p>
<p>11. Potential Revenue Raised (if appropriate):</p>	<p><b>[REDACTED Section 30(b)(i)]</b></p>
<p>12. Proposal Risks/ Uncertainties:</p>	<p>Whilst officials are content with the modelling approach used by SRH/SRT, which they then extended<b>[REDACTED Section 30(b)(i)]</b></p> <p>The permanent removal of peak fares is equivalent to an average reduction in cost across all ticket types of around 17%.</p> <p><b>[REDACTED Section 30(b)(i)]</b></p> <p><b>[REDACTED Section 30(b)(i)]</b></p> <p>in 2026-27, reflecting the cost of the pay deal at 3.5% and an assumption that ScotRail will <b>[REDACTED Section 30(b)(i)]</b></p> <p>Staff costs increase by c. 4% each year thereafter with pay assumed at c. 3%, and phased driver recruitment.</p> <p>Other ScotRail costs increase from <b>[REDACTED Section 30(b)(i)]</b></p> <p><b>[REDACTED Section 30(b)(i)]</b></p> <p><b>[REDACTED Section 30(b)(i)]</b></p> <p><b>[REDACTED Section 30(b)(i)]</b></p> <p>Revenue growth is <b>[REDACTED Section 30(b)(i)]</b></p> <p>, against a modelled <b>[REDACTED Section 30(b)(i)]</b></p> <p>allocation of <b>[REDACTED Section 30(b)(i)]</b></p>

	million including £35 million for peak fares removal. <b>[REDACTED Section 30(b)(i)]</b>
13. Timescale for Delivery:	There is a 12 week industry standard lead-in time for any changes to be uploaded to fare retail systems.
14. Capacity to Deliver:	Yes operationally, <b>[REDACTED Section 30(b)(i)]</b>
15. Delivery Agent (e.g. SG/ Local Government):	SG and ScotRail Trains Ltd.
16. Legal Considerations:	Section 28(2) of the Railways Act 1993 provides the statutory basis for fares and ticketing regulation. It outlines the obligations on the franchising authority (Scottish Ministers for ScotRail and Caledonian Sleeper) when it comes to such regulation including to make sure that rail fares are reasonable; in determining what is reasonable the franchising authority may consider the interests of rail users and potential rail users and the financial situation including the amount of funding required to operate, maintain, renew, and upgrade the railway.
17. Verity House Agreement Considerations:	n/a
18. Impact on Child Poverty:	<b>[REDACTED Section 30(b)(i)]</b>

	This was evidenced in the Outline Business Case for removing ScotRail peak fares permanently.
19. Parliamentary/ Media Coverage in Proposal:	<b>[REDACTED Section 30(b)(i)]</b> Scottish Labour, Scottish Greens and the rail Trade Unions.
20. Policy Lead (Contact Details):	[REDACTED][REDACTED]@transport.gov.scot
21. Accountable Officer Approval (Name, Date and eRDM Link to Approval Correspondence):	Alison Irvine, CEO Transport Scotland

Contact: Should you have any questions regarding completing this template, please contact [REDACTED] in Exchequer Strategy.

## 2. Accountable Officer Assessment 2026-27 ScotRail Fares

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### 1. Introduction

It is normal practice for Accountable Officers to scrutinise significant policy proposals or plans to start or vary major projects and then assess whether they measure up to the standards set out in the Scottish Public Finance Manual (SPFM) and any related local financial guidance.

### 2. Background and context

The UK Government (UKG) announced on Saturday 22nd November that regulated rail fares in England would be frozen until March 2027 and there is an expectation by the Rail Delivery Group that this will apply to English unregulated fares as well. The Scottish Government continues to make a significant investment of up to £35 million a year to make rail travel more affordable by removing ScotRail peak fares for good, a first of its kind policy for Rail, across the UK. The permanent removal of peak fares was equivalent to an average reduction across all ScotRail ticket types of around 17%.

The 2026-27 Budget provided £381 million resource for rail services. **[REDACTED Section 30(b)(i)]**

As many costs are fixed in the railway, SRH must look to increase revenue as well as potential service changes and efficiency savings **[REDACTED Section 30(b)(i)]**

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**[REDACTED Section 30(b)(i)]**

This Accountable Officer Assessment considers the regularity, propriety, value for money and feasibility of freezing fares at 2025-26 levels in 2026-27.

### 3. Assessment against the Accountable Officer standards:

#### 3.1 Regularity

**[REDACTED Section 30(b)(i)]**

#### 3.2 Propriety

## **[REDACTED Section 30(b)(i)]**

### 3.3 Value for Money (Economy Efficiency and Effectiveness)

As with previous years, the Consumer Price Index (CPI) has been used as the basis for modelling by officials. **[REDACTED Section 30(b)(i)]**

A fare freeze is projected to increase demand by 2.5 million journeys. This would have the effect of delivering policy objectives of increased use of public transport and supporting the cost of living, while minimising the cost of the policy through revenue growth.

## **[REDACTED Section 30(b)(i)]**

Freezing or otherwise constraining fares increases would assist individuals and families with the cost of living. The main beneficiaries will tend to be above average income households who could be in less need of support rather than below average income households as was evidenced in the evaluation of the recent peak fares' removal trial. However, it should also be noted that the pilot to remove peak fares did provide some moderate evidence that the trial encouraged rail use amongst low to middle income households whilst primarily benefiting existing users who tended to be above average income. Therefore freezing fares may help existing rail users from low to middle income households.

The benefits of any proposal to freeze fares should also be considered in light of the permanent removal of peak fares which is already delivering significant benefits to rail passengers, having reduced fares across the network by an average of around 17% and by up to almost 50% for some journeys.

There may be impacts across modes such as passenger abstraction from other modes of transport should rail fares be constrained by freezes or below inflationary increases with impacts on the farebox revenue accruing to these modes. For example, First Glasgow introduced fares increases on their bus network with effect from 11 January 2026. Freezing fares may encourage passengers to use rail over bus.

Scottish Rail Holdings will monitor changes in passenger demand and revenue over the financial year.

Based on the value for money assessment above and noting the potential demand increase, **[REDACTED Section 30(b)(i)]**

, I am satisfied that the Value for Money standard can be met.

### 3.4 Feasibility (Economy Efficiency and Effectiveness)

#### 3.4.1 Is there capability and capacity in place to deliver effectively?

Yes, ScotRail can maintain current fares for 2026-2027 if a decision is made and communicated to them by 30 January 2026.

**[REDACTED Section 30(b)(i)]**

3.4.2

**[REDACTED Section 30(b)(i)]**

3.4.3 What processes and controls will be in place to support successful delivery? ScotRail will undertake their planned advertising campaigns over the year to highlight the range of products available and destinations served. In addition, continued monitoring of ScotRail's revenue figures and demand forecasts will allow early action to support successful delivery.

#### 4. Conclusion

On that basis, as the Accountable Officer for Transport Scotland, I am content to recommend maintaining ScotRail fares for 2026-2027, on the understanding that the demand-led costs of this policy, including the compounding impact in future years, will be funded in full. Value for Money is secured if the fares freeze drives a substantial increase in passenger journeys. Demand and revenues will be monitored to assess the impact of this policy and inform future fares decisions.

I have prepared this summary to set out the key points which informed my decision.

Catherine Jess-Gibson, Director of Finance and Corporate Services, Acting Accounting Officer, 30 January 2026.