

TAYSIDE AND CENTRAL SCOTLAND TRANSPORT PARTNERSHIP

REPORT TO EXECUTIVE COMMITTEE: 7 MARCH 2008

2007/08 CAPITAL PROGRAMME

REPORT BY DIRECTOR AND TREASURER

This report updates the Executive Committee on an anticipated reduction in the Partnership's 2007/08 Capital Grant allocation from Scottish Government and seeks endorsement of arrangements for managing a confirmed £300,000 reduction in this years Capital Grant.

1 RECOMMENDATION

- 1.1 That the Executive Committee endorses arrangements for managing a £300,000 reduction in the Partnership's 2007/08 Capital Grant from Scottish Government, as outlined in the report.

2 BACKGROUND

- 2.1 At it's meeting on 18 December 2007 the Partnership was informed that, as consequence of Government officials' anticipation of an underspend in the overall 2007/08 RTPs Capital Budget of £59.3 million, the allocation to all RTPs was to be reduced by a total of £4.8 million (Report RTP/07/39 refers).
- 2.2 In order to assist in achieving the above savings, Government officials had suspended the next due instalment of Capital Grant to each RTP, pending identification of where actual savings in the national programme would be made. In TACTRAN's case this amounted to £800,000, or 25% of the Partnership's core 2007/08 Capital Programme of £3.327 million. In addition Government officials had advised that no carry-over of RTP Capital Grant expenditure beyond the end of the current Financial Year on 31 March 2008 would be permitted, with a further caveat that any underspends could not be re-directed towards new projects.
- 2.3 At its subsequent meeting on 30 January 2008 the Partnership noted that discussions were ongoing with Government officials on the final implementation of their savings target. The Partnership agreed to remit consideration of the outcome of these discussions, and any necessary corrective action in relation to managing an anticipated reduction in Capital Grant, to the Executive Committee (Report RTP/08/05 refers).
- 2.4 After the Partnership meeting on 30 January Government officials confirmed that TACTRAN's contribution towards the national saving in RTP Capital Grant is £300,000. They also advised that the national savings target has reduced to closer to £3 million. It is understood that similar savings amounts are being sought from HITRANS, NESTRANS and SWESTRANS, therefore TACTRAN's required share of the overall Capital Grant reduction is considered to be proportionate and fair.

- 2.5 At the meeting on 30 January the Partnership also considered a progress report on the Regional Transport Strategy and agreed to seek to carry forward a projected underspend on £104,000 in the 2007/08 “non-core” Revenue Grant allocation from Government, subject to securing Scottish Government agreement to do so (Report RTP/08/02 refers). Government officials have now advised that, despite mention of “carry-forward” capability in the 2007/08 Revenue Grant-in-Aid award letters, no such flexibility will be permitted in the case of either Revenue or Capital Grant funding. As a consequence it is not possible to carry forward the currently un-committed Revenue Grant of £104,000, as proposed in the report of 30 January 2008. It is, therefore, proposed that a projected underspend in Revenue funding is used to assist in addressing the £300,000 reduction in 2007/08 Capital Grant, as discussed below.

3 DISCUSSION

- 3.1 Since the last Partnership meeting considerable discussion has been held with Government officials and with Councils, with a view to achieving the required £300,000 reduction in Capital Grant with minimum impact on the Partnership’s approved 2007/08 Capital Programme.
- 3.2 As a consequence of delays in being able to start a number of projects until later in the Financial Year than anticipated, a significant level of interest on Capital Grant received has accrued. This “windfall” funding was available to address any overheating in the Programme, but could also have been recovered by Scottish Government. Following negotiation with Government officials it has been agreed that accrued interest on Capital may be used to off-set the impact of the reduction in 2007/08 RTP Capital Grant. Based on current projections of interest earned, it is anticipated that this will contribute £180,000 towards the savings target of £300,000.
- 3.3 As was reported to the Partnership on 30 January delays in taking forward a number of projects in the 2007/08 RTS Development Programme were likely to result in an underspend of around £104,000 in the £320,000 Revenue budget allocation for RTS development. Since the meeting on 30 January progress has been made on a number of approved schemes in the RTS Development Programme, and the previously projected underspend has now reduced to £79,000. It is proposed that this Revenue underspend is Capitalised using Capital from Current Revenue (CFCR) accounting flexibility, to assist in achieving the reduction in Capital Grant with minimum impact on committed projects. This has been agreed with Scottish Government’s Transport and Finance officials.
- 3.4 The combined effect of utilising accrued interest on Capital and CFCR from projected underspends on Revenue Grant generates £259,000 of the required £300,000 saving, leaving £41,000 to be met from managed reductions in Capital project expenditure. Following discussion with the Chair and Council officers, it has been agreed that this will be achieved by each Council programme being reduced by an amount proportionate to their total allocation of the original 2007/08 Capital Grant as follows :-

Angus Council	- £ 9,377
Dundee City Council	- £11,665
Perth & Kinross Council	- £12,407
Stirling Council	- £ 7,552

- 3.5 The reductions in Council allocations of Capital Grant will be achieved mainly from slight slippage of project completions into 2008/09 and/or savings in project outturn costs. At this stage it is not possible to predict precisely which projects will generate slippages or savings. Where project completions are slipped into 2008/09 the residual costs could be met from the 2008/09 RTP Capital Grant allocations, which are to be made direct to Councils under the Government Spending Review, as reported to the Partnership on 18 December 2007 (Report RTP/07/42 refers).
- 3.6 As a result of the arrangements set out in 3.2 – 3.5 above, the reduction in 2007/08 Capital Grant can be managed with minimum impact on the Partnership's approved Capital Programme. The Executive Committee is asked to endorse the above arrangements for achieving the required £300,000 reduction in the Partnership's 2007/08 Capital Grant.

4 CONSULTATIONS

- 4.1 The above arrangements for managing the reduction of £300,000 in the Partnership's 2007/08 Capital Grant allocation have been developed in consultation with Councils. These have also been the subject of consultation and agreement with Scottish Government Transport and Finance officials.
- 4.2 The final outcome in relation to achievement of the £41,000 reduction in project expenditure during 2007/08 will be reported to the Partnership's next meeting on 29 April 2008.

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