

## TAYSIDE AND CENTRAL SCOTLAND TRANSPORT PARTNERSHIP

14 DECEMBER 2010

## 2011/12 CORE REVENUE BUDGET

## JOINT REPORT BY DIRECTOR AND TREASURER

This report seeks the Partnership's approval of a proposed Core Revenue Budget for 2011/12.
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**1 RECOMMENDATIONS**

## 1.1 That the Partnership:-

- (i) notes an anticipated reduction in Scottish Government and partner Council funding contributions in 2011/12, as detailed in the report;
- (ii) approves the proposed 2011/12 Core Revenue Budget as detailed in the Appendix to the report;
- (iii) requests that partner Councils make provision for their respective funding contributions within their 2011/12 Revenue Budgets;
- (iv) remits the Director and Treasurer to seek a review of the current allocation of Scottish Government RTP Grant in Aid for 2011/12 and future years, as discussed in the report;
- (v) agrees to receive a report on a proposed 2011/12 RTS Revenue Programme at its next meeting; and
- (vi) remits the Director and Treasurer to continue discussions with partner Councils on future years funding requirements.

**2 BACKGROUND**

- 2.1 At its meeting on 14 September 2010 the Partnership noted the potential for a reduction in Core Revenue funding from partner Councils and authorised the Director and Treasurer to continue negotiations with Councils on future funding arrangements. The Partnership also remitted the Director and Proper Officers to develop a strategy and options for managing anticipated reductions in Council and Scottish Government funding and to report further on this to this meeting (Report RTP/10/32 refers).
- 2.2 On 17 November 2010 the Cabinet Secretary for Finance and Sustainable Growth presented the Draft Scottish Government Budget to Parliament. This is a one year Budget for 2011/12 only. The currently anticipated implications for RTP funding in 2011/12 are discussed in sections 3.3 - 3.6 below.

### 3 DISCUSSION

#### Council Funding

- 3.1 As was reported on 14 September 2010, Councils have previously advised that they are budgeting for a cut of up to 50% in their current contributions to the Partnership's Core budget.
- 3.2 Council officials have recently advised that, despite a much better than anticipated Scottish Government reduction of 2.6% in funding to Councils next year if they agree to a continued freeze in Council Tax and other Government priorities, Councils are likely to continue to budget for a cut of up to 50% in their funding to Tactran for the next and successive financial years.

#### Scottish Government Funding

- 3.3 The Scottish Government Draft Budget for 2011/12, as presented by the Cabinet Secretary to Parliament on 17 November 2010, provides for continued funding to RTPs in 2011/12 at a reduced level. Under the proposals for Finance and Sustainable Growth the Draft Budget states that Scottish Government "***will continue to support the operation of Regional Transport Partnerships***". This continuing support by Scottish Government is to be welcomed.
- 3.4 The relevant Transport Strategy and Innovation section of the Draft Scottish Budget is to be reduced from £6.6 million to £5.1 million, or just under 23%. However, Transport Scotland officials have informally advised RTPs that they should anticipate a 15% cut in Grant in Aid next year as a result of the proposed Budget.
- 3.5 During the last Spending Review period from 2008/09 – 2010/11 Tactran has received annual Grant in Aid amounting to £615,000 to support operating costs and delivery of the RTS. This figure is based upon a historical distribution which allocates differential levels of funding to each RTP. The same amount has been allocated to Hitrans but much higher grant awards of £920,000/annum have been made to the two other "Model 1" RTPs, SEStran and Nestrans. The 4 "Model 1" RTPs have similar core operating establishments. Consequently the higher level of grant funding enjoyed by SEStran and Nestrans enables these RTPs to allocate greater resources towards progressing RTS delivery.
- 3.6 Whilst, in terms of population, geography and number of constituent Councils, there may be a justification for this differential level of funding in the case of SEStran, there is no apparent justification for continuation of such a differential in the case of Nestrans, which is smaller than both Tactran and Hitrans in terms of geography, population and number of constituent Councils covered. The Partnership is asked to remit the Director and Treasurer to seek a more equitable balance of Grant in Aid funding distribution between RTPs for 2011/12 and future years.

## **2011/12 Core Budget**

- 3.7 The Partnership's Core operating budget is funded through a combination of Scottish Government Grant in Aid and partner Council requisitions. In previous years this has been based upon a 50% contribution from Scottish Government and 50% from partner Councils, with individual Council contributions based upon an agreed formula.
- 3.8 The approved 2010/11 Core Budget of £430,000 included a 9½% saving to Councils compared with 2009/10, as a result of efficiency savings and freezing of vacancies. The 2010/11 Budget also departed from the previous funding formula, with Scottish Government Grant in Aid meeting approximately 53½% of Core costs and Councils the remaining 46½% this year.
- 3.9 As discussed in sections 3.1 - 3.4 above, it is understood that Councils are continuing to budget for an up to 50% cut in RTP funding, whilst the Draft Scottish Government Budget provides for a more modest 15% cut in Grant in Aid to RTPs for 2011/12. Council and Government Budget processes are ongoing and will only finally be confirmed around mid-February 2011. Whilst it is possible that revisions to current funding assumptions may occur, these have been assumed as "worst case" scenarios for 2011/12 Core budget planning purposes.
- 3.10 Reflecting the anticipated funding position, a line by line review of Core Revenue requirements has been undertaken to establish scope for further savings in 2011/12, with a view to setting a Core budget which absorbs a potential cut of 50% in Council funding, plus an anticipated 15% cut in Scottish Government Grant in Aid, whilst maintaining the Partnership's capacity to continue to fulfil its statutory role and duties.
- 3.11 Given the considerable uncertainties which exist in relation to public sector funding nationally and locally, and the probable need to consider new models of service delivery as a result, the setting of a one year Core budget is proposed. This will create a degree of "breathing space" for the Partnership to consider and plan the future role and shape of the organisation, having regard to the evolving public sector funding and delivery situation over the coming months.
- 3.12 A Draft Core budget for 2011/12 is presented in the Appendix to the report. This assumes that Council contributions in 2011/12 will be reduced by 50% from £200,000 to £100,000. It is proposed that the impact of this potential reduction in funding in 2011/12 is partially offset by Deferred Income arising from a projected underspend of approximately £47,000 in Council requisitions in the current year, as discussed in a separate report on 2010/11 Revenue Monitoring. It should be noted that the full impact of this reduced level of Council funding will require to be accommodated in 2012/13 and beyond.

## Staffing

- 3.13 The Partnership's originally approved "Model 1" staffing structure provides for 8 posts, of which 6 are appointed to on a full time basis. The Partnership agreed to defer filling two technical support vacancies in 2010/11. Whilst freezing these vacancies has had continuing workload capacity implications, it is proposed to maintain this freeze on vacancies for a further year. In addition, in the event of staff turnover, there will be a presumption against automatic filling of vacancies, with any proposed appointment being subject to prior approval by the Partnership Board.

- 3.14 Having regard to ongoing workload, statutory commitments and the considerable uncertainties which exist regarding broader public sector delivery and funding beyond 2011/12, no further revisions to staffing arrangements are proposed at this time. The Partnership's core statutory role and duties in relation to monitoring, delivering and reporting on the RTS; engaging in Community Planning; engaging with Transport Scotland and other national and regional agencies on strategic transport matters etc., which in turn determined the current "Model 1" staffing structure, remain unaltered.
- 3.15 Additional workload has emerged during the past year as a result of the statutory designation of RTPs as "Key Agencies" in the Development Planning process. A significant and growing proportion of the Director's, Strategy Manager's and Project's Manager's time is being allocated to this "Key Agency" engagement in the development of the TAYplan Strategic Development Plan and the emerging Local Development Plans, of which there are 7 affecting the Tactran area. This area of workload is likely to increase further over the next 12 - 18 months.
- 3.16 The progressive alignment of the Partnership and its RTS with Community Planning and Single Outcome Agreements has also resulted in additional resource commitment to these areas of activity by all staff. There will be further resource implications arising from new statutory public sector duties, particularly in relation to Climate Change, in moving forward.
- 3.17 The proposed budget assumes a pay freeze for all staff, in line with the recent pay award by Local Authorities, which notified an intention to apply a pay freeze for Local Government staff in each of the next 2 financial years.
- 3.18 The Partnership has previously noted the opportunities and potential efficiencies which could be gained through greater and more effective partnership working with Councils and other public sector bodies. Discussions on shared services opportunities within transportation, and generally, remain at a relatively early stage in most Councils but it is anticipated that these will continue over the course of the coming year, as the public sector seeks to identify increased scope for effecting efficiency savings. The Director has indicated to Councils that the Partnership is willing to play a positive and proactive role in identifying and implementing efficiency savings through increased partnership working, which may also generate potential revenue generation opportunities. This will be explored further during the year.
- 3.19 Recognising anticipated further reductions in public sector funding beyond 2011/12, and associated potential for public sector reform, work is continuing on development of policies for managing any staffing implications of future budget cuts. These will be reported to a future meeting.
- 3.20 It is proposed that the budget for Training/Conferences in 2011/12 is reduced from £3,000 to £1,500. This budget has been progressively reduced from £6,000 over the past 2 years. The remaining budget is intended for continuing professional development.

#### Property Costs

- 3.21 The Partnership's Headquarters accommodation is the subject of a 6-year lease with rent review due after the first 3 years and thereafter annually. A standstill rental of £12,000/annum for the second 3 years from November 2009 to November 2012 has been successfully negotiated.

- 3.22 A Small Business rebate on rates has generated savings of approximately £3,000 in the current year and future years.
- 3.23 Renegotiation of energy supply contracts has generated a further projected saving of £2,000 in 2010/11 and £2,500 in 2011/12.

#### Supplies and Services

- 3.24 Most of these expenditure headings have previously been reduced and there are limited opportunities for effecting further savings. Savings of approximately 10% will be effected in office consumables and a further saving of £2,500 is projected in Communications costs, based on updated usage and cost projections.

#### Transport Costs

- 3.25 Savings amounting to £2,000 in Travel and Subsistence and Public Transport costs will be sought through proactive management of business travel and meetings requiring staff travel, coupled with more flexible working arrangements including home-working where appropriate, in line with the principles of encouraging more sustainable approaches to working practices and work-related travel.

#### Third Party Payments

- 3.26 The Partnership currently pays £38,200/annum for Financial, Secretariat, Legal, Information Technology and Human Resources support services provided by Perth & Kinross Council. It is proposed to undertake a review of support services requirements with a view to achieving efficiency savings of around 10% in 2011/12.

#### Summary

- 3.27 The overall effect of the various proposed efficiency savings outlined above generates savings of £13,000 compared with 2010/11, resulting in a proposed 2011/12 Core Budget requirement of £417,000.
- 3.28 Based on an assumed Councils' contribution of £100,000, supplemented by a projected Deferred Income contribution of £47,000 from 2010/11, a balancing contribution of £270,000 will require to be met from the anticipated Scottish Government Grant in Aid allocation.

#### **2011/12 RTS Revenue Programme**

- 3.29 As indicated in section 3.4, it is anticipated that the current Scottish Government Grant in Aid contribution of £615,000 will be reduced by 15% in 2011/12. This would result in a reduced grant of £522,750, assuming no revision to the current distribution arrangements, as discussed in sections 3.5 and 3.6 above. The proposed allocation of £272,000 towards Core costs would leave a reduced balance of £252,750 available to support development and delivery of the RTS in 2011/12. This represents a 34% reduction compared with the £385,000 available for RTS delivery in 2010/11.
- 3.30 It is intended that detailed proposals for a reduced 2011/12 RTS Revenue Programme will be reported for approval at the Partnership's next meeting in March 2011, based on confirmed Scottish Government and Council contributions.

- 3.31 As discussed in the separate report on RTS monitoring, a number of projects being progressed through the 2010/11 Revenue Programme have slipped or may require further development or completion next year. Deferral of consideration of a detailed programme until the next meeting will allow consideration of the need for follow-on work and also discussion with Councils and Community Planning Partnerships on how next years RTS activity can best support delivery of SOA outcomes.

### **Future Years**

- 3.32 Considerable uncertainties remain over the future level of public sector funding and Government intentions for re-shaping the public sector in Scotland after the next Parliamentary elections in May 2011. As a consequence of these challenges and uncertainties it is considered possible to only set a one year budget at this time.
- 3.33 In many ways 2011/12 is likely to be a year of transition and the Partnership, in consultation with its constituent Councils, will need to be prepared to adapt to the financial and organisational challenges which are likely to be faced by the wider public sector over the next and successive financial years. It will be essential that the Partnership and constituent Councils agree a shared vision for the future role of Tactran against this background of continuing uncertainty and financial constraint. Approval of a 1-year budget will provide the Partnership with space to consider and plan the future shape of the organisation in consultation with Councils and Scottish Government.
- 3.34 It is proposed that the Director and Treasurer be remitted to continue discussions with partner Councils on identifying opportunities where Tactran can contribute positively to addressing anticipated public sector funding, organisational and other resource pressures in future years through shared services and other efficiency opportunities.

## **4 CONSULTATIONS**

- 4.1 The proposed 2011/12 Revenue Budget has been developed in consultation with partner Councils through the Chief Officers Liaison Group.

## **5 RESOURCE IMPLICATIONS**

- 5.1 The main resource implications are addressed within the report.

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### **NOTE**

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

Report to Partnership RTP/10/32, Revenue Budget 2011/12 – 2013/14, 14 September 2010

**Tactran Core Revenue Budget**

<b>Income</b>	<b>2010/11 Budget £</b>	<b>Proposed 2011/12 Budget £</b>
Scottish Executive Grant Revenue Received	£230,000	£270,000
Angus Council	£45,800	£22,900
Dundee City Council	£56,800	£28,400
Perth and Kinross Council	£60,600	£30,300
Stirling Council	£36,800	£18,400
Deferred Income	£47,000	£47,000
	<b>£430,000</b>	<b>£417,000</b>
<b>Expenditure</b>		
<u>Staff Costs</u>		
Salary GP	£250,800	£251,400
Salary Supn	£46,400	£46,500
Salary NI	£21,500	£22,100
Training/Conferences	£3,000	£1,500
Subscriptions	£300	£300
	<b>£322,000</b>	<b>£321,800</b>
<u>Property Costs</u>		
Rent	£12,000	£12,000
Rates	£8,000	£5,000
Energy	£4,500	£4,000
Cleaning	£2,500	£2,500
Maintenance	£1,000	£1,000
	<b>£28,000</b>	<b>£24,500</b>
<u>Supplies and Services</u>		
Office Consumables	£4,500	£4,000
Communications	£6,500	£4,000
Information Technology	£2,000	£2,000
Insurance	£7,500	£7,200
Board Expenses Miscellaneous	£2,000	£2,000
Hospitality	£1,000	£1,000
	<b>£23,500</b>	<b>£20,200</b>
<u>Transport Costs</u>		
Travel and Subsistence	£3,000	£2,000
Public Transport	£3,000	£2,000
Expenses - Board Members	£1,000	£1,000
	<b>£7,000</b>	<b>£5,000</b>
<u>Third Party Payments</u>		
Audit Fees External	£11,300	£11,300
PKC Finance Service	£14,200	£14,200
PKC Secretariat Service	£8,000	£8,000
PKC Other Third Party Payments	£16,000	£12,000
	<b>£49,500</b>	<b>£45,500</b>
Gross Expenditure	<b>£430,000</b>	<b>£417,000</b>
Net Expenditure	<b>£0</b>	<b>£0</b>