FINANCE COMMITTEE

AGENDA

33rd Meeting, 2004 (Session 2)

Tuesday 14 December 2004

The Committee will meet at 10.00 am in Committee Room 1 to consider the following agenda items:

1. Cross Cutting Expenditure Review on Economic Development: The Committee will take evidence from—
   
   Tom McCabe, MSP, Minister for Finance and Public Service Reform; and David Stewart, Head of Finance Expenditure Policy Division, Scottish Executive Finance and Central Services Division;
   
   Jim Wallace, MSP, Deputy First Minister and Minister for Enterprise and Lifelong Learning; and Jane Morgan, Head of Enterprise Networks Division, Enterprise, Transport and Lifelong Learning Department;
   
   Nicol Stephen, MSP, Minister for Transport; and Jonathan Pryce, Head, Transport Strategy and Legislation Division, Scottish Executive Enterprise, Transport and Lifelong Learning Department; and
   
   Malcolm Chisholm, MSP, Minister for Communities

2. Transport (Scotland) Bill: The Committee will take evidence on the Bill’s Financial Memorandum from—
   
   Jonathan Pryce, Head, Transport Strategy and Legislation Division; Frazer Henderson, Bill Team Leader; and Claire Dunbar-Jubb, Group Accountant, Roads Policy and Group Finance Division, Scottish Executive Enterprise, Transport and Lifelong Learning Department.

3. Item in private: The Committee will consider whether to take an approach paper on its forthcoming budget seminar in private at its next meeting.


Susan Duffy
Clerk to the Committee
The papers for this meeting are:

**Agenda Item 1**

Research by Peter Wood, Committee Adviser, dated 31 March 2004

PRIVATE PAPER

**Agenda Item 2**

Transport (Scotland) Bill, Explanatory Notes and Policy Memorandum

PRIVATE PAPER

Correspondence from the Scottish Executive, dated 9 December 2004

**Agenda Item 4**

PRIVATE PAPER
CORRESPONDENCE FROM SCOTTISH EXECUTIVE, DATED 9 DECEMBER 2004

How will the proposed requisition process actually operate?

The Bill proposes that the net expenses of a regional transport partnership, that is any expenses which are not met from other sources (such as grants from the Scottish Executive or partnership revenue streams) will be met by its constituent councils.

The Bill also proposes that it will be for the partnerships to determine the share of the expenses that is to be paid by a constituent council. The means by which that decision will be made is currently subject to consultation. There is an expectation that most decisions will be reached by consensus however there may be occasions where progress can only be made by putting decisions to a vote. In those instances the presumption is that a simple majority will suffice though we do recognise within the consultation paper that partnerships may wish to require a higher share of the vote, or indeed unanimity, in favour for particular issues such as requisition. The voting methodology will form part of the constitution order.

Once the requisition is decided the councils, under section 3, subsection 1 of the Bill, have a duty to provide the determined contribution. The Bill empowers the Scottish Ministers to provide as to the arrangements for the payment of the amounts payable i.e. the necessary accounting and administrative arrangements.

There are a number of safeguards proposed to ensure that the partnership does not act unreasonably in determining its requisition: first, the partnership board will contain a representative from each of the constituent councils, with those members carrying a minimum of two-thirds of the voting weight on the partnership; second, the funding requirements of the partnership are necessarily linked to proposals within the regional transport strategy which will be the subject of consultation with constituent councils; third, for the transport strategy to take effect it has to be approved by the Scottish Ministers who are obliged by legislation to assess how the strategy will contribute to the realisation of their transport policies.

How might regional transport partnerships utilise the prudential borrowing regime?

The prudential borrowing regime is available to partnerships to fund or part-fund capital projects. The funding of significant capital projects of national importance will remain the responsibility of the Scottish Executive; capital projects of regional significance will in future be the responsibility of the regional transport partnerships but the Executive will continue to provide capital grant to help fund these projects. This approach will replace the current ad hoc arrangements between councils and
the Executive. Individual councils will still be able to fund transport capital projects of local importance.

Partnerships will, of course, need to be able to pay the loan charges arising from any prudential borrowing. If a partnership has no independent revenue stream then revenue will need to be obtained from its constituent councils through the requisition and they in turn may draw on the loan charge support that local authorities receive. A partnership will be fully engaged with its constituent councils when planning its capital expenditure and borrowing to ensure that each council makes provision for its share of the loan charges within its budget.

It is difficult to know in advance of the strategies being produced what will be the required level of capital borrowing. It is worth noting, however, that the Scottish Executive’s spending plans for 2006-07 and 2007-08 already include £35m of capital grant each year for regional transport partnerships. Any borrowing under the prudential regime would be on top of that.

The production of a strategy covering forward years will prove of immense benefit as an aid, providing a degree of certainty to capital planning and thereby the loan planning for local authorities.

**What is the basis for the figure for transitional costs and for the assessment of the long term costs?**

The regional transport strategies will set the agenda for transport delivery for future years within their respective regions. It is vitally important therefore that the correct support structures are in place to enable partnerships to concentrate on that initial activity. It is for that reason that the Scottish Executive has decided to provide central funds to establish the partnerships, hence the additional funding in their first year to pay for additional staff to assist with production of the regional strategies, to cover administrative and accommodation costs as well as members’ expenses. While the figures in the financial memorandum are only estimates, they are based upon reasoned assessments and should be adequate to meet the first year costs. The financial memorandum also provides a clear statement that the Scottish Executive will continue to provide existing funding in support of the core costs of the partnerships.

Once the initial strategies have been produced, the Scottish Executive believes that the running costs of the partnerships need not absorb significantly more resource than is currently spent on SPT, and the existing voluntary partnerships which already receive core support from the Executive. We will be happy to consider requests to increase running cost support in the future as transport activity increases following the outcome of the last spending review, but that is not an issue arising from this legislation and so does not feature in the financial memorandum.

Should councils choose to transfer greater responsibilities over time to a partnership from local authorities then the necessary resources will be part of the requisition from the constituent local authorities who will no longer be carrying out that function. Indeed it is possible that the pooling of functions at the regional level could lead to economies of scale and overall savings to the local authorities concerned. Best value
principles should apply throughout and partnerships will be encouraged to make use of shared services where appropriate. For example, the current Westrans partnership utilises the legal and financial services of Renfrewshire council.

The Scottish Executive has recognised that there will be additional transitional costs for SPT as a consequence of functions being transferred. The financial memorandum makes clear that provision of £1m will be made available from central resources to facilitate that transition.

The over-riding objective is to ensure that transitional activity should not impact on business delivery and therefore the Scottish Executive will consider very carefully any case made by SPT for additional funding to ensure its business continuity. We are already engaged with SPT and Westrans in discussions about handling the transition in the west of Scotland.

**What will be the financial impact to local authorities, within the SPT area, resulting from the provision of concurrent bus powers?**

Since the local authorities in the SPT area would have discretion in whether to use the proposed concurrent powers on bus measures there is no requirement on them to incur any additional expenditure. The expectation is that the most likely use of the bus powers would relate to Quality Partnerships where the involvement of the local authorities in the SPT area would stem from their roads responsibilities. This is because Quality Partnerships will often include improvements to the road infrastructure. On this scenario the ability to negotiate a Quality Partnership would not significantly increase the local authority’s costs but would provide new powers to deliver improvements.

**Will there be any impact on any existing or proposed projects and commitments, that have been given by existing authorities, as a consequence of the proposed changes?**

There should not be any negative impacts on projects or commitments as a consequence of establishing regional transport partnerships. The existing voluntary partnerships use constituent authorities to execute projects and these existing commitments need not be disturbed, even if the new statutory regional partnerships choose to promote new projects at their own hand.

In the case of SPT’s transition to a new west of Scotland partnership, one of the key parts of transition planning will be to ensure that there is continuity in relation to all existing or proposed projects and commitments.