



NOTICE OF MEETING

There will be a meeting of the Partnership in the HITRANS Office, Inverness Airport on **Friday 1 February 2008 at 9:30am**. There will be an informal meeting of the Partnership for a briefing at the Kingsmills Hotel, Inverness on Thursday 31 January 2008 commencing at 6.00 pm, followed by dinner at 7:30pm.

AGENDA

APOLOGIES AND INTRODUCTIONS

MINUTES

1 **Minute of Meeting of 30 November 2007** (enclosed)

2 **Matters Arising**

FINANCE

3 **Finalised Accounts 2006/07** (enclosed)
Report by Partnership Treasurer

4 **Revenue Budget 2007/08** (enclosed)
Report by Partnership Treasurer

5 **Capital Budget 2007/08** (enclosed)
Report by Partnership Programme Manager

6 **Revenue Budget 2008/09** (enclosed)
Report by Partnership Treasurer

STRATEGY DEVELOPMENT

7 **Regional Transport Strategy** (enclosed)
Report by Partnership Director

8 **Research and Strategy Development Programme 2008/09** (enclosed)
Report by Partnership Director

9 **Air Services – Response the Heathrow Consultation** (enclosed)
Report By Partnership Director

ORGANISATIONAL MATTERS

10 **Transfer of Employees from Highland Rail Partnership** (enclosed)
Report by Partnership Director

11 **Lease of Arisaig Station** (enclosed)
Report by Partnership Rail Adviser

12 **Date of Next Board Meeting – 4 April 2008, Orkney**

Item:

1



Minute of Meeting held in the
Victoria Hotel, Rothesay on Friday
30 November 2007 at 9.30am.

PRESENT	Mr Duncan Macintyre (Chairman) – Argyll and Bute Council Mr John Laing (Vice-Chairman) – Highland Council Mr Jim Foubister – Orkney Islands Council Mr George McIntyre – Moray Council Mr Donald Manford – Comhairle nan Eilean Siar Ms Louise Smith Mr Wilson Metcalfe Mr Donald MacNeill
IN ATTENDANCE	Mr Dave Duthie – HITRANS Mr Ranald Robertson – HITRANS Mr Frank Roach – Highland Rail Partnership Mr Mike Mitchell – Highland Council Mr Sam MacNaughton – Highland Council Ms Naomi Coleman – Orkney Islands Council Mr Murdo Gray – Comhairle nan Eilean Siar Mr Blair Fletcher – Argyll and Bute Council Mr David Summers – HIPTF Mr Douglas Forson – Scottish Government Mr Donald J Macsween – Comhairle nan Eilean Siar (Substitute Member) Mr Derek Mackay – Comhairle nan Eilean Siar
APOLOGIES	Mr Gordon Holland – Moray Council Mr Iain Duff – SCDI

MINUTES

HITRANS	1	The Minute of Meeting of 5 October 2007 was approved with the inclusion of the following text at item 5: “ consideration be given to contributing towards the overspend on the Spinal Route, North Uist Project from the HITRANS Capital Programme 2007/08. ”
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Matters Arising 2 Members were informed that the Chairs of the Regional Transport Partnership's would be meeting with Mr John Swinney, Cabinet Secretary for Finance and Sustainable Growth on 11 December 2007. The Chairman indicated that, if required, a Meeting of the Board would take place on Tuesday 18 December 2007 in Inverness to consider the outcome of discussions.

It was agreed to note the Report.

RESEARCH

Research and Feasibility Studies 3 With reference to the Minute of Meeting of 13 April 2007 the Partnership Director submitted a Report in relation to the Research and Feasibility Studies Programme 2007/08. The Programme incorporated a number of Studies relating to the development of the Regional Transport Strategy and an update on progress was detailed together with proposed revisions to a number of Studies to incorporate changes which would ensure optimum delivery of the Strategy. Consideration would be given to ensuring that the outcomes of the various Studies were progressed.

It was agreed:

- (1) to approve the revised Research and Feasibility Studies Programme 2007/08 as detailed in the Report; and**
- (2) that consideration of the progressing of the Research and Feasibility Studies Programme would be made at the next Meeting.**

FINANCE

Capital Programme 2007/08 4 The Partnership Programme Manager submitted a Report detailing progress with the delivery of the HITRANS Capital Programme 2007/08. The Report detailed progress with each of the projects within the Capital Programme and the projects within the Public Transport Network Programme.

It was agreed:

- (1) to note the revised Capital Programme 2007/08; and**
- (2) to authorise the Partnership Programme Manager to make further revisions to the Capital Programme 2007/08 following consultation with Members and Principal Advisors.**

Revenue Budget Monitoring Report 5 The Partnership Treasurer submitted a Report detailing the revenue position to 31 October 2007. The Report indicated that income contributions, mainly from Highlands and Islands Enterprise, towards costs in respect of research work had been received and consequently the outturn figure was higher than budgeted by £20k.

It was agreed to note the Report.

Mr Ranald Robertson, Partnership Programme Manager declared an interest and left the Meeting during consideration of the following item.

Programme Manager Salary Scale Report	6	<p>The Partnership Director submitted a Report in relation to the salary scale for the Partnership Programme Manager. The Report stated that the salary for the post had been increased to reflect the increased duties and responsibilities when compared with similar posts in other Regional Transport Partnerships and discussions had been held to establish whether a single point or a salary scale appointment was appropriate in reflecting with the nature of the post.</p> <p>It was agreed that, in order to reflect the strategic level of duties and responsibilities associated with post of Partnership Programme Manager, it be graded at spinal column points 51-53 with the initial placement on the scale at SCP51 with effect from April 2007.</p>
Scottish Government Budget Spending Review	7	<p>The Partnership Director gave a verbal update in relation to the Scottish Government Budget Spending Review. The Economic Strategy had been launched by the Scottish Government on 13 November 2007 with the Budget Statement being made on 14 November 2007. Further information was awaited in relation to the distribution of funding but an indication had been given that Demand Response Transport funding would now be distributed by Local Authorities.</p> <p>It was agreed:</p> <p>(1) to note the update in relation to the Scottish Government's Budget Spending Review; and</p> <p>(2) any applicants for Demand Response Transport funding who had applied to HITRANS would be redirected to the relevant local authority.</p>
GENERAL		
Journey Sharing Website	8	<p>The Partnership Director submitted a Report in relation to the promotion of journey sharing throughout the HITRANS area. A pilot journey sharing scheme had been introduced in the Caithness area and the outcome of the pilot study was detailed. The Report stated that journey sharing website tools had proved popular with other Regional Transport Partnerships with many having well developed branded liftshare portal sites.</p> <p>It was agreed to proceed with conversion of the journey share Caithness Journeyshare Scheme to a HITRANS wide scheme on the following basis:</p> <ul style="list-style-type: none"> ▪ the Caithness portal identity be retained. ▪ separate private groups for the five Local Authorities be included. ▪ a telephone facility be included. ▪ the progress of the Scheme be regularly monitored. ▪ a full review of the Scheme be carried out towards the end of the contract period to determine whether it should be continued.

Broadford Airport, Skye	9	<p>The Partnership Director submitted a Report in relation to proposals for the introduction of scheduled air services between Skye and Central Scotland. The Report stated that a meeting with Civil Aviation Authority had taken place in order to discuss their aerodrome licensing standards and the runway development options at Broadford Airport. The Report further stated that, now that the Twin Otter aircraft was a long term prospect, incremental development of the air service was possible beginning with limited runway improvements which would not preclude future expansion.</p> <p>It was agreed that Highland Council would be asked to take the lead on proposals for the development of Broadford Airport, Skye in partnership with HITRANS and Highland and Islands Enterprise.</p> <p>Arising from consideration of this item it was agreed to request an invitation for Member/Officer representations at future Meetings of the Conference of Peripheral Maritime Regions.</p>
Draft Equality Scheme	10	<p>The Partnership Director submitted a draft Equality Scheme which set out HITRAN's proposed policies and arrangements for complying with statutory duties in relation to gender, disability, race and other equalities issues.</p> <p>It was agreed to approve the Equality Scheme as detailed in the Report.</p>
AOCB	11	<p>Members discussed the operation of the Ferry Users Groups and it was indicated that Calmac had requested that the Meetings scheduled for December 2007 be rescheduled to January 2008. The Partnership Director circulated a poster which set out the mechanisms for commenting on Calmac services.</p> <p>It was agreed:</p> <ol style="list-style-type: none"> (1) that substitute Members would be authorised to attend meetings of the Tier 1 Ferry Users Groups; (2) that the Tier 1 meetings scheduled for December would be rearranged to January 2008 in order to allow Calmac to attend; (3) that the Partnership Director would raise the issue of the display of the Comments Poster for Calmac Services with the Scottish Government; (4) that the Partnership Director would circulate the presentations made at the recent Scottish Transport Conference to Members; (5) that copies of all Agendas/Minutes would be sent to substitute members and earlier issue of the pres agendas would be made; and (6) to note that Reports on the provision of fuel at Portree and the Dornoch Rail Crossing would be submitted to the January 2008 Meeting.

Item:

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THE HIGHLANDS AND ISLANDS TRANSPORT PARTNERSHIP

STATEMENT OF ACCOUNTS

2006/07

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EXPLANATORY FOREWORD

The accounts of the Partnership for the year ended 31 March 2007 provide an assessment of the financial performance of the Partnership. The accounts have been prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the SORP). The accounts also comply with the requirements of the Best Value Accounting Code of Practice (BVACOP) issued by CIPFA.

The accounts, which follow, comprise:

- Statement of Accounting Policies which explains the policies adopted in compiling the accounts;
- Income and Expenditure Account which reports the net cost of the service and the funding from each constituent authority;
- Statement of the movement on Revenue Reserves;
- Statement of Total Recognised Gains and Losses which shows the movement in the Pensions Reserve;
- Balance Sheet which details the assets and liabilities of the Partnership as at 31 March 2007 and how these are financed;
- Cash Flow Statement which summarises the inflows and outflows of cash;
- Statement of Responsibilities for the Statement of Accounts which explains the respective responsibilities of the Partnership and the Treasurer; and
- Statement on the System of Internal Financial Control which sets out the framework within which financial control is managed and reviewed, and the main components of the system, including the arrangements for internal audit.

In addition, the Report by the Treasurer to the Partnership provides a brief explanation of the financial aspects of the Partnership's activities and draws attention to the main features of the Partnership's financing.

REPORT BY THE TREASURER TO THE PARTNERSHIP

Introduction

The Highlands and Islands Transport Partnership (HITRANS) was established under the Regional Transport Partnership (Establishment and Constitution) (Scotland) Order 2005, effective 5 December 2005. The power granted to the new statutory body came into force on 1 April 2006.

The Partnership was established as one of the seven Scottish Regional Transport Partnerships. The Transport Scotland Act 2005 requires these Partnerships to prepare Transport Strategies for their regions which will enhance economic well being; promote safety, social inclusion and equal opportunity; plan for a sustainable transport system; and integrate across boundaries with other Partnerships. These Strategies must take account of future needs and set priorities for transport development and improvement.

The Partnership comprises The Highland Council, Moray Council, Comhairle Nan Eilean Siar, Orkney Islands Council and Argyll & Bute Council (excluding Helensburgh and Lomond and Isle of Arran).

The Order states the membership will be made up from one Member from each constituent Local Authority, and two or three Members from external organisations. The Members from external organisations are named individuals appointed under the Nolan Rules and the Minister of Transport is responsible for these appointments.

Voting is weighted with Highland Council having three votes, Moray Council two and the remaining Councils one vote each. External Members are entitled to vote on such matters as the Partnership determines appropriate but not on financial matters.

Operational control of the Partnership is the responsibility of the Chief Executive who receives financial and computing support from The Highland Council and administrative support from Comhairle Nan Eilean Siar. A consultant was appointed to act as the Chief Executive for the first financial year. A full-time appointment was made in April 2007.

Revenue Budget Performance

The Partnership's financial results for the year, compared against budget are as shown below. This presentation differs from that shown in the Income and Expenditure Account on page 9 which is set out in accordance with the Best Value Accounting Code of Practice (BVACOP).

Budget Performance Statement for the year ended 31 March 2007

	2006/07	
	Budget	Actual
	£000	£000
Staff costs	90	53
Property costs	25	21
Transport costs	26	42
Supplies and services	562	600
Third party payments	4,660	4,669
Support services	20	45
Gross expenditure	5,383	5,430
Government grants	(5,120)	(5,115)
Other income	(63)	(107)
Interest on revenue balances	(0)	(8)
Gross income	(5,183)	(5,230)
Net expenditure	200	200

The net budgeted expenditure of the Partnership in 2006/07 was £0.2m. The actual expenditure met by the constituent authorities is £0.2m. Overall the budget balanced for the year.

The net expenditure of the Partnership is allocated between the constituent authorities on the basis of the funding previously given to the unofficial HITRANS grouping of Local Authorities uplifted by £0.054m distributed pro rata. For 2006/07 the net expenditure has been allocated as follows:

Constituent Authority	2006/07	
	£000	% share
The Highland Council	63	31.5
Moray Council	45	22.5
Argyll and Bute Council	37	18.5
Comhairle Nan Eilean Siar	28	14.0
Orkney Islands Council	27	13.5
Total	200	100.00

Financial Reporting Standard 17 (FRS 17) “Retirement Benefits”

In accordance with CIPFA/LASAAC guidance, FRS 17 has been fully adopted in preparing the accounts of the Partnership. The standard prescribes how employing organisations are to account for pension benefits earned by employees in the year and the associated pension assets and liabilities.

Employees are eligible to join the Local Government Pension Scheme (LGPS), administered by the Highland Council. Note 8 to the Accounts details the income and expenditure charged to the Income and Expenditure Account under FRS 17 in respect of the Local Government Scheme, based upon estimates provided by the Actuary to the Scheme.

Note 12 to the Accounts shows that the Partnership has a net pension liability of £0.019m as at 31 March 2007 due to the accrual of pension liabilities in accordance with FRS 17.

A going concern basis of accounting has been adopted in the preparation of the financial statements as future actuarial valuations of the pension scheme will consider the appropriate employer’s rate to meet the commitments of the Scheme. The constituent authorities of the Partnership are required to fund the liabilities of the Partnership as they fall due.

Acknowledgement

I conclude my report by thanking the staff of my service for their support during the year and my colleagues in other services and the Highlands and Islands Transport Partnership for their continued co-operation.

A Geddes CPFA
Treasurer
31 August 2007

STATEMENT OF ACCOUNTING POLICIES

1. General

The accounts have been prepared on an historic cost basis and as far as practicable, in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom: Statement of Recommended Practice (The SORP). The accounts disclose the corporate and democratic core costs and non distributed costs, as required by the Best Value Accounting Code of Practice (BVACOP).

2. Revenue and Capital Transactions

All revenue and capital transactions have been recorded on an accruals basis. This includes employee costs, which are charged to the period in which employees worked and supplies and services, which are accounted for in the period in which they are consumed or received.

3. Leases

Rental repayments under operating leases have been charged to revenue on a straight-line basis over the term of the lease. The Partnership does not have any finance leases.

4. Overheads

The costs of the directly employed administrative and professional staff are included within "Staff Costs" and "Corporate and Democratic Core". The charges made in relation to support services provided by the Highland Council are based on actual work undertaken and are included within "Supplies and Services".

5. Debtors and Creditors

Debtors include all material amounts due to the Partnership at 31 March 2007. Creditors include all material sums due by the Partnership at 31 March 2007 including salaries and wages earned but unpaid at that date and any requisition balances due to the constituent authorities.

6. Highland Council Loans Fund

The Highland Council Loans Fund provides all the day to day banking requirements of the Partnership.

7. Comparative Figures

As this is the Partnership's first financial year there are no previous year comparative figures applicable.

8. Pensions

In accordance with the SORP, Financial Reporting Standard 17 (FRS17) has been fully implemented in preparing the statement of accounts. FRS17 requires that the financial statements reflect at fair value the assets and liabilities underlying the employer's obligations relating to retirement benefits and that the true cost of these obligations is recognised.

The Partnership participates in the Local Government Pension Scheme (LGPS) administered by the Highland Council.

The Actuary to the Highland Council Pension Scheme was commissioned by the Transport Partnership to undertake an assessment of the cost, income, assets and liabilities of the Fund attributable to the Partnership as at 31 March 2007. The Actuary's assessment of the true cost of retirement benefits earned by employees during the year has been charged in the income and expenditure account and the pension assets and liabilities attributable to the Partnership are reflected within the balance sheet. The pension liability is reflected in the Pensions Reserve.

INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2007

		2006/07	
	Gross expenditure £000	Gross income £000	Net expenditure £000
Direct cost of service provision			
Staff costs	44	22	22
Property costs	21	10	11
Supplies and services costs	639	493	146
Transport and plant expenses	42	21	21
Third party payments	4,669	4,669	0
	<u>5,415</u>	<u>5,215</u>	<u>200</u>
Corporate and democratic core	15	7	8
	<u>5,430</u>	<u>5,222</u>	<u>208</u>
Interest on revenue balances			(8)
Pension interest costs and expected return on pensions			0
			<u>200</u>
Net operating expenditure			200
Requisitions			(200)
			<u>0</u>
Surplus/(Deficit) for the year			<u><u>0</u></u>

STATEMENT OF THE MOVEMENT ON THE GENERAL FUND BALANCE

For the year ended 31 March 2007

	2007 £000
Surplus/(deficit) for year	-
General Fund Balance as at 1 April 2006	-
	<u>-</u>
General Fund Balance as at 31 March 2007	-
	<u><u>-</u></u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 March 2007

	2007 £000
Surplus/(deficit) for year	-
Actuarial and losses on pension fund assets and liabilities	1
	<hr/>
Total recognised gains and losses for the year	1
	<hr/>

BALANCE SHEET As at 31 March 2007

	31/03/07	
	£000	£000
Current assets		
Sundry debtors	654	
Temporary advance with Loans Fund	0	
Total Assets	<hr/>	<hr/> 654
Current liabilities		
Borrowing repayable in less than 1 year		
Highland Council Loans Fund	(255)	
Sundry creditors: General	(399)	
Constituent Authorities	0	
	<hr/>	<hr/> (654)
Total assets less current liabilities		<hr/> -
Net pensions liability		(19)
Total assets less liabilities		<hr/> (19) <hr/>
Financed by:		
Pensions reserve		(19)
Total net worth		<hr/> (19) <hr/>

A Geddes CPFA
Treasurer
31 August 2007

CASH FLOW STATEMENT
For the year ended 31 March 2007

	2006/07	
	£000	£000
REVENUE ACTIVITIES		
Cash outflows		
Cash paid to and on behalf of employees	(53)	
Other operating cash payments	<u>(5,539)</u>	
		(5,592)
Cash inflows		
Revenue grants	560	
Contributing Authorities	200	
Other operating cash receipts	113	
Other Government Grants	<u>4,456</u>	
		5,329
Net cash outflow from revenue activities		<u>(263)</u>
SERVICING OF FINANCE		
Cash inflows		
Interest received	<u>8</u>	
Net cash inflow from servicing of finance		8
Net decrease in cash		<u><u>(255)</u></u>

NOTES TO THE ACCOUNTS

1. Analysis of employees earning over £50,000

No employee received remuneration in excess of £50,000.

2. Members Allowances

The Partnership consists of eight members comprising one each from Highland Council, Moray Council, Comhairle Nan Eilean Siar, Orkney Islands Council, Argyll and Bute Council and three external individuals.

During the year the Partnership paid a total of £6,177 to members for travel and subsistence.

3. Publicity

Section 5 of the Local Government Act 1986 requires the Partnership to disclose an analysis of expenditure on publicity. The expenditure was as follows:

	2006/07
	£
Recruitment advertising	8,876
General advertising	5,514
Total	14,390

4. Leases

The Partnership made the following rental payments in respect of leased property during 2006/07:

	2006/07	Lease ends
	£	
Inverness Airport	9,375	30/06/2009
	9,375	

Undischarged obligations as at 31 March 2007 amount to £28,125.

5. Corporate and Democratic Core

The BVACOP defines Corporate and Democratic Core costs as follows, and states that these costs should be excluded from the accounts of individual services

- The Corporate and Democratic Core comprises two divisions of service: Democratic Representation and Management (DRM) and Corporate Management (CM).
- DRM concerns corporate policy making and all other member based activities. CM concerns those activities that relate to the general running of the service.

The costs shown as Corporate and Democratic Core in the Revenue Account are as follows;

	2006/07
	£000
Democratic Representation and Management Costs	2
Corporate Management Costs	6
	8

6. Non Distributed Costs

The BVACOP defines Non Distributable Costs as follows, and states that these costs should be excluded from the accounts of individual services.

- The whole amount of any past service contribution to meet a pension deficit, however arising
- The whole amount of any reduction in contribution to apply a pension fund surplus.
- Charges (however calculated) for added years and early retirement.
- The costs associated with unused shares of IT facilities.
- The costs of shares of other long-term unused but unrealised assets.

There were no non distributed costs in 2006-07.

7. Pension Costs

Financial Reporting Standard 17 “Retirement Benefits” (FRS17) prescribes how pension costs and liabilities are to be disclosed in the financial statements. The standard requires employing organisations to account for retirement benefits in the period in which they commit to paying them, even if the actual payment of these benefits will be many years in the future.

Employees of the Partnership are admitted to the Highland Council Pension Fund. Under pension regulations, employers’ contributions are set to meet 100% of the overall liabilities of the Fund. The contributions paid by the Partnership into the Highland Council Pension Fund in 2006/07 represent 16.2% of total pensionable pay.

In accordance with SORP guidance on the application of FRS17, the Income and Expenditure Account recognises the true economic cost of retirement benefits earned by employees in 2006/07 irrespective of when benefits are due to be paid. These costs are based upon an assessment by the Fund’s Actuary of the share of the Fund Assets and Liabilities attributable to the Transport Partnership at 31 March 2007.

The following table summarises the entries reflected within the Revenue Account in respect of accounting for pension costs under FRS 17.

Local Government Pension Scheme

	2006/07	
	£000	£000
Employer pension contributions		6
Less FRS17 charges		
Current service costs	(6)	
Interest costs	(2)	
Expected return on assets	2	

Contribution (from)/to pension
reserve

0

Note 11 details the assets and liabilities of the Fund attributable to the Partnership and the assumptions made by the Fund's Actuary in estimating the figures included within this note. The note to the Statement of Total Movements in Reserves sets out the implications on the reserves of the Partnership of accounting for pension costs under FRS17.

8. Audit Fees

Fees payable to Audit Scotland in respect of external audit services undertaken in accordance with the Code of Audit Practice in 2006/07 amounted to £7,459.

No other fees were payable in respect of any other services provided by the appointed auditor in 2006/07.

9. Financial Reporting and the Euro

- 1) There are no commitments as at 31 March 2007 in respect of costs to be incurred.
- 2) The Partnership uses a Financial Information System which is euro compliant. The cost of being euro compliant is included within the overall cost of the service and it is therefore not possible to separately identify this cost. No further expenditure is anticipated.
- 3) No expenditure regarded as exceptional in accordance with FRS3 was incurred in the year.

10. Lease Commitments

At 31 March 2007 the Partnership was committed to making payments of £9,375 under operating leases in 2007/08 as follows:

Land and Buildings	£
Leases expiring in 2009/10	<u>9,375</u>
	<u>9,375</u>

11. Retirement Benefits FRS 17

The Accounting Code of Practice requires information to be provided in the notes to the accounts on the assets and liabilities arising from the retirement benefit obligations of the Partnership as defined under Financial Reporting Standard 17 (FRS 17) "Retirement Benefits".

The Partnership participates in the Local Government Pension Scheme which is administered by Highland Council. The scheme provides members with defined benefits related to pay and service.

The latest formal valuation of the Fund was as at 31 March 2006 with the next being due as at 31 March 2008. An actuarial valuation as at 31 March 2007 was carried out by Hymans Robertson the independent actuaries to the Partnership. The main assumptions used in the calculations are as follows:

Actuaries' assumptions	Per annum 2006/07
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Price increases	3.2%
Salary increases	4.7%
Pension increases	3.2%
Discount rates	5.4%

The inflation assumption has been derived by considering the difference in gross redemption yields of traditional and index-linked gilt-edged securities as at 31 March 2007. Salary increases are assumed to be 1.5% more than price increases, in line with the assumption used in the latest formal valuation of the Fund.

The discount rate employed for 2006/07 is the yield available on long-dated high quality corporate bonds (as measured by the yield on iboxx Sterling Corporates Index, AA over 15 years) at 31 March 2007 as required by the SORP.

The actuaries' assessment of the assets and liabilities of the Fund attributable to the Partnership as at 31 March 2007 is set out below. The estimates have been prepared in accordance with guidance on accounting for retirement benefits under FRS17 issued by the Institute and Faculty of Actuaries.

	Asset value	Expected rate of return
	31/03/07	31/03/07
	£000	%
Equity investments	20	7.8%
Bonds	5	4.9%
Property	4	5.8%
Cash	1	4.9%
Estimated employer assets	30	7.1%
Present value of scheme liabilities	(49)	
Present value of unfunded liabilities	0	
Net pensions liability	(19)	

	2006/07
	£000
Net pensions liability as at 17 April	(20)
Movements in the year:	
Current service cost	(6)
Employer contributions	6
Contributions in respect of unfunded benefits	0
Net return on assets	0
Actuarial gains	1
Net pensions liability as at 31 March	<u><u>(19)</u></u>

12. Reconciliation of net cash outflow from revenue activities

	2006/07	
	£000	£000
Surplus/deficit on revenue account		-
Non revenue items		
Interest on revenue balances		(8)
Items on an accruals basis		
Increase in debtors	(654)	
Increase in creditors	<u>399</u>	
		(255)
Net cash outflow from revenue activities		<u><u>(263)</u></u>

13. Reconciliation of movement in cash to the movement in net debt

	2006/07 £000
Temporary advance from Loans Fund	
As at 1 April 2006	0
Net increase/(decrease) in cash	<u>(255)</u>
As at 31 March 2007	<u><u>(255)</u></u>

14. Statement of Requisitions at 31 March 2007

Constituent Authority	2006-07		
	Budget requisition £000	Actual requisition £000	Balance due £000
Highland Council	63	63	0
Moray Council	45	45	0
Argyll and Bute Council	37	37	0
Comhairle Nan Eilean Siar	28	28	0
Orkney Islands Council	27	27	0
Total	200	200	0

15. Date of signing of annual accounts and post balance sheet events

The Treasurer, being the officer responsible for the financial affairs of the Partnership, signed the Statement of Accounts on 25 June 2007. Events after the date of the Balance Sheet (31 March 2007) up to the date of signing have been considered in the preparation of the 2006/07 Statement of Accounts.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

Responsibilities of the Partnership

The Partnership is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In the Highlands and Islands Transport Partnership that officer is the Treasurer to the Partnership.
- to manage its affairs, to secure economic, efficient and effective use of resources and safeguard its assets.

Responsibilities of the Treasurer

The Treasurer is responsible for the preparation of the Partnership's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the SORP).

In preparing this statement of accounts, the Treasurer has:

- ◆ selected suitable accounting policies and then applied them consistently;
- ◆ made judgements and estimates that were reasonable and prudent;
- ◆ complied with the local authority SORP.

The Treasurer has also:-

- ◆ kept proper accounting records which were up to date; and
- ◆ taken reasonable steps for the prevention and detection of fraud and other irregularities.

I, Alan Geddes, Treasurer to the Partnership, state that the Statement of Accounts for the year ended 31 March 2007 presents fairly the financial position of the authority at that date and its income and expenditure for the year then ended.

A Geddes CPFA
Treasurer
31 August 2007

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

This statement is given in respect of the statement of accounts for the Highlands and Islands Transport Partnership. I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.

The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council. In particular, the system includes:

- comprehensive budgeting systems
- regular reviews of periodic and annual financial reports which indicate financial performance against the forecasts
- setting targets to measure financial and other performance
- the preparation of regular financial reports which indicate actual expenditure against the forecasts

The Treasurer to the Partnership has overall responsibility for Internal Audit in the Highlands and Islands Transport Partnership. The Highland Council's Head of Audit and Risk Management is responsible for the day to day management of the service and reports to the Treasurer on management and performance issues. In accordance with the principles of Corporate Governance, regular reports are made to the Partnership. The Internal Audit Service operates in accordance with the Code of Practice for Internal Audit in Local Government in the United Kingdom and therefore the Head of Audit and Risk Management prepares an Annual Report containing a view on the adequacy and effectiveness of the system of internal control.

My review of the effectiveness of the system of internal financial control is informed by:

- the work of managers within the Transport Partnership
- the work of the internal auditors as described above, and
- the external auditors in their annual audit letter and other reports.

Prior to the commencement of the Partnership, almost all major financial systems utilised by the Partnership, as provided by Highland Council, have been the subject of change. Reviews of these systems, undertaken as part of the Council's audit, indicate that significant improvements have now been made to many aspects of these systems.

It is my opinion, based on the above information, that reasonable assurance can be placed upon the adequacy and effectiveness of the Partnership's internal control system in the year to 31 March 2007.

A Geddes CPFA
Treasurer
31 August 2007

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the members of Highlands and Islands Transport Partnership and the Accounts Commission for Scotland

I certify that I have audited the financial statements of Highlands and Islands Transport Partnership for the year ended 31 March 2007 under Part VII of the Local Government (Scotland) Act 1973. These comprise the Income and Expenditure Account, Statement of Movement on the Joint Board's Balances, Statement of Total Recognised Gains and Losses, Balance Sheet and Cash-Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the parties to whom it is addressed in accordance with the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Treasurer and auditor

The Treasurer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2006 - A Statement of Recommended Practice (the 2006 SORP) are set out in the Statement of Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission.

I report my opinion as to whether the financial statements present fairly the financial position of the Joint Board in accordance with applicable laws and regulations and the 2006 SORP, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Joint Board has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the Statement on the System of Internal Financial Control reflects the Joint Board's compliance with the SORP. I report if, in my opinion, it does not comply with the SORP or if it is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement covers all risk and controls. Neither am I required to form an opinion on the effectiveness of the Joint Board's corporate governance procedures or its risk and control procedures.

I read the other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with Part VII of the Local Government (Scotland) Act 1973 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Accounts Commission. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Treasurer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Joint Board's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion

- the financial statements present fairly, in accordance with applicable laws and regulations and the 2006 SORP, the financial position of the Joint Board as at 31 March 2007 and its income and expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

Robert W Clark FCCA, Senior Audit Manager
Audit Scotland – Audit Services
Ballantyne House, 84 Academy Street
Inverness, IV1 1LU

31 August 2007

Report to Partnership Meeting – 1 February 2008

Revenue Budget Monitoring Report – 1 April 2007 to 31 December 2007

Report by Partnership Treasurer

SUMMARY

This report sets out the revenue monitoring position for the period to 31 December 2007 and the projected year end position.

1. CURRENT POSITION

- 1.1 The annual budget is as approved at the Board Meeting held on 22 June 2007, subsequently amended for £15,000 budget virement approved at the August Board meeting. The attached summary statement shows the financial position to 31 December 2007. In total income and expenditure is broadly in line with the budget out-turn target.

2. YEAR-END PROJECTION

- 2.1 The year to date actual figures represent the transactions for the nine months ended 31 December 2007 and are in line with management expectations. At present officers are not aware of any anomalies that will distort the overall financial position.
- 2.2 Board Members will note that based on the financial performance to date, it is predicted that at the end of the financial year the budget will deliver a balanced budget.

3. MAJOR ISSUES AND VARIANCES

- 3.1 Income contributions, mainly from Highlands and Islands Enterprise, towards costs in respect of research work have been received, consequently the outturn figure is higher than budget by £20,000. There are no other major issues nor variances to highlight to the Board.

4.

RECOMMENDATION

- 4.1 Board Members are asked to note the above information as well as the attached schedule showing the revenue monitoring position for the period to 31 December 2007.

Signature:

Designation: Partnership Treasurer

Date: 18 January 2008

Author: Mike Mitchell, Finance Manager, Highland Council

HITRANS - SUMMARY
STATEMENT OF REVENUE MONITORING TO:
31ST DECEMBER 2007

BUDGET HEADINGS	2007/2008						
	ANNUAL BUDGET	BUDGET TO DATE	ACTUAL TO DATE	This Month Budget	This Month Actual	TO GO	PROJECTED OUTTURN
INCOME							
Councils	(£200,000)	(£200,000)	(£200,000)	£0	(£200,000)	£0	(£200,000)
Scottish Executive - Match Funding	(£200,000)	(£150,000)	(£150,000)	(£16,667)	(£21,090)	(£50,000)	(£200,000)
Scottish Executive - Travel Plan Officer	(£100,000)	(£22,500)	(£17,500)	(£2,500)	(£2,500)	(£82,500)	(£100,000)
Scottish Executive - Capital Programme Management	(£80,000)	(£80,000)	(£80,000)	(£80,000)	(£80,000)	£0	(£80,000)
Scottish Executive - Regional Transport Strategy	(£330,000)	(£147,000)	(£147,000)	(£40,333)	(£35,910)	(£183,000)	(£330,000)
HIE	£0	£0	(£15,444)	£0	£0	£0	(£15,444)
Other Misc Income	£0	£0	(£4,084)	£0	£0	£0	(£4,084)
2005/06 Surplus	(£14,000)	(£14,000)	£0	£0	£0	(£14,000)	(£14,000)
	(£924,000)	(£613,500)	(£614,028)	(£139,500)	(£339,500)	(£329,500)	(£943,528)
DIRECT RUNNING COSTS							
Director	£72,000	£54,000	£48,058	£6,000	£7,245	£23,942	£62,000
Programme Manager	£51,500	£38,625	£37,735	£4,292	£4,337	£13,765	£51,500
Office Manager	£21,500	£16,125	£16,232	£1,792	£1,779	£5,268	£21,500
Travel Plan Officer	£29,000	£21,750	£13,822	£2,417	£0	£15,178	£29,000
Staff Travelling and Subsistence	£16,000	£12,000	£14,387	£1,333	£1,549	£1,613	£21,054
Travel Plan Travel/Subsistence	£9,000	£6,750	£2,641	£750	£0	£6,359	£9,000
Members and Advisers Travel and Subsistence	£25,000	£18,750	£16,023	£2,083	£4,342	£8,977	£25,000
Office Costs – Property	£25,000	£18,750	£16,773	£2,083	£1,105	£8,227	£25,000
Office Costs – Admin	£25,000	£18,750	£14,967	£2,083	£1,647	£10,033	£25,000
Co-Ordinator Fees and Expenses	£30,000	£22,500	£18,980	£2,500	£96	£11,020	£30,000
	£304,000	£228,000	£199,617	£25,333	£22,099	£104,383	£299,054
PROGRAMME COSTS							
Publicity	£25,000	£18,750	£18,675	£2,083	£2,000	£6,325	£25,000
NESRFDG	£10,000	£10,000	£10,000	£0	£0	£0	£10,000
Highland Rail Partnership	£95,000	£95,000	£95,707	£0	£0	(£707)	£95,707
Regional Transport Strategy	£330,000	£247,500	£144,777	£27,500	£27,499	£185,223	£330,000
Travel Plan Work	£61,000	£45,750	£12,942	£5,083	£4,200	£48,058	£61,000
Research Programme	£57,000	£42,750	£37,412	£4,750	£14,568	£19,588	£77,000
Other Costs	£0	£0	£3,767	£0	£1	(£3,767)	£3,767
	£578,000	£459,750	£323,279	£39,417	£48,267	£254,721	£602,474
Finance and Administrative Services	£42,000	£3,333	£3,333	£3,333	£3,333	£38,667	£42,000
TOTAL COSTS	£924,000	£691,083	£526,229	£68,083	£73,699	£397,771	£943,528
(UNDER) / OVERSPEND	£0	£77,583	(£87,799)	(£71,417)	(£265,801)	£68,271	(£0)

Report to Partnership Meeting – 1 February 2008

FINANCE – CAPITAL BUDGET 2007/08

Purpose of Report

To provide details of progress made to date on delivering the Partnership's 2007/08 Capital Programme.

HITRANS Capital Programme

The Capital budget managed by HITRANS in 2007/08 is split into two programmes. The first programme is the direct RTP Capital Grant to HITRANS of £3,530,227. The then Scottish Executive also transferred responsibility to HITRANS to ensure the delivery of 3 projects whose funding was secured through the Public Transport Fund that had fallen behind their original delivery period.

The two tables below summarise the latest spending position for each programme and this information is expanded in the report.

HITRANS Capital Budget Programme

Project	Total	Claimed
B836 Strategic route from Colintrave to Sandbank	£450,000	£69,926
Hatston Ferry Terminal	£400,000	£400,000
Western Isles Spinal Route	£146,479	£146,479
Inverness Airport Station / Park and Ride (Design)	£20,000	£20,000
Lochmaddy Pier Structure	£215,000	£0
Oban to Connel Cycle Route	£300,000	£0
Port Askaig Ferry Terminal	£300,000	£300,000
Public Transport Network Development Project	£1,619,527	£717,186
Project Management	£80,000	£80,000
	£3,531,006	£1,733,590

Public Transport Fund Transfer

Project	Total	Claimed
Cuan Sound Transport Links	£1,564,000	£0
Inverness City Centre / Invernet	£621,000	£621,000
Lochmaddy Ferry Terminal	£425,000	£0
	£2,610,000	£621,000

Cuan Sound Transport Links

The Cuan Sound Transport Links STAG recommended a fixed link as the best solution for the crossing to the island of Luing. This study was passed by Argyll and Bute Council to Government who in a recent letter to the Council from the Government civil service question the accuracy of aspects of this study and indicate that the Council will have to fully fund any resultant project. With no decision yet agreed on the best way of delivering the lifeline link across the Cuan Sound HITRANS has written to Government asking them what mechanism they intend to use to guarantee the committed Government funding for this project as it is evident that the £1,564,000 granted through the Public Transport Fund cannot be claimed in 2007/08. HITRANS awaits a response.

Inverness City Centre and Invernet

The final grant funding secured by Highland Council through the Public Transport Fund for the Invernet and Inverness City Centre Streetscape programme was allocated to HITRANS as a result of its falling behind the original timetable extension. This grant has now been paid out in full.

Lochmaddy Ferry Terminal

The funding secured by HITRANS from the fifth round of the Public Transport Fund for enhanced facilities at Lochmaddy Ferry Terminal was extended to allow completion within the current financial year.

Difficulties in the post tender period led to the withdrawal of the lowest tender with a subsequent delay in the work going ahead as the Council had to engage the next lowest contractor and there were a number of issues that had to be considered before the contract could be awarded. J.A MacDonald Construction of South Uist commenced on site in January and work is now progressing with completion scheduled for June 2008. In order to claim the full PTF contribution towards this project a claim for this contribution must be submitted against work completed by 31 March 2008. There are additional items in the contract relating to renewable energy systems and we expect the measurement for work completed by 31 March 2008 to enable a full claim to be made for the PTF contribution at this point.

Lochmaddy Pier Structural Works

Some work has now gone ahead on the Lochmaddy Pier structural work and Comhairle Nan Eilean Siar are confident they will draw down HITRANS share of this in full by the end of March 2008. HITRANS agreed to contribute £215,000 on the basis of this amounting to 50% of the total project costs and Comhairle Nan Eilean Siar have programmed works in 2008/09 which will amount to their share.

Colintraive to Sandbank Road

Work on the B836 upgrade is underway and the first measurement of £69,926 has now been claimed. The scheme will be delivered in full by 31 March 2008.

Port Askaig Ferry Terminal

Argyll and Bute Council have confirmed they will fund the third phase of the Port Askaig Ferry Terminal from their own capital budget in 2008/09. This has allowed them to claim HITRANS contribution against phase 2. The full claim has therefore been made.

Oban to Connel Ferry Cycle Path

Issues over land access in the delivery of the Oban to Connel section of the Oban to Fort William Cycle Route have finally been resolved by Argyll and Bute Council. The project will now progress and the full HITRANS grant contribution of £300,000 will be claimed by 31 March 2008.

Hatston Ferry Terminal and Pedestrian / Cycle Path

HITRANS £400,000 contribution towards the Terminal Building extension and pedestrian / cycle path for Hatston Ferry Terminal has now been claimed on the basis of work now completed.

Western Isles Spinal Route

The uncertainty over whether HITRANS would receive any capital grant in 2008/09 meant we had to postpone the first phase of the Inverness Airport Park and Ride site which was scheduled for delivery by July 2008. As a result of this change the Partnership agreed at the meeting in Rothesay on 30 November 2007 to offer funding to Comhairle Nan Eilean Siar to assist with a significant cost overrun on the Western Isles Spinal Route schemes recently completed in Harris and North Uist. A grant claim of £146,479 has now been made in relation to this scheme.

Project Management

The fee allocated against staff time in HITRANS and HRP for management of the Capital Programme has been claimed in full and amounts to £80,000.

Public Transport Network Development Programme

The Public Transport Network Development Programme represents a continuation of the projects delivered by the voluntary partnership since 2002.

Funding is split into six schemes plus project management costs. A summary of these schemes is listed below and a detailed project description has been attached to the report as background information.

Public Transport Projects	Total Funding Allocation	Grant Claims to Date
Airport Infrastructure Improvements Scheme	£50,000	£50,000
Accessible Bus Scheme	£427,000	£217,000
Bus Service Infrastructure and Information Project	£771,191	£342,419
Cycling and Walking Scheme	£25,000	£0
Ferry Terminal Facilities Scheme	£171,336	£85,801
Rail Station Facilities Scheme	£175,000	£21,965
	£1,619,527	£717,186

Report by: Ranald Robertson
Designation: Programme Manager
Date: 22 January 2008
Background Papers: Appendix A - Public Transport Network Development Programme

Appendix A – Public Transport Network Development Programme

Airport Infrastructure Improvements Scheme

Area	Location	Details and Status	Cost	Claimed
OIC	North Ronaldsay	Airfield Facilities	£50,000	£50,000
			£50,000	£50,000

Accessible Bus Scheme

Area	Location	Details and Status	Cost	Claimed
Moray	Moray Rural	Low floor bus operated by Moray Council.	£97,000	£97,000
Argyll	Mull	2 wheelchair accessible coaches for core route from Craignure to Tobermory. The buses will enter service in February 2008.	£90,000	
Argyll	Various	Low floor buses to replace step entry vehicles in Oban, Cowal, Bute and Kintyre. The remaining three vehicles will enter service in March.	£240,000	£120,000
			£427,000	£217,000

Bus Service Infrastructure and Information Project

Area	Location	Details and Status	Cost	Claimed
All	Various	Up to 30 waiting shelters.	£200,000	£99,430
Argyll	Oban, Lome and Mid Argyll	Extend coverage of existing RTI system to the route to Oban from Glasgow and Mid Argyll local services.	£76,000	
Argyll	Dunoon	Works allowing low floor bus operation.	£11,421	£11,421
Argyll	Ardentinny bus route	Bus turning circles and infrastructure.	£24,370	£24,370
Argyll & Highland	Various	Quality Bus Corridor bus stop access upgrades (raised kerbs).	£35,000	
Highland	Inverness	Extend existing RTI system to other services on the route.	£120,000	£48,512
Highland	Various	Quality Bus Corridor bus stop enhancement. Install Elite bus stops.	£15,000	£9,286
Highland	Milburn Road	Bus gate to give buses priority.	£20,000	
Moray	Moray	Providing Digital On Bus Displays.	£4,400	£4,400
Moray	Moray	Electronic travel information kiosks at 10 bus stops throughout Moray.	£50,000	£50,000
Moray	Moray	Moray Council real time information trial.	£15,000	
OIC	Orkney	Real Time Passenger Information Scheme throughout the County.	£200,000	£95,000
			£771,191	£342,419

Cycling and Walking Scheme

Area	Project	Details and Status	Cost	Claimed
Argyll	Taynuilt Footpath	Install a pedestrian and cycle path.	£25,000	
			£25,000	£0

Ferry Terminal Facilities Scheme

Area	Location	Details and Status	Cost	Claimed
Argyll	Tayinloan - Gigha	Improved passenger waiting facilities.	£25,535	
Argyll	Islay and Claonaig	Variable Message Boards, part funded by Caledonian MacBrayne.	£4,970	£4,970
CNES	Aird Mhor	Works at Ferry Terminal	£6,125	£6,125
CNES	Leverburgh	Final contribution towards the costs of a new passenger waiting room.	£35,485	£35,485
CNES	Lochmaddy	Contribution towards construction of ferry terminal building.	£24,484	£24,484
OIC	Kirkwall	Two travel information kiosks with chip and PIN facility.	£14,738	£14,738
OIC	St Margaret's Hope	Infrastructure works at ferry terminal.	£60,000	
			£171,336	£85,801

Rail Station Facilities Scheme

Area	Location	Details and Status	Cost	Claimed
Highland	Inverness	Contribution to a major redevelopment of Inverness Station. HITRANS share will be claimed against CCTV, toilet upgrade and CIS. Claim to be made in February.	£150,000	
Highland	Fort William	Contribution to major redevelopment of Fort William Station to become a Travel Centre	£25,000	£21,965
			£175,000	£21,965



Report to Partnership Meeting of 1 February 2008

FINANCE

REVENUE BUDGET 2008- 2009

- Annex 1 shows the budget that is being recommended for approval for the next financial year covering the Partnership's running costs and research and strategy development programme costs, and the income from Partner Councils and the Scottish Government to cover these costs.

Income

- Councils**– The funding formula for Council contributions was agreed by the Partnership in July 2006. This is based 50% on voting weight and 50% on population share. The percentage share of income to be contributed by each Council is:

Council	Voting Share	Population share	Total
Argyll and Bute	6.25%	8.1%	14.35%
CnES	6.25%	3.2%	9.45%
Highland	18.75%	25.65%	44.4%
Moray	12.5%	10.7%	23.2%
Orkney	6.25%	2.35%	8.6%
	50%	50%	100%

- The Scottish Government will continue to provide support funding towards the Partnership's Revenue costs in 2008/09 to a total value of £615,000 with a split between core and non-core elements still to be finalized. Core cost projections for 2008/09 estimated at £480,000 are greater than the £400,000 incurred in 2007/08 due to inflation pressures over the last two years which have not been reflected in the contributions, the incorporation of Highland Rail Partnership employees within the HITRANS establishment with the need for increased contributions to meet the employers pension contributions (HRP made no pension contributions for their employees), estimated salary settlements, and increases in the Employers National Insurance contributions for all employees. The core costs have historically been met equally by the Scottish Government and the constituent Councils and on this basis an overall Council contribution towards HITRANS Revenue costs of £240,000 will be required.
- Scottish Government** – In addition to matching the Council contributions and providing funding to support research, operational support and strategy development the Government will continue to provide £65,000 towards the travel plan project for one further year (including assistance to the Shetland Partnership).

Expenditure

5. The commitments on the 2008/09 budget are:

- **Employees** – The salaries and contributions for the Partnership Director, 2 managers and 2 support officers are to be met, reflecting the transfer of an additional manager and support officer from Highland Rail Partnership. Allowing for Local Government pay settlement this will cost £250,000.
- **Travelling and subsistence** for staff and Partnership Members/Advisers will outturn at about £50,000 this year and will increase in 2008/09 to an estimated £60,000 reflecting the increase in establishment and functions undertaken by the Partnership in relation to rail activities.
- **The Dalcross and Lairg office** property and administrative costs will outturn at about £50,000 this year as an amalgam of the costs currently incurred by HITRANS and HRP. In addition to the costs incurred by HITRANS in 2007/08 costs of operating the office at Lairg will have to be met although these are not significant in terms of the overall budget costs
- **Charges** from the Councils providing Financial, Personnel, Legal and Administrative services were higher in 2006/07 and 2007/08 than budgeted, and the cost in 2008/09 is estimated at £46,000. These services will be subject to individual Service Level Agreements in 2008/09.
- **External Audit** – This was estimated at £8,000 for 2006/07 but outturned at £11,200, which included one-off costs for the first year of the Partnership's operations. An increase to £10,000 has been allowed for in the proposed budget for 2008/09.
- **The Travel Plan Project** will continue for a further year at £65,000.
- **Contributions** to NESRFDG and Highland Rail Partnership will discontinue in 2008/09
- **Tier 1 Ferry Consultations** have been undertaken by the Partnership on behalf of the Scottish Government in 2007/08. While the Partnership was led to believe that these costs would be reimbursed by the Government this has not proved to be the case and the cost had to be met by the Partnership. The cost of organizing these meetings, other than employee salary costs, is anticipated to be in the region of £10,000 in 2007/08 and an equal commitment will be needed in 2008/09. This sum has been included in the Members and Advisors Travel and Subsistence budget.

- **Publicity** – the current budget was adjusted during 2007/08 to £25,000 to reflect the cost of services received from PlatformPR. These services have now been terminated as an ongoing contract commitment but an equivalent amount should be continued to allow for delivery of publications, adverts, press releases and special campaigns that will be needed to promote the implementation of the RTS and associated interventions in 2008/09.
- **Research programme and strategy development** work to the value of £387,000 was undertaken in 2007/08. Based on the revenue commitment from the Scottish Government and anticipated funding from Councils the budget available in 2008/09 will be £394,000

Commitments comprise £920,000

6. Board Members are asked to note the above information as well as the following Annex.

Report by: Mike Mitchell
Designation: Partnership Treasurer
Date: 22 January 2008

Item 6. Annex 1

Budget Heading	Budget 2007/08	Budget 2008/09 Recommendation
Income		
Argyll and Bute	£28,700	£34,440
CnES	£18,900	£22,680
Highland	£88,800	£106,560
Moray	£46,400	£55,680
Orkney	£17,200	£20,640
Scot Exec - Core	£200,000	£240,000
Scot Exec – Travel Plans	£100,000	£65,000
Scot Exec – Non-core	£410,000	£375,000
Surplus 2006/07	£14,000	0
Total Income	£924,000	£920,000
Running Costs		
Director	£71,000	£89,400
Programme Managers	£51,500	£111,100
Administrative Salaries	£21,500	£49,500
Travel Plan Officer Costs	£39,000	£0
Staff Travel/Subsistence	£16,000	£25,000
Members/Advisors Travel/Subsistence	£25,000	£45,000
Office costs - Property	£25,000	£50,000
Office costs - Administration	£25,000	£30,000
Co-ordinator Fees/Expenses	£30,000	£0
	£304,000	£390,000
Programme Costs		
Publicity	£25,000	£25,000
NESRFDG	£10,000	£0
Highland Rail Partnership	£95,000	£0
Travel Plan Work	£61,000	£65,000
Research Prog and Strat development	£387,000	£394,000
	£578,000	£484,000
Finance/HR/Legal/Admin		
CnEs	£10,000	£10,500
Highland	£24,000	£25,000
External Audit	£8,000	£10,500
	£42,000	£46,000
Total Costs	£924,000	£920,000



Report to Partnership Meeting of 1 February 2008

REGIONAL TRANSPORT STRATEGY

SUMMARY

The Report provides details of proposals to respond to John Swinney, the Cabinet Secretary for Finance and Sustainable Growth's letter of 7 January sent in relation to his meeting with the Chairs of the seven Regional Transport Partnerships. He requests that HITRANS review its Strategy in the context of focussing on the Government's key objectives and concentrates on strategic high level issues.

RECOMMENDATIONS

The Board is asked to

1. approve the submission to Government of the revised Strategy of July 2007 with a context forward as detailed in Appendix B to this report, in response to the Cabinet Secretary's letter.
2. agree that the Chair write to the Transport Minister requesting that consideration is given to top slicing the Strategic Transport Projects Review Budget for 2012/22 to provide he disproportionate investment in transportation at a strategic level that is required in this region to enable it to positively contribute to the Scottish Economy.
3. note the delay in provision of a Monitoring and Approval Framework for implementation of the Strategy pending approval by Government.

REGIONAL STRATEGY APPROVAL

The Partnership submitted its Draft Regional Transport Strategy to Government in March 2007 following wide scale consultation on and consideration of the constraints and opportunities that transportation faces in the Highlands and Islands. The Strategy was developed in line with Government's wishes, and follows best practice, in accordance with the Scottish Transport Appraisal Guidance.

In July 2007 the Partnership resubmitted the Draft Strategy as a higher level document, following a request from Government, with the detailed implementation plan removed and provided in a separate supporting document.

The Chairs of the seven Regional Partnerships and CoSLA met with the Cabinet Secretary on 11 December to discuss the value RTPs brought to delivering transportation at a local and regional level across Scotland. The meeting was very constructive and informed the Cabinet Secretary of the valuable and beneficial work undertaken by RTPs in delivering services across their areas. As part of this discussion the Cabinet Secretary indicated the Transport Minister was studying the Regional Transport Strategies as submitted in terms of their potential contribution to Government's five key objectives and its Economic Strategy as published in November 2007.

The Cabinet Secretary wrote to each of the seven RTP Chairs on 7 January in similar terms as in the letter to the HITRANS Chair, per Appendix A, indicating his view on the outcome of the meeting and his wishes on how RTPs should take their RTSs forward.

The HITRANS RTS assesses a wide spectrum of service areas in terms of the transport's impact but focuses in conclusion on how transport can enable the economic growth and prosperity of the Highlands and Islands, the Objective that consistently was identified as the critical issue in the consultation phase of the strategy development process.

While the Strategy predates the publication of the Government's 5 key objectives it dovetails seamlessly with these identified priorities. In this regard, it is encouraging that government policy so closely reflects the priorities of its most remote region and its communities.

A short Preface to the Strategy has now been prepared, as included in Appendix B, relating its contents to the Government priority areas and it is proposed that this be added to the RTS at this time demonstrating the close links between the Government's and the Partnership's aims.

The Cabinet Secretary asks HITRANS to consider prioritisation of interventions to be included within a Delivery Plan related to its RTS in light of the resources likely to be available as agreed by the Partnership and its constituent Councils, and to submit a revised strategy in due course.

This approach to local funding for regionally significant projects is equally supported by a letter received by Argyll and Bute Council from Government on the Cuan Sound Transport Link Funding (Appendix C) where it is stated that funding for works of this nature are 'wholly a matter for Argyll and Bute Council to determine'.

The Partnership had anticipated, based on the approach encouraged by the previous administration, to identify what actions are necessary to improve transport delivery within its region and assess and prioritise these in terms of the objectives of the strategy using STAG, only taking forward those interventions that added value to the region as a whole. This is what is included in the RTS. What is now being asked is that the RTP produce a Delivery Plan to reflect the funding Councils can commit from their new Budget settlements based on their individual or combined assessment of transport priorities once they identify their overall cross sector service demands. The approach being taken by Government and agreed by Local Government through the Concordat is to distribute the great majority of funding directly to Councils for them to meet their local needs as identified in their Single Outcome Agreements.

In rural areas, the provision of transportation services and infrastructure maintenance and improvement has historically required investment by Councils at a significantly higher level than that in urban and suburban areas where commercial services meet much of the demand for movement and the need for road maintenance per head of population is less. While details are not available at this time it appears that loan charge support for capital and capital grant has generally been distributed under the new budget proposals on the basis of 95% for population and 5% for road mileage. If this is correct, the challenges faced by Councils with dispersed populations and greater cost of maintaining and improving transport and other distance related services will be considerable. Their ability to consider investment to overcome the economic and social constraints imposed by inadequate access to markets, employment and services both locally and regionally may be very restricted. The outcome may be that in the short term rural areas will fall further behind the country as a whole in economic and social terms, and create difficulty in achieving the Government intention of promoting prosperity by concentrating on its 5 key objectives.

Historically, a proportion of funding has been retained centrally by Government, particularly in the transport field, to ensure that particular needs and short term high levels of investment can be met where individual Councils or areas were unable to support schemes with significant benefit locally and nationally. This was done 40 years ago through the Crofter Counties and Congested District schemes, and more recently through the Public and Integrated Transport Funds.

The only remaining major source of centrally managed transport funding is that identified for Strategic Transport Projects of which a review is currently being undertaken by Government on transport investment needs across the country from 2012. When this review commenced a number of centrally controlled funding streams were either in place or potentially available to support regionally important transport investment needs and the resulting focus for the review has been on investment on the trunk road and strategic rail network. With the new budget proposals from Government the focus of this transport review should perhaps be revisited to reflect the wider needs for transport improvements which have a strategic impact on communities across the country and nationally. The consultation on the RTS has identified these demands and the proposed strategies prioritise which are critical in their areas. A 'top slicing' of this funding from 2012 to meet the particular investment needs identified within the Regional Transport Strategies, which by their nature are significant within Partnership areas and support Government meeting its key objectives nationally, would go a long way towards meeting the access needs of communities across the country which cannot be met locally by the funding provided directly to Councils.

STRATEGY MONITORING AND EVALUATION

The Partnership is committed to producing a Monitoring and Evaluation framework to measure the success in delivery of the Strategy and the consequential outcome achievements. The Transport (Scotland) Act 2005 requires that a mechanism be put in place to measure and monitor the achievement of the strategy, and the Permanent Advisors have actively been considering the appropriate form that a framework for this work should take, with a view to presenting it to the Board before March 2008. With the delay in the approval process for the Strategy and input from Government on any amendments it may consider appropriate, work has meantime been put on hold on this activity, however a report will be brought to the Board at the earliest opportunity.

Report by: Dave Duthie
Designation: Partnership Director
Date: 21 January 2008

Item 7 - Annex A

Cabinet Secretary for Finance and Sustainable Growth
John Swinney MSP

T: 0845 774 1741
E: scottish.ministers@scotland.gsi.gov.uk



Duncan MacIntyre
Highland Transport Partnership
Building 25
Inverness Airport
INVERNESS
IV2 7JB

7 January 2008

**HIGHLAND TRANSPORT PARTNERSHIP
REGIONAL TRANSPORT STRATEGY**

Thank you for attending the meeting the Minister for Transport Infrastructure and Climate Change and I held with Chairs of the Regional Transport Partnerships and CoSLA on 11 December 2007. Prompted by the joint Chairs letter of 8 October, I convened the meeting to hear views directly from the RTPs and COSLA about the value of retaining RTPs to help deliver local and regional transport planning in co-operation with local government under the terms of the Concordat which this Government has agreed with CoSLA.

I was encouraged to hear examples of the added value that RTPs can bring and pleased to hear COSLA's support for the RTP role within the wider local authority family. Both the RTP Chairs and CoSLA representatives recognised that the RTPs could play a useful role in assisting their constituent councils to plan and implement transport provision on a regional basis.

RTPs also provide an opportunity to co-ordinate the delivery of services which cross an individual local authority boundary.

St Andrew's House, Regent Road, Edinburgh EH1 3DG
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Such a delivery plan, agreed by the Partnership and its constituent councils, would take account of all necessary requirements to prioritise interventions including, under the new arrangements, funding in the light of the resources likely to be available as agreed by the Partnership and its constituent councils.

I would be grateful if your Board could consider these comments and submit a revised strategy in due course.

Yours



JOHN SWINNEY

RECEIVED
11 JAN 2008

St Andrew's House, Regent Road, Edinburgh EH1 3DG
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Item 7 – Annex B Strategy Preface

The purpose of this Regional Transport Strategy is to deliver a more successful Highlands and Islands, with opportunities for the whole region to flourish, through increasing the competitiveness of the region as part of Scotland as a whole.

Economic sustainability and growth is a core purpose for the HITRANS partnership, and to which all the constituent Local Authorities and Community Planning Partnerships support and contribute.

The Highlands and Islands is a diverse region comprising many islands, remote rural communities, and also fast growing urban areas. Essential journeys are long, often over mountainous terrain and involving sea crossings. The cost of daily transport for business and for residents and visitors to the region is high. Many essential journeys involve using roads, rail, buses and ferries that are not of modern standards or fit for purpose; public transport where available tends to be infrequent and slow.

The Highlands and Islands is a distinctive region with a potentially world class role to play in Scotland. The region has leading strengths in renewable energy with the European Marine Energy Centre in Orkney and the best natural energy resources in Europe on which to draw, providing opportunities across the region to contribute to Scotland's renewables targets. Inverness is one of the fastest growing cities in the UK, with one of Europe's fastest growing modern digital economies based on our greatest asset, Scotland's people. The region's stunning natural, cultural and historic landscape is an attractor for tourists to Scotland, and provides the quality of life enjoyed by residents right across the Highlands and Islands.

The HITRANS Strategy is founded on a strong consultative base. Early in 2006 we facilitated workshops with key stakeholders throughout the region to explore and reach consensus on the key issues that the Strategy needs to address. The key focus that emerged from these workshops and from others' participation in the Strategy development was that a modern transport system is needed for the region to make the Highlands and Islands a competitive location for business, and to enhance the region's viability. The region at present is at 80% of Scotland's average Gross Value Added – a huge gap. Modernising the transport network is vital to bridging that gap in order that the Highlands and Islands can contribute their full potential in delivering the economic growth of Scotland as a whole.

For a long time the region has suffered a lack of investment in the transport network that is needed to enable it to fulfill its role in a successful Scotland. Underinvestment in maintaining and upgrading the road, rail, bus and ferry network has constrained the community's ability to translate hard work into growing the region's economic contribution to Scotland. A low growth economy is a concern, but innovation and vigor are core attributes of the region's people, and these, with the assistance of a modern transport system, will unleash the region's full potential.

The HITRANS Strategy is congruent with each of the five key priorities of the Scottish Government – *wealthier & fairer, smarter, healthier, safer & stronger* and *greener*. Delivery of a modern transport system in the Highlands and Islands, improving how people and business get access to services and destinations, is central to overcoming all the problems and constraints that were identified through analysis of the issues facing the region during the consultation on the Strategy. Delivering a modern transport system as detailed in the Strategy will enable businesses and people to increase their individual and collective wealth, with more and more people around the Highlands and Islands being able to have an active share in that wealth.

The modern transport system that is detailed in the Regional Transport Strategy will support a smarter community through better access to learning opportunities. The Strategy and the joint working of the Partnership with Community Planning partners will help people across the Highlands and Islands to sustain and improve their health, ensuring faster, more reliable, and more affordable access to healthcare, and greater opportunities to lead an active lifestyle through active travel access to local services and facilities.

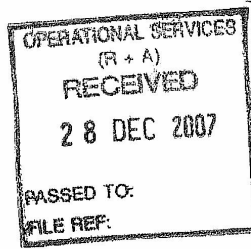
The Strategy sets out the way in which the Partnership will support people across the region in participating fully in everyday life, by supporting the delivery of a fit for purpose, multi-modal transport system and associated infrastructure. The Strategy recognises that the ability to travel efficiently around a region, that comprises nearly half the land mass of Scotland, is essential to maintaining a good quality of life and in helping communities to thrive, but at the same time, that it puts significant pressure on natural resources and impacts significantly on the environment. More sustainable travel choices, such as walking and cycling and using new technology, are a real opportunity in the Highlands and Islands, and through the Strategy will deliver major health as well as environmental benefits, improving Scotland's natural and built environment and the opportunities for sustainable use and enjoyment of it.

With this Strategy, HITRANS has set out an ambitious yet realistic and essential approach to delivering a modern transport system that will unleash the opportunities that the region has to achieve sustained economic growth – more opportunities for new jobs, successful business start ups, more people staying, moving and returning to the region. With the collective support of all our partners and Government, there is no reason why the Highlands and Islands cannot aspire to a modern transport system that will benefit everyone living, working and visiting the region, and that will support and enable the Government's wider aspiration of making Scotland a world class small country.

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Transport Directorate
Transport Strategy Division

T: 0131-244 0631 F: 0131-244 7281
E: douglas.forson@scotland.gsi.gov.uk



Stewart Turner
Head of Roads & Amenity Services
Argyll and Bute Council
Operational Services
Manse Brae
Lochgilphead
Argyll
PA31 8RD

Your ref: R/OA/19

Our ref: -

Date: 21 December 2007

Dear Stewart

**CUAN SOUND TRANSPORT LINKS FUNDING
OUTCOME OF THE LUING STAG APPRAISAL REVIEW**

I refer to your letter of 4 May and our subsequent meeting with Transport Scotland officials at Buchanan House in Glasgow on 25 July 2007.

I am writing to clarify our position on funding local transport projects such as Luing following both the recent Scottish Budget settlement, and the Concordat signed between the Scottish Government and CoSLA. I have also summarised the comments of Transport Scotland following their review of your Cuan Sound STAG appraisal – fuller detail can be found as an annex to this letter.

Funding

The Scottish Government will be providing local government in Scotland with record levels of funding over the period covered by the spending review 2008 -11. The vast majority of this funding, including the former RTP Capital (except SPT) and PTF/ITF transport budgets, will now be provided to councils by means of a block grant. I can confirm that there will be no PTF funding available for Luing in future years as the fund closes this financial year. This reaffirms earlier advice given to Hitrans, at the time of grant, that the one-off additional funding of £1.654m was conditional on the Luing work being completed by 31 March 2008.

It will be the responsibility of each local authority to allocate the total financial resources available to it on the basis of local needs and priorities, having first fulfilled its statutory obligations and the jointly agreed set of national and local priorities including the Scottish Government's key strategic objectives and manifesto commitments. Decisions on projects such as a fixed link to Luing, including the provision of funding will, therefore, be wholly a matter for Argyll and Bute Council to determine.

Victoria Quay, Edinburgh EH6 6QQ
www.scotland.gov.uk



STAG Appraisal

On the STAG review, Transport Scotland have indicated that their main concern is the interpretation and application of the economic assessment criteria – notably ferry operating costs and saved user charges - and that they cannot recommend acceptance of the figures as presented. They have also noted their view that insufficient consideration has been given to the environmental disbenefits of increased travel to Luing. They would, however, be happy to discuss their current concerns, a way forward and in due course consider a revised version of the STAG report if that was the route you wished to follow.

Please come back if we can be of any further assistance.

Yours sincerely



Douglas W Forson

Copies to; Stewart Stevenson MSP
Jim Mather MSP
Jamie McGrigor MSP
Councillor Duncan McIntyre A & B

CUAN SOUND STAG APPRAISAL REVIEW – RESPONSE FROM TRANSPORT SCOTLAND

The Treasury Green Book sets out the process which should be followed in all areas of government when appraising projects. It is not inflexible, but where it is deviated from it should be clearly justified.

The Scottish Transport Appraisal Guidance (STAG) is fully compliant with the Green Book, and lays out in greater detail the technical requirements needed for transport appraisals. The Cuan Sound STAG report has failed to strictly adhere to some elements of the STAG methodology and appears to contain a small number of errors which would prevent it achieving a Benefit to Cost Ratio (BCR) greater than 1.0. It should be stressed that this is not a requirement for a proposal to be approved, as the economy objective is just one of five criteria against which projects are appraised; however, for obvious reasons Transport Scotland economists have reservations about approving STAG reports which fail to meet their technical requirements.

The concerns over the report are given in brief below:

Economy

Operating costs - the report states that the bridge will save £330,000 p.a. in operating costs; however, operating the ferry costs only around £200,000 p.a. – no explanation is given for this discrepancy.

Saved user charges - the report has not followed the correct procedure, (known as the 'rule of half'), when calculating saved user charges, which results in scheme benefits being overstated. In essence this rule states that benefits to new users, who would otherwise not have been travelling, are on average half of those experienced by existing users, who would have made the trip regardless.

Environment

Insufficient consideration has been given to the environmental effects of the project. The report states that they are considered to be insignificant as travel to the island will increase by only 30%; however the economic appraisal is based around the fact that travel to the island will increase by at least 200%. This inconsistency in approach is not acceptable.

Stag Summary

Whilst the Cuan Sound STAG report has sought to follow the both the Green Book and STAG processes, its authors have made it clear that they do not feel that some of the methods set out in them are suitable for the rural context; for example, they are unhappy with the discounting process set out in the Green Book, which is to be followed when dealing with schemes that incur costs and benefits over time. This is to reflect the fact that society and individuals place less weight on costs and benefits which occur in the future. Whilst digressions from this methodology are allowed, Transport Scotland economists do not feel that a case has been made for Cuan Sound to pursue a different methodology. Transport Scotland will shortly be publishing a report comparing the Green Book approach with other international approaches, and believe that it compares favourably with them.

Item:

8



Report to Partnership Meeting of 1 February 2008

RESEARCH AND STRATEGY DEVELOPMENT PROGRAMME 2008/09

SUMMARY

The Report provides details of proposals for research and strategy development action in 2008/09 based on the budget proposals before the Board under Agenda Item

RECOMMENDATIONS

The Board is asked to agree to the Partnership proceeding with the Research and Strategy Programme for 2008/09 as detailed in the Annex to this report.

DETAIL

Ongoing research and strategy development work is required to support the case for delivery of better transportation as promoted in the Draft Regional Transport Strategy and to ensure the Partnership has best knowledge and information on changing circumstances and opportunities in the transport sector. The Permanent Advisors have met to discuss the best use of the available funding for research and development in 2008/09 and the Programme as detailed in the Annex is their collective view on work that should be undertaken.

Report by: Dave Duthie
Designation: Partnership Director
Date: 21 January 2008

Item 8. Annex –

Research/strategy development programme for 2008/09

Rail	
Oban Glasgow timetable improvements/ TEE	30,000
Far North journey time improvements	30,000
Inverness Aberdeen loops and timetable improvements (NESTRANS part funding)	20,000
Air	
Further work on Skye Airport proposal – survey and weather	20,000
Case for regional service security and development between Heathrow/Gatwick and Inverness	20,000
Active/ Health	
Audits of key settlements – Phase 2	60,000
Health /Community Transport Study	20,000
Forestry	
Confor forestry transport development programme	10,000
Ferry	
Study into service development options (part funding)	40,000
Service development through Oban Hub	10,000
Road	
Study to support corridor assessments (part funding)	20,000
Bus Route Development Study	30,000
ClimATIC environmentally sustainable transport project	5,000
Integration	
Study into development of integrated public transport interchange in Oban (part funding)	10,000
Fuel Supply	
Study into the distribution and delivery of transport fuel across the region and its economic impact	15,000
Monitoring	
Model for assessing success in delivering the Strategy/DRT	15,000
Contingency (10%) - unallocated at this stage	39,000
Total	394,000

Report to Partnership Meeting – 1 February 2008

Air Services - Response the Heathrow Consultation

SUMMARY

The Department of Transport has initiated a consultation on the future growth of Heathrow Airport through providing a further new terminal (Terminal 6) and a third runway. Responses are requested by 25 February and this report asks the Board to agree the response to be submitted by HITRANS in reflection of the particular importance of access to the Heathrow hub to the future prosperity of the Highlands and Islands.

RECOMMENDATIONS

The Board is asked

1. to agree that the response as included below be sent to the Department of Transport as HITRANS response to the consultation on adding capacity to Heathrow.
2. to ask the Chair to write to the Secretary of State for Transport and Parliamentary Undersecretary seeking a meeting to discuss the issues surrounding access to the Heathrow hub from Inverness and other air service issues facing the Highlands and Islands.

HITRANS Response to the Department for Transport Consultation on adding capacity at Heathrow Airport

HITRANS (Highlands and Islands Strategic Transport Partnership) is the statutory body concerned with the development and coordination of all public transport programmes within the Highlands and Islands of Scotland. It also takes a strategic interest in the provision of trunk transport services to and from the region, including air services.

HITRANS (Highlands and Islands Strategic Transport Partnership) welcomes the initiative by the Department for Transport to give serious consideration to expanding the number of available slots at Heathrow Airport, by suggesting an early introduction of mixed-mode operations on the existing two runways by around 2015, to be replaced by the construction of a third runway in around 2020. The shortage of capacity in regional air service access at Heathrow has long been a major problem for the business community of the Highlands and Islands which needs access to a wide range of European and global connections in order to secure inward investment and overcome the negative effects of its peripherality to both the rest of the United Kingdom, Europe and global communities as a whole., particularly in North America.

Our response takes a more strategic overview of the question in order to provide a particular perspective to the DfT on the issue. HITRANS believes that the relatively narrow focus on mechanisms is denying a real necessity to evaluate the role and value of the Heathrow hub to the UK, particularly the peripheral regions. Our submission focuses on these aspects.

HITRANS welcomes this potential expansion of slots (up by 46% from 480,000 today to a maximum of 702,000 by 2030) but is seriously concerned that few if any of these extra slots will be directed toward small and medium-sized aircraft services as required for the second and third tier domestic destinations such as Inverness.. The consultation paper itself notes that, even at 702,000 slots in 2030, Heathrow would only be able to satisfy around 70% of the demand for slots (para 3.32). HITRANS has no doubt that flights to the smaller domestic destinations will be amongst the 30% of flights unplaced unless Government intervention is forthcoming.

The Department will be aware that this is not because of any inherent unprofitability of domestic routes – the passengers are generally prepared to pay the full price to ensure access to Heathrow, and airlines have historically made reasonable profits on these routes, without any need for regional or national subventions. The problem instead is that the operator of an intercontinental B777 can make a much greater profit from the use of a single pair of slots than the operator of a small domestic aircraft, and – under the UK's interpretation of EU slot rules – is allowed to pay premium prices to purchase the necessary slots from the smaller airlines.

The Department for Transport will know that HITRANS and other organisations concerned with the economic well-being of northern and western Scotland have long argued for the resumption of direct flights between Inverness and Heathrow Airports. With the backing of the Scottish Executive, we have attempted to persuade the Department of the necessity of providing security of tenure through the imposition of an EU-approved Public Service Obligation (PSO) on the route – but these attempts have always foundered on the Department's preference for a free market in slot allocation at Heathrow.

The impact of this free market approach can be seen in the attached table, which shows the change in weekly domestic frequencies from Heathrow from 1988 to 2008.

Weekly flights from Heathrow to domestic destinations (and to New York) in 1988 and 2008 and weekly flights from each domestic destination to other European hubs in 2008						
Year	1988	2008	2008	2008	2008	2008
Airport	LHR	LHR	AMS	PAR	FRA	BRU
Aberdeen	46	101	28	14	-	-
Belfast Int.	101	-	21	9	-	-
Belfast City	-	54	-	12	-	-
Birmingham	37	-	54	61	46	35
East Midlands	33	-	13	12	-	16
Edinburgh	112	128	41	47	21	17
Glasgow	121	121	26	7	-	-
Guernsey	29	-	-	-	-	-
Humberside	23	-	26	-	-	-
Inverness	22	7	-	-	-	-
Isle of Man	25	-	-	-	-	-
Jersey	46	-	-	5	-	-
Leeds Bradford	35	32	32	7	-	16
Liverpool	25	-	22	13	-	-
Manchester	76	117	53	61	46	36
Newcastle	43	41	33	26	-	11
Newquay	22	-	-	-	-	-
Norwich	17	-	33	4	-	-
Plymouth	22	-	-	-	-	-
Teesside	33	20	21	-	-	-
Total domestic	868	621	403	278	113	131
New York	108	171				

Source: OAG

Inverness has seen its frequencies reduce from 22 flights a week by British Airways in 1988 to none in 1998, when the flights were transferred to Gatwick. bmi has since introduced a once-daily middle-of-the-day service from Heathrow, but has recently announced that this service is to terminate within the next ten weeks, with the expectation that the slots will be used for its Star Alliance partners to operate yet more flights to the USA. The Department had earlier stated that it would be prepared to request four month's notice of the planned dropping of a domestic route to Heathrow or Gatwick by an airline, to enable the Department to search for ways of achieving continuity of service – HITRANS is anxious to see how successful this planned intervention will be.

Inverness and the Highlands and Islands in general have not been alone in their suffering – in the last twenty years, ten significant peripheral communities have had their lifeline to Heathrow completely removed. In addition, the total number of domestic flights has reduced by 28% at a time when total movements through Heathrow airport have increased by more than 40%, from 339,000 commercial movements in 1988 to some 480,000 today.

During the same period, flights to New York alone have increased by nearly 60%, and there is now an average of 6 flights a day departing from New York to Heathrow in the 100 minutes from 07:40 to 09:00, and a further 18 flights a day leaving between 18:10 and 23:45, or an average of one every 18 minutes. The Department will be well aware that – as a result of the recent EU-USA open skies agreement - this already generous provision of flights is set to increase substantially, much of it at the expense of domestic and other short-haul routes that will 'lose' their slots. In addition, many 'Bermuda 2' destinations currently served from Gatwick will be allowed to transfer to Heathrow, and any EU airline may now operate from

Heathrow to any point in the USA. This is now putting even greater pressure on the few remaining operators of domestic routes to sell their slots, and for BA and bmi to use their domestic slots to increase their own operations to the USA

Many of the smaller European destinations have been suffering as well – almost all the growth since 1988 has been in intercontinental flights, most notably to China, India and the USA. The average aircraft size and the average stage-length per flight have been increasing rapidly as small domestic airlines have sold their slots to major world airlines for abnormal profits – profits that are regrettably, not shared with the regions that have lost service.

The observation is often made that if a region is unable to access Heathrow, it could still obtain access to an alternative global hub at Paris, Amsterdam, Frankfurt or Brussels – to the detriment of British airlines and the balance of payments. However, the above table also shows convincingly that those destinations that have not been able to retain their flights to Heathrow also have difficulty in accessing other hubs due to the lack of demand for those cities as destinations in their own right. In addition, Frankfurt (and to a lesser extent Amsterdam and Paris) are also becoming slot-constrained. If one discounts the current Beechcraft service from Jersey to Paris via Cherbourg, then six of the destinations that have lost their Heathrow service (including Inverness) have no flights to any of the four other European hubs and are effectively disconnected from their global buyers, sellers and investors.

The trend of replacing routes to the smaller UK destinations by flights to Asia and North America will have been of great benefit to London and the South East, but the Department for Transport is charged with the responsibility of providing transport links for all regions of the United Kingdom, and to have special regard to the needs of the smaller and more peripheral regions, in line with the Government's overall objectives of reducing social isolation and decreasing the economic gap between the regions.

HITRANS believes that the use of Heathrow is now at a crossroads – unless positive intervention is made by the Department, the future of Heathrow will increasingly be as an airport serving only the south east of England, (and a few major cities in the European Community, perhaps including Edinburgh, Glasgow and Manchester); and becoming a global hub offering interline connections between intercontinental destinations, but without giving them the necessary feed from the smaller cities of Europe.

HITRANS strongly argues that this might be an acceptable result for the three RDAs in the South East (London, SEEDA and EEDA) but it will be totally unacceptable for the devolved administrations in Scotland and Northern Ireland, the Crown properties of the Channel Isles and the Isle of Man, and to a lesser extent the five RDAs representing the more peripheral parts of England.

HITRANS is concerned that the free enterprise approach of Government will lead to an ever-increasing economic imbalance and dominance of South East England at the expense of the rest of the United Kingdom, and contribute to the flight of industry and commerce from the regions to the London area, putting even greater pressure upon severely scarce resources of housing, land and labour.

HITRANS has noted the specific questions upon which the Consultation has requested comments. However, they relate in the main to specific aspects of environmental concern to those citizens of the United Kingdom that reside close to Heathrow Airport, which is some 440 miles away from the residents of Inverness and 700 miles from those in Shetland who would use the Inverness services to Heathrow if they were to be re-instated. As such, HITRANS does not consider it is relevant or competent for it to comment on matters of purely local concern.

Recommendation

HITRANS believes that the Department for Transport should reconsider its adherence to laissez-faire principles, and recognise that the free market may lead to the greatest number of passengers using the scarce resources of Heathrow's three runways, but that this could well be at the expense of the economic and social cohesion of the whole United Kingdom. The main beneficiaries of this free market approach will be private sector companies (often foreign-owned) that operate Britain's airlines and airports in the south east, not the residents and businesses of the whole nation which Government represents.

This is despite the Consultation paper stressing right from the start that Heathrow is vital for the whole nation's economy and noting the dramatic decline in domestic routes and flights from the airport. However, nowhere in these papers does the Department give any consideration as to how the UK as a whole can benefit from the national Government permitting such a development, or how the disturbing trend of reducing domestic flights could be reversed, presumably because of the Government's strong commitment to free trade principles.

Government as a whole is working strenuously to spread economic benefits throughout the United Kingdom – indeed, other parts of Government are helping to fund uneconomic road, rail and ferry public transport services around the entire nation to ensure that social and economic cohesion are strengthened. For regions without the possibility of practicable land based access to the Heathrow hub, HITRANS would argue that Government should establish a means of ensuring access and as a result redress some of the imbalance in economic opportunities across the country.

HITRANS is strongly of the view that – in return for allowing a private airport operator to expand its capacity from 480,000 flights a year up to 702,000 a year – the Government should reserve a proportion of these new flights to be preserved (possibly through the PSO mechanism or through conditional planning approval for the airport extension) to ensure the provision of access for the regions to the Heathrow hub and the reintroduction of flights to domestic destinations.

HITRANS argues that the Department should aim to reserve some 30,000 slots a year, or around 13% of the 222,000 slots it is considering authorising. These would be used to re-introduce the level of domestic flights lost from the eleven smaller routes since 1988. They would then by whatever means be given the protection of PSOs and put out for tender in the normal way, so that as many of the eleven routes as possible could have secure operation of some three or four flights a day to provide the necessary global links vital to their economies, additionally supported by traffic seeking to undertake a day's business in the nation's capital.

Without such an acceptance by Government of the valid needs of the regions of the United Kingdom, and an agreement to reserve a significant proportion of the new slots created by enforceable decree for protected services to these regions, HITRANS will be unable to support the Government's consultation.

Report by: Dave Duthie
Designation: Partnership Director
Date: 24 January 2008



Report to Partnership Meeting of 1 February 2008

Transfer of Employees from Highland Rail Partnership

SUMMARY

The Report provides details of proposals to transfer employees from the Highland Rail Partnership to HITRANS at the end of this financial year.

RECOMMENDATIONS

The Board is asked to:

1. agree to the transfer of Highland Rail Partnership employees to HITRANS from 1 April 2008
2. to delegate authority from the Board to the Chair and Vice-chair to execute any transfer agreement and any other documentation required in connection with the transfer.

DETAIL

HITRANS is committed to working with all sectors and interests within transport in adding value to the transport sectors across the region. It has identified 8 key sectors in which it would wish to engage with stakeholders on a regular basis, one of which is Rail. Highland Rail Partnership (HRP) has developed an exemplary approach to engaging with stakeholders in the rail sector, and their efforts have resulted in positive improvement in rail services across the mainland area and serving a number of our island communities.

HITRANS has previously supported the work of HRP making a significant contribution to their ongoing costs. With the changing role of HITRANS, moving from a voluntary to a statutory Partnership, it is felt that greater benefit can be achieved by integrating the efforts of HRP through its employees within HITRANS, thus ensuring the closest working between transport sectors, optimum use of resources, and the further development of rail service improvements across the region.

To create such a change, a transfer agreement must be agreed and executed with the Highland Rail Partnership. This agreement will outline the terms of the transfer itself. Terms will be agreed in draft form between our Legal advisors and the legal representatives of the Highland Rail Partnership. It will be necessary to identify all assets and liabilities that will be transferred to HITRANS at the date of transfer, as well ensuring that all licenses regulating the use of any office equipment are carried forward (i.e. software licences) and to determine if assignments of any contracts are required.

The two employees of the Highland Rail Partnership will be subject to transfer namely Frank Roach (Rail Development Manager) and Chris Kendall. Our Legal advisors have indicated that the proposed transfer would be likely to fall within the provisions of the Transfer of Undertakings (Protection of Employment Rights) Regulations. The applications of the TUPE regulations would mean the automatic assignment of the contracts of employment and associated rights and liabilities from the Highland Rail Partnership to HITRANS on the date of the transfer. The only rights and

liabilities that do not assign on transfer would be criminal liabilities and provision of occupational pension schemes which relate to benefits for old age, invalidity or survivors. The new employer (i.e. HITRANS) would inherit those employees of the old employer who were employed immediately before the transfer on their existing terms and conditions.

The new employer inherits all accrued rights and liabilities connected with the contracts of employment of the transferred employees (including liability for negligence and breach of statutory duties).

There are various obligations for both the Highland Rail Partnership and HITRANS in relation to consultations with transferring staff. The consultation process has already begun in that HITRANS HR and Legal advisors have met with the two transferring employees and detailed discussions are ongoing regarding transfer arrangements.

It will as part of the process, be necessary to consider the structure in which the transferring employees will operate within HITRANS. Any variation between their existing terms and conditions and the terms and conditions which HITRANS wish to apply will be the subject of consultation and agreement with the employees.

To ensure that all the necessary processes and agreements are completed by 1 April 2008 it is recommended that the Board delegate authority to the Chair and Vice-chair to execute any transfer agreement and any other documentation required in connection with the transfer.

Report by: Dave Duthie
Designation: Partnership Director
Date: 24 January 2008

Report to Partnership Meeting of 1 February 2008

LEASE OF ARISAIG STATION

1. Arisaig on the West Highland Line-Mallaig Extension is associated the world over with Harry Potter, yet has that forlorn, uncared-for air. There is an opportunity for HITRANS at nominal cost to support its development on a trial basis for the benefit of rail services in the area and the local community.

2. HRP has been successful in identifying redundant accommodation and finding new users across the network, including Lairg, Carrbridge, Gleneagles and Invergordon. This has been achieved because of HRP's understanding of the complexities of rail property management.

3. It identified Arisaig four years ago as a station requiring some attention. Waiting facilities were deemed inadequate, and the area was an informal gathering place for local youths. In particular the building was at risk. Discussions took place with Lochaber Housing Association about providing a possible flat for a local, but discovered that the footprint is restricted in its use by the need to retain some sensitive electronic signalling equipment in one half. Over the last year the heritage shelter has been rebuilt (funding: Railway Heritage Trust-RHT, FSR, HRP) and the station building repainted by FSR. Landscaping works have also been carried out.

5. It is proposed that HITRANS takes on the lease of the vacant parts of the building on a year by year basis. The draft agreement is the same as that for the Lairg HRP office and has served well for 6 years. The rent is low, and annually renewable until the franchise end (2011 currently). We are responsible for internal fixtures and fittings, and obviously insure the contents.

6. This will facilitate the establishment of a cycle hire business at Arisaig encouraging active travel in the area. Several meetings have been held with Alan Brownridge who has set up a mobile cycle hire operation Cycles2U in the area. He is very interested in taking over the former goods shed on the westbound platform. Cycle2U's plan to encourage people to cycle between stations but leave the hired bikes for collection by road and return to Arisaig. It is designed to develop local station business whilst not over stretching on-train cycle capacity. Based on the lease arrangements, HITRANS can offer the shed at nominal cost for an agreed period with the blessing of First ScotRail.

7. Opportunities for usage of the remaining 2 rooms and toilet will be investigated. They could be used as an occasional office/meeting room. There are strategic reasons for establishing a base in the west. HRP has been offered £1k by RHT for internal decoration, and this could potentially be passed on to HITRANS.

8. HRP has funds from a legacy to put towards restoration of the signalbox. Again, RHT funding is likely to be forthcoming.

Recommendation: HITRANS takes on lease for an experimental one year period and identifies further potential uses in order to enhance its transport function.

Report by: Frank Roach
Designation: Partnership Rail Adviser
Date: 22 January 2008