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Donald McGougan
Treasurer
Forth Estuary Transport Authority
10 Waterloo Place
EDINBURGH
EH1 3EG

Your ref:
«Yourref»

Our ref:

Date:
31 March 2011

Dear Donald,

FORTH ESTUARY TRANSPORT AUTHORITY (FETA) – GRANT – 2011/12

On behalf of Scottish Ministers, in exercise of their powers under section 70 of the Transport (Scotland) Act 2001, I am writing to make a formal offer of grant to the Forth Estuary Transport Authority (FETA) (“the Grantee”) Revenue Grant of up to £5,100,000 STERLING and Capital Grant of up to £8,600,000¹ STERLING to be paid in instalments on the 15th of each month for the financial year 2011-2012.

I enclose two formal offers of Grant to fund the projected revenue costs of maintaining and operating the Forth Road Bridge and for the capital spending programme for 2011-2012 as discussed and agreed during the budget preparation process.

Detailed conditions and arrangements for payment of the Grant are set out in the attached offer letters. As in previous years, spend against profile will continue to be monitored throughout the year. A timetable for the submission of data to comply with the conditions of Grant is attached to this letter.

While Scottish Ministers do not generally provide Grant in advance of need, Ministers have a limited discretion with respect to public sector bodies, in order to strike a balance between prudent management of the Grant and the need to provide a reasonable amount of freedom for the funded body to take decisions of its own. As part of this flexibility it is accepted that a certain level of reserves should be held to facilitate the efficient management of the Forth Road Bridge, and the Scottish Ministers will keep the level of such reserves under review.

Scottish Ministers consider the commitment set out above and in the enclosed offer letters, taken together with the General Fund reserves, sufficient to meet FETA's estimated revenue and capital costs in the coming financial year. Scottish Ministers do not foresee a need for the Authority to undertake any new long-term borrowing commitments during 2011-2012.

¹ £10,000,000 Budget approval less £1,400,000 awarded to FETA in 2010/11.

Ministers recognise that, in the normal course of business funded bodies will have to award contracts which will run over several years, and often beyond the period covered by the Spending Review. Where such contracts are entered into in accordance with agreed policies and plans, Ministers recognise that there is an obligation on the Scottish Government to continue to provide the necessary funding. Where contracts for significant spend across Spending Review periods are to be entered in to, funded bodies should ensure that Scottish Ministers are advised and have an opportunity to consider such proposals in advance of firm commitments being given.

Spending Review

You are aware that the availability of resources will be significantly more restricted in the coming years. Ministers expect all public bodies, including FETA, to play their part in facing up to this challenging situation by continuing to deliver in what will be a much tighter funding environment.

As the current budget has only been set for one year it will be necessary to prepare for a Spending Review following the Scottish elections in May 2011. While it will be possible to utilise much of the work that was undertaken in preparation for the 2011/12 budget, it is likely that the availability of resources will be significantly more restricted in the coming years. On this basis it is strongly recommended that any efficiencies you have identified are brought into effect as soon as possible in order to begin making these savings while funding is available to support their implementation. The Scottish Government has announced a target of 3% savings across the public sector in Financial Year 2011/12, and we expect FETA will be asked to report on measures it can take to help meet such savings.

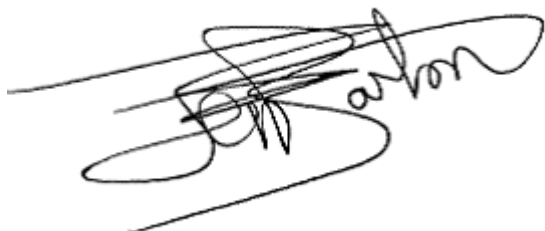
The Spending Review returns for FETA will be submitted to Scottish Ministers by Transport Scotland and will be considered as part of the overall Scottish Government Transport Budget. Although no timetable has been set for the forthcoming Spending Review it is likely that the preparation time for submissions will be limited and you are advised to begin preparations now.

Key Returns and Meetings

We are proposing a slight change to the way in which we work with you. The timetable attached sets out the dates for payments and returns throughout the year. Most of these returns can be completed by e-mail or via telephone contact which will enable the dates to be more effectively aligned with quarterly deadlines and the Board meeting schedule. This will give greater flexibility around the arrangement of face to face meetings to ensure that they take place when they will be of greatest value. It will also mean that meeting schedules can be tailored to address specific issues such as spending review preparation. It is envisaged that Transport Scotland and FETA officials will meet at least twice a year.

I should be grateful if you would sign and return the Grant Acceptance appended to each of the attached letters, and return the relevant documents to me, retaining one copy for your own records.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'Jim Barton', with a stylized flourish underneath.

JIM BARTON