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Mr Barry Colford  
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Date:  
6<sup>th</sup> July 2010

Dear Barry,

## **SPENDING REVIEW 2010 EVIDENCE BASE: CAPITAL EXPENDITURE AT FORTH ESTUARY TRANSPORT AUTHORITY (FETA)**

Over the last twelve months we have discussed in some detail FETA's future programmes, including the capital programme, and you have already provided much valuable information to support and explain those plans. We are due to meet shortly to consider the capital programme in the formal context of the UK Government's upcoming Comprehensive Spending Review (CSR). This note gives additional background to this crucial exercise, as well as outlining the information I would ask you to provide in support of FETA's capital funding requirements once we have met.

It is clear that the next UK Spending Review, which will be published in the autumn, will deliver substantial real terms reductions in what is known as overall Departmental Expenditure Limits (DEL) for almost every part of government. This will require the Scottish Government to ensure the effectiveness of public spending in Scotland, and to ensure effective prioritisation of that spend. The Scottish Government is applying a structured and transparent process through standardised templates to assess the prospects for capital spending.

A timetable is attached at Annex A which sets out the steps that should be taken to help prepare a robust evidence base on capital spending for the next CSR.

### **The general outlook for the public finances**

I would encourage you to take full account of the outlook for the public finances as you prepare the evidence base on capital spending in your area. Across the Scottish Government and Transport Scotland, spending proposals will need to be informed by the reality of the coming constraints on the public finances. That in turn will provide Ministers with the robust evidence that they need to help prioritise and allocate scarce capital budgets.

## Evidence gathering exercise

The evidence gathering exercise is in keeping with the description of the CSR described in the grant in aid letter issued to FETA earlier this year which said submissions should be robust and based on a sound risk based prioritisation of spend, with the need for more emphasis to be placed on the identification of further efficiencies and a prioritised capital programme based on those projects which are essential to ensure the maintenance and safe operation of the Forth Road Bridge.

This exercise concerns capital spending, meaning expenditure funded through traditional Capital DEL. You are asked to provide evidence on the main aspects of your capital spending plans for the next CSR period, the time horizon for which will cover the financial years 2010-11 to 2014-15. We have been asked to complete a single template for FETA that describes your planned capital programme, ie the funding that will be required to deliver broad programmes of capital investment over the CSR period to help achieve key policy outcomes and maintain service capacity.

The attached Word template illustrates the information that Transport Scotland is required to submit to the Centre. Although we have copies of your up to date capital programme for the coming years you will be aware that the public spending environment has fundamentally changed. In light of this, I would ask you to:

- consider first the potential to smooth or defer some of FETA's programmes;
- explain the effects and risks of not receiving the funds specified in your planned capital programme;
- outline the minimum funding that is required to fulfil the statutory duty of ensuring the Bridge is maintained and operated safely, effectively, and cost efficiently;
- describe the outcomes that will be achieved as a result of this capital spend; and then
- provide an updated version of your capital programme in this context and a brief explanation of the purpose of the projects, and reasons for the timing of those projects;

## Next steps

As noted, the timetable outlined at Annex A sets out the process for this evidence gathering phase and the key milestones.

In closing, let me assure you that I appreciate the complexity and challenge involved in this exercise, and that I am ready to support you in taking this work forward. If there are any aspects of this note which you would like to discuss, please contact Lesley Stewart (0141 272 7577) or me and we shall be happy to assist.

Yours sincerely,



**Frances Duffy**

## ANNEX A. TIMETABLE FOR EVIDENCE GATHERING ON CAPITAL

Timing	Phase
Tuesday 6 July	Commissioning letter outlining the proposed process
Friday 9 July	FETA and Transport Scotland Officials meet to determine evidence that will best support funding requirements
Wednesday 14 July	Submission by FETA of evidence and completed template
Thursday 15 July	Transport Scotland to confirm evidence provided is satisfactory or seek further clarification if necessary
<b>Friday 16 July</b>	<b>Submission of evidence base by Transport Scotland</b>