

**Frances Duffy, Director
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Date:
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Dear Barry

Spending Review 2010

Many thanks for your letter of 14 June 2010 outlining your concerns about the spending review process currently being undertaken by the Scottish Government.

I fully understand the difficulties the challenging timescales bring, particularly given your unique position in seeking Board approval for changes of this nature and I am very appreciative of the information that you have provided so far. Nevertheless, as I outlined at our meeting on 9 July 2010, the Scottish Government are in the process of scenario planning across all directorates at this time. All stakeholders are being challenged to meet these demanding timescales in order that Ministers are best able to prepare for the outcome of the comprehensive spending review at Westminster.

Colleagues in the Trunk Roads and Integration Policy Team will continue to support you in preparing and putting forward the best possible case to Scottish Ministers and will ensure that you are kept informed of any feedback or changes in the process as soon as they are known.

I also understand your frustration with the use of the SR07 line for 2010/11 as the baseline for consideration of budgets for this spending review period as opposed to the Grant in Aid average that you have received over the previous three years. While I cannot comment on the discussions that took place between you and colleagues in Transport Directorate, I can assure you that the advice we are following is the agreed practice for setting the baseline in all spending review discussions. As you know, we have, and will continue, to emphasise the point about the actual amounts you have received in Grant in Aid compared with the SR07 figures in the return that we compile with you. I trust you will agree that it does help to make the case and would reiterate that, at this stage, this is scenario planning and not an indication of any cuts that have already been agreed or decided.

In addition, your letter notes a 15% cut across capital budgets and the potential to impact on the operation and maintenance of the bridge. Please note this is not a submission that is required.

The 15% is being requested across revenue budgets only and is, again, for the purposes of scenario planning rather than being an agreed position.

You also refer specifically to the Viaduct Bearings Replacement contract and your contractual obligations. As you know, we contacted the Central Government Finance Team in advance of this contract being awarded to give comfort that it could be committed to across this spending review period. There is an appreciation that such committed expenditure will have to be met over this spending review period.

I fully appreciate the points you raise about the challenge of delivering cuts in cost and I welcome and support your continued efforts to respond to this challenge.

Yours sincerely

Frances Duffy
Director, Strategy & Investment Directorate
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