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Bus, Freight and Roads Division

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Your ref:
Our ref:
26 March 2008

FORTH ESTUARY TRANSPORT AUTHORITY - GRANT-IN-AID - 2008-09

Following the meeting of 4 March I enclose two formal Offer of Grant-in-aid letters to the Forth Estuary Transport Authority. These offers provide revenue and capital funding for the financial year 2008-2009.

Following commencement of the Abolition of Bridge Tolls (Scotland) Act 2008, the Scottish Ministers will replace the former bridge toll income by way of direct grant funding. Separate Grant-in-aid is offered in respect of the budgeted revenue costs of maintaining and operating the Forth Road Bridge, and for the capital spending programme agreed between the Scottish Ministers and the Forth Estuary Transport Authority. Detailed conditions and arrangements for payment of the Grant-in-aid are set out in the formal offer letters.

While recognising that it is for the Scottish Parliament to approve the annual Scottish budget, the practice of the Scottish Ministers is to notify funded bodies of the indicative sums allocated to them for each financial year of a Spending Review period. In addition to the firm offers set out in the attached letters, Ministers are of course minded to provide Grant-in-aid for both budgeted revenue expenditure and for planned capital expenditure in financial years 2009-10 and 2010-11. The detailed Grant-in-aid for those and subsequent years will be agreed and confirmed in formal offer letters before the start of each financial year. It will be based on the budget figures as set out in the reports to the Forth Estuary Transport Authority on 22 February 2008 and the capital plan attached to those reports, subject to continued monitoring of Forth Estuary Transport Authority's spending plans, actual expenditure and General Fund reserve levels.

While the Scottish Ministers will not generally pay Grant-in-aid in advance of need, Ministers have a limited discretion with respect to public sector bodies, in order to strike a balance between the prudent management of the Grant-in-aid budget and the need to provide a

reasonable degree of freedom to the funded body to take decisions of its own. 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.

Given the commitment set out above and in the enclosed offer letters, to provide Grant-in-aid funding which, when considered together with the assumed General Fund reserves, will be sufficient to meet Forth Estuary Transport Authority's estimated revenue and capital costs in the coming financial year, the Scottish Ministers do not foresee a need for the Authority to undertake any new long-term borrowing commitments during 2008-09.

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.

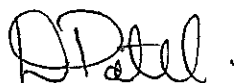
Officials of the Scottish Government and the Grantee will meet regularly to review, amongst other things, budget estimates, expenditure against financial profile, and the amount of Grant-in-aid paid. Subject to the outcome of such meetings, the Grantee will adjust the financial profile for the remainder of the financial year and submit this to the Scottish Ministers for approval.

The proposed schedule of meetings in 2008-09 will be:

Week commencing	Agenda to include:
23 June 2008	Summary of expenditure against grant 2007-08 Completion of compliance statements 2007-08 Preparation of annual accounts 2007-08 Reserves Progress on revenue programme 2008-09 Progress on capital programme 2008-09
10 November 2008	Progress on revenue programme 2008-09 Progress on capital programme 2008-09 Reserves Outline revenue budget 2009-10 Outline capital programme 2009-10 Long term capital programme
10 February 2009	Progress on revenue programme 2008-09 Progress on capital programme 2008-09 Estimated carry forward to 2009-10 Reserves Detailed revenue budget 2009-10 Detailed capital programme 2009-10

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

Yours sincerely



DAVID PATEL