

CSR Prep Meeting with FETA & Transport Scotland – Friday 9 July 2010

Transport Scotland	Forth Estuary Transport Authority
Frances Duffy, Director Strategy & Investment	Barry Colford, Chief Engineer & Bridgemaster
Bill Valentine, Chief Bridge Engineer	[REDACTED]
Cameron Gair, Bridges Asset Manager	[REDACTED], Operations Manager
Lesley Stewart, Trunk Roads Policy Manager	[REDACTED]

Frances began the meeting with an outline of the strategic context for this comprehensive spending review and outlined the way in which capital and resource would be treated as part of the preparation of returns to the CSR.

It was stressed that preparation would be an iterative process but that it is critically important to get this underway. Ministers will not be fully aware of the final budgets they have to work with until after the UK Spending Review in the autumn.

Capital will be considered centrally across the whole of the Scottish Government, across all portfolios. This is a different, more bottom up approach than has been taken in previous years and that this is directed at giving Ministers absolute clarity about prioritisation on the basis of what items contribute most to the delivery of the government's strategic objectives.

The Cabinet Secretary has stated that three key priorities going forward are;

- Supporting economic recovery and contributing to sustainable economic growth;
- Meeting the public expenditure challenge by making best use of scarce resources (sweating the asset); and,
- Contributing to the transition to a low carbon economy.

On this basis it will be important to make the case for capital in a bottom up manner which clearly articulates the minimum funding requirement for maintenance and safe operation of the asset, what funding is required to maintain the structural integrity of the bridge and what are the risks and consequences of not receiving that funding.

Then move on to consideration of operational efficiency issues, the funding required and the impact on level of service in terms, journey time reliability, delays due to congestion, bridge closure etc as a result of not receiving the funding. An important element of this will be the need to maintain the existing connection in advance of a Forth Replacement Crossing being delivered and also considering the impact that the delivery of the FRC might have on budgetary requirements in future years.

Frances outlined that she had received notification last night that the revenue budget returns are now to be prepared alongside the capital returns and are

also required for submission by Wednesday next week. While it was made clear that the re-profiling of budgets and trends in spend would be included as part of the narrative associated with the submission, the starting point for consideration of revenue budgets would be the 2010/11 line in the published 2007 spending review document agreed by the Scottish Parliament.

For FETA this means that the starting point for budgets is £2,396(£K) for capital and £4,833(£K) revenue.

The scenario we are being asked to consider is a 15% cut across the board in revenue budgets. It was stressed that this is not an indication that a decision to impose a blanket 15% cut had been taken, it is again part of the iterative process for preparing for the spending review and is the same type of scenario planning and evidence gathering that has taken place in previous years. Ministers wish to have the ability to look at revenue spending across the Government and understand the implications of a cut of that order of magnitude.

For FETA the revenue baseline will be £4.1 million which is £1 million less than is currently forecast and there is a need for FETA to consider and explain the risks and impacts of this and how the remaining revenue budget will be spent. There will also be read across to the capital programme and the submission should detail innovative thinking that can be applied to procurement processes, consideration of shared services and other elements of the business to drive greater efficiency and value for money.

Barry indicated that the majority of revenue costs are in relation to maintenance and inspection and Frances indicated again that this would have to be considered in the context of asset management policy and being able to articulate the relationship between risk and asset management. These submissions will be subject to a high level of scrutiny and we will be better able to make the case if we can demonstrate that consequences and options have been thought through.

The discussion moved on to risk and reserve. The point was made that reserves are not held anywhere else for other assets so there needs to be an understanding of the extent to which risk is mitigated by the reserve and the coverage of the insurance policy in place.

Actions

- 1. FETA to submit capital and revenue returns on the basis of the points outlined within the letter of 6 July by close on Wednesday 14 July.**
- 2. FETA to submit detail of what is covered by insurance policy, re-profiled spend for 2010/11 and the impact of this on the available reserve.**
- 3. TS will issue a note this afternoon outlining the requirements for the revenue submission.**
- 4. TS will send policy priority information to help set context for returns.**