



*Meeting of Forth Estuary Transport Authority
26th February 2009*

Budget Monitoring 2009-10

1 Purpose of report

To advise the Authority of the forecasts for revenue and capital expenditure to 31st March 2010. This report has been prepared in consultation with the Chief Engineer and Bridgemaster.

2 Summary

Forecast expenditure to grant received

- 2.1 The forecast over spend against grant is £1.618m; Grant-in-Aid 2009-10 is £13.055m, forecast expenditure is estimated to be £14.673m.
- 2.2 The estimated forecast to grant position and movement to that previously reported to the Authority is shown in the table below:

Expenditure type	Grant-in-Aid £'000	Forecast 26.02.10 £'000	Over Spend £'000	Forecast 18.12.09 £'000	Forecast Movement £'000
Revenue	5,048	6,103	1,055	6,008	95
Capital	8,007	8,570	563	9,263	(693)
Total	13,055	14,673	1,618	15,271	(598)

- 2.3 The forecast over spend of £1.618m will be met from reserves. Section 6 of this report details the reserve position.

3 Main Report

Revenue expenditure

- 3.1 Revenue expenditure is forecast to increase by £0.095m to that reported to the Authority on the 18th December 2009. The recurring element of the revenue forecast shows a small increase totalling £0.059m, mainly in employee costs and Administration and Maintenance costs. The revenue costs of Capital Plan projects have been revised upwards by £0.036m in relation to the Suspended Span Truss Assessment study.

3.2 The forecast revenue over spend is £1.055m.

3.3 The revenue over spend is split between recurring expenditure and the revenue costs associated with the Capital Plan and is shown in the table below;

Expenditure type	Grant-in-Aid	Forecast 26.02.10	Over Spend	Forecast 18.12.09	Forecast Movement
	£'000	£'000	£'000	£'000	£'000
Recurring	5,048	5,245	197	5,186	59
Revenue costs of Capital Plan projects	0	858	858	822	36
Total	5,048	6,103	1,055	6,008	95

3.4 The over spend on recurring costs is £0.197m, representing an increase of £0.059m to that previously reported to the Authority. This over spend is due to the following;

- (i) Employee costs – under spend £0.065m – savings associated with vacant posts and turnover.
- (ii) Administration – under spend £0.019m - The division has realised savings associated with Insurance, City of Edinburgh Council support costs and have also negotiated a water rebate. These savings have partially off-set by unbudgeted costs associated with the FETA open week, web site redesign, rebranding and the Business Improvement project, all of which have previously been subject of reports to the Authority.
- (iii) Maintenance – over spend £0.162m - The main over spend relates to the purchase of emergency lighting in box girders for the Viaducts and Side Towers. These were budgeted last year but were not delivered on site until after April. Further costs in excess of budget that have been incurred include the cost of gantries and equipment relating to the Main Cables, additional material being purchased for the fail-safes on the Main Expansion Joints and additional costs associated with contracting out the emergency launch boat.
- (iv) Operations – over spend £0.047m - The over spend relates to communications equipment budgeted last year but not received until this financial year. Further over spends have been incurred relating to weather emergency.
- (v) Income – under-recovery £0.072m - Forecast reduction in external interest as a result of falling interest rates. The budget was based on an interest rate of 2.7%, Treasury previously advised that the average for the year could be as low as 0.75% and forecasts were reduced accordingly.

- 3.5 The revenue costs of the Capital Plan are estimated to be £0.858m, an increase of £0.036m to that previously reported to the Authority. The Scottish Government gives grant funding for these costs through the Authority's capital grant. This results in a corresponding under spend within capital, see paragraph 4.3.7.

4 Capital expenditure

- 4.1 The forecast capital over spend is estimated to be £0.563m, representing a decrease of £0.693m in expenditure to that previously reported to the Authority at its meeting on the 18th December 2009.
- 4.2 The decrease in expenditure from that reported to the Authority previously is mainly due to a re-examination of the costs in respect of the Tower Painting/DOC contract finishing earlier than planned and expenditure on the Replacement of the Main Expansion Joints project being deferred to 2010-11.
- 4.2 The table below details the forecast over spend per project for 2009-10 and movement in expenditure to that previously reported;

Capital	Grant-in-Aid £'000	Forecast 26.02.10 £'000	Over Spend £'000	Forecast 18.12.09 £'000	Forecast Movement £'000
Tower Painting/DOC	2,500	2,500	0	2,906	(406)
Viaduct Bearing Replacement	300	820	520	820	0
Main Expansion Joint Replacement	500	500	0	774	(274)
Suspended Span Gantry Refurbish	200	25	(175)	25	0
South Anchorage and Store Area	200	1	(199)	1	0
Main Cable Dehumidification	2,287	3,266	979	3,266	0
Main Towers Cathodic Protection	250	50	(200)	0	50
M9 Spur/A8000 Main Contract	380	833	453	833	0
Other Projects	610	575	(35)	638	(63)
Revenue costs of Capital Plan	780	0	(780)	0	0
Total Capital	8,007	8,570	563	9,263	(693)

- 4.3 The main reasons for the 2009-10 over spend of £0.563m are as follows:
- 4.3.1 Viaduct Bearing Replacement - £0.520m over spend – As reported in December this project has been brought forward as a result of a delay in the Anchorage Investigation. Further costs are being incurred as a result of additional work to the concrete viaduct piers.
- 4.3.2 Suspended Span Gantry Refurbishment - £0.175m deferral - Project start delayed and will not now be completed during current financial year. The Capital Plan has been revised in 2010-11 to reflect the anticipated cost of the reconstruction work in that year.
- 4.3.3 South Anchorage and Storage Area - £0.199m under spend - No additional expenditure is anticipated on this project as the construction of the new storage shed and hard standing at the south anchorage will be included in the anchorage investigation contract.

- 4.3.4 Main Cable Dehumidification - £0.979m over spend – As reported to the Authority on the 28th August 2009 the additional costs are primarily due to the provision of a third gantry to accelerate the works as a result of weather related delays and the subsequent increase in site supervision. There were also unforeseen delay costs relating to Cable Band Bolts.
- 4.3.5 Main Towers Cathodic Protection - £0.200m deferral – The main works have been delayed to 2010/11 due to further investigations.
- 4.3.6 M9 Spur/A8000 Main Contract - £0.453m over spend – As reported in December there are a number of unknown outstanding issues that cannot be determined at this time. These include costs relating to contractor claims, land acquisition, disturbance claims and compensation claims which currently remain subject to negotiation and litigation. These costs have been estimated by The City of Edinburgh Council and are based on a “most likely” outcome. Further revisions may be required once claims are settled, this accounts for the movement to that previously report to the Authority.
- 4.3.7 Revenue costs of the Capital Plan - £0.780m “under spend” – As indicated in paragraph 3.5 above, the revenue costs of the Capital Plan although classified as revenue are funded by Transport Scotland through capital. This will result in a capital under spend of £0.780m and an over spend to Revenue.

5 Funding

- 5.1 In November 2007 the Scottish Government committed to a three-year spending review settlement of £41.007m. This settlement was for financial years 2008-11.
- 5.2 The three-year position compared to this grant is set out below;

	2008-9 £'000	2009-10 £'000	2010-11 £'000	Total £'000
Spending Review Funding - Revenue	7,070	5,048	4,410 ¹	16,528
- Capital	6,895	8,007	9,577 ¹	24,479
	13,965	13,055	13,987	41,007
Forecast expenditure - Revenue	5,033	6,103	5,115	16,251
- Capital	6,505	8,570	8,730	23,805
	11,538	14,673	13,845	40,056
Over / (Under) spends estimated				
- Revenue	(2,037)	1,055	705	(277)
- Capital	(390)	563	(847)	(674)
Total	(2,427)	1,618	(142)	(951)

¹ These figures require to be agreed with Transport Scotland and reclassification of grant applied.

6 Reserves

- 6.1 The audited financial statements were presented to the Authority at its meeting on 30th October 2009 where the Authority noted reserves of **£6.913m** at 31st March 2009.
- 6.2 The projected over spend for 2009-10 referred to in paragraph 2.1 above amounts to £1.618m. Projected reserves at 31st March 2010 would therefore total **£5.295m**.
- 6.3 The estimated reserve position is summarised in the table below;

	2008-9 £'000	2009-10 £'000	2010-11 £'000
Reserve			
Opening Reserve	(4,486)	(6,913)	(5,295)
(Surplus)/Deficit	(2,427)	1,618	(142)
Closing Reserve	(6,913)	(5,295)	(5,437)

- 6.4 These reserves are subject to a number of key risks, all of which would impact from financial years 2010/11 onwards and are covered in the Budget Report which is presented separately on this agenda.

7 Conclusions

- 7.1 The Reserve balance at 31st March 2009 is £6.913m. The anticipated over spend 2009-10 of £1.618m would reduce this Reserve to £5.295m at 31st March 2010.
- 7.2 The financial position will continue to be monitored closely for the remainder of the financial year and the outturn position will be reported to the meeting of the Authority in June.

8 Recommendation

- 8.1 It is recommended that the Authority note the contents of this report.

DONALD McGOUGAN
Treasurer

Appendices: None
Contact/Tel: Toby MacDonald: 0131 469 3078
Background Papers: Held at offices of the Treasurer