

[REDACTED]

From: Barry Colford
Sent: 14 July 2010 11:52
To: [REDACTED]
Cc: [REDACTED]
Subject: FW: Spending Review

[REDACTED],

FETA staff were asked to attend a meeting with Transport Scotland last Friday to discuss the the Spending Review. [REDACTED] attended from the Treasurer's office along with me and other FRB staff. We were requested to look at making significant cuts to both the capital and revenue budgets for the bridge. The figures they appear to be seeking are around 15%. They are of course at pains to stress that this is not a first or final figure

They wish us to make a submission this week. I have told them that any submission made which significantly change the Board approved spend profiles, would have to be subject to Board approval and that could not be sought until the next meeting in August. This was met with some disquiet and the issue of governance was again raised by Transport Scotland.

Unfortunately, they also wish to hold us to the capital and revenue spend figures for year 2001/11 which were submitted in 2007 as part of the first spend review. This 2007 forecast significantly underestimated both our revenue and capital requirements year 2010/11 and overestimated the sums to be spent in the preceeding years.

One of our first jobs back in January 2008 was to make the Scottish Executive at the time aware of this and to change the profile. They gave us words of comfort that it wasn't really an issue as long as our total spend at the end of the 4 years was not greatly different, so the issue remained.

The grant figures per the 2007 Spending Review are shown below:

| | 2007-8 £000 | 2008-9 £000 | 2009-10 £000 | 2010-11 £000 | Total £000 |
|--------------|----------------|----------------|-----------------|-----------------|---------------|
| Revenue | 3,500 | 6,890 | 4,715 | 4,833 | 19,938 |
| Capital | 5,700 | 14,051 | 8,042 | 2,386 | 30,179 |
| Total | 9,200 | 20,941 | 12,757 | 7,219 | 50,117 |

Our required spend which we have already submitted to the Board and Transport Scotland for spend in 2011/12 is £5.1 million in Revenue and £13.002 million in Capital.

By moving projects back in the Capital Plan and because of savings from innovations I can reduce our Capital Spend over the 4 year review by £7.6 million (£48.825 million to £41.171 million) without compromising safety or having a significant effect on the long term structural integrity of the bridge.

However, I cannot work with a figure of £2.386 million as a base figure for capital works and have already informed them of this. We have a projected contractual obligation to pay over around £6 million next year on the viaducts bearings work alone. The other large items are for the anchorage investigation and main cable inspection.

With regard to revenue I intend to start at the £5.1 million figure and look at what savings we can make without affecting significantly the operation or maintenance of the bridge. To start at a figure of £4.833 million and reduce that by 15% would in essence be a 20% cut in the budget figure of £5.1 million (or £1.02 million). Given our staff costs amount to £3.2 million per annum such a cut would have a significant effect on both the operation and maintenance of the bridge.

Non filling of vacant posts, reducing Sunday working, efficiency savings and by not insuring the bridge against all risks (non of the trunk road bridges or LA bridges are insured in this way) could save around £400,000 a year which

is 8%. The only other savings which could reduce this figure further would involve redundancies (but with the cost of redundancy) and /or a ban on overnight working to reduce overtime. A ban on overnight working and to an extent redundancies, would lead to having to close the carriageway for repair work during daytime hours with the effect of causing significant traffic congestion.

I have stressed to them that Board approval will be needed for any significant changes to the Budget set by the Board and changes which have an affect on the operation and maintenance of the bridge or those that require a change to Board policy. The next meeting is 27 August . One option to try to meet Transport Scotland's timescale would be to call a special meeting of the Board before then.

I have briefed the Vice Convener but not the Convener and as he is on holiday.

Please call if you wish to discuss.

Regards,

Barry