



*Meeting of Forth Estuary Transport Authority
25th February 2011*

Revenue and Capital Budgets 2011-13 and Indicative Capital Plan to 2025/26

1 Purpose of report

- 1.1 The purpose of this report is to present to the Authority the proposed revenue and capital budget for 2011/12 and an indicative budget for 2012/13, together with an indicative 15 year Capital Plan 2011-26.
- 1.2 The Authority is requested to approve this budget for submission to the Scottish Government in accordance with Grant-in-aid funding requirements.

2 Background

- 2.1 The proposed budget 2011/12 has been prepared in consultation with the Chief Engineer and Bridgemaster and is submitted for approval by the Authority.
- 2.2 The proposed revenue and capital budgets for 2011-13 are £15.974m and £14.239m respectively. The movements between 2010/11 and 2011/12 are summarised in the table below. Appendix 1 contains detailed Revenue budgets; Appendix 2 detailed Capital budgets and Appendix 3 an indicative 15-year Capital Plan.

Budgets	2010/11 £'000	2011/12 £'000	Movement £'000	Indicative 2012/13 £'000
Revenue				
Administration	1,538	1,463	(75)	1,350
Maintenance	2,215	2,337	122	2,259
Operations	1,362	1,315	(47)	1,319
	5,115	5,115	0	4,928
Capital Plan	8,730	10,859	2,129	9,311
Net Expenditure	13,845	15,974	2,129	14,239

3 Revenue expenditure 2011/12

- 3.1 The budgetary provision for revenue expenditure, shown in Appendix 1, represents all recurring costs of Administration, Maintenance and Operations. The proposed net revenue budget for 2011/12 is £5.115m.

Revenue budget 2010/11 to 2011/12

- 3.2 In total terms the budget has not changed. Savings of approx £0.200m have been built in relating to employee costs and insurance cover. These savings have, however, been fully off-set by additional estimated costs, mainly relating to legal fees, weather emergency and further maintenance requirements.

4 Capital expenditure 2011/12

- 4.1 The proposed budgetary provision for capital expenditure totals £10.859m and is shown in Appendix 2. The Appendix also shows investigation and study costs which although revenue in nature are funded through capital grant.

- 4.2 The main schemes budgeted are;

- Viaducts Bearing Replacement - £7.818m
- Improvements to Deck Half Joints - £0.300m
- Cable Band Bolt Replacement - £0.250m
- High Mast Light Replacement - £0.500m
- Other Capital Projects - £0.711m
- Revenue Investigations and Studies - £1.280m ¹

In addition, work is programmed to start on site in July 2011 on Transport Scotland's proposal to build a Contact and Education Centre in the car park. Work is expected to be completed in February 2012. It is proposed that the Authority act as Employer for the works and arrangements are currently being discussed with Transport Scotland. Transport Scotland are funding this project separately from the Authority's Revenue and Capital funding programme.

Indicative Capital Plan 2011-26

- 4.3 Appendix 3 details the indicative Capital Plan 2011-26. The development of this plan has been, and will continue to be, shared with officials from Transport Scotland.

5 Comprehensive Spending Review 2010 - Scottish Budget 2011/12

- 5.1 On the 17th November 2010 a one-year Draft Scottish Budget for 2011/12 was announced. The total settlement included within this for FETA was £15.1m; split £5.1m for Revenue and £10m Capital.
- 5.2 This draft budget is only for a period of one year and as such there will be a requirement for FETA officials to discuss resource requirements with Transport Scotland for the period 2012-15 following the Scottish Parliament elections in May 2011. A budget for 2012/13 has been included for indicative purposes only.

¹ The budget for revenue investigations includes a first year estimated allocation of £0.8m for the investigation of the Anchorages and £0.4m for the Main Cable inspection.

- 5.3 Funding for 2011/12 will be confirmed by the Scottish Government in a letter of Grant-in-aid prior to the start of the financial year 2011/12.
- 5.4 The Authority will require to discuss funding with Transport Scotland for contracts that are due to be progressed during 2011/12 and beyond, where no funding beyond the one-year settlement has been agreed. Through the grant-in-aid letter Ministers recognise that, in the course of normal business, FETA have to award contracts which will run over several years. The grant-in-aid letter also requires that Scottish Ministers be advised and have opportunity to consider such proposals in advance of firm commitments being given.
- 5.5 It is planned that the contracts for the main cable inspection and the anchorages investigation be awarded early in 2011. Funding of these projects will be discussed with Transport Scotland prior to award to ensure that funding for these critical projects will be available for the Spending Review period 2012-2015.

6 Grant-in-aid 2011/12 compared to Scottish Budget 2011/12

- 6.1 The Authority will request the full Grant-in-aid funding 2011/12 from the Scottish Government totalling £15.1m.

Revenue

- 6.2 The Authority will request Grant-in-Aid of £5.115m per the Budget 2011/12.

Capital

- 6.3 The Authority will request the full budget set-aside for capital of £10m which represents a shortfall of £0.859m when compared to the £10.859m Budget 11/12. Any shortfall related to actual expenditure would require to be met from the Authority's reserve.

7 Reserves strategy

- 7.1 It is the responsibility of the Treasurer to advise the Authority about the level of reserves that it should hold and to ensure that there are clear protocols for their establishment and use. The Authority requires to plan on a long-term basis for its core business of operation and maintenance of the infrastructure of the Authority.
- 7.2 Reserves can be held for three main purposes:
- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing - this forms part of general reserves;
 - A contingency to cushion the impact of unexpected events or emergencies - this also forms part of general reserves;
 - A means of building up funds often referred to as earmarked reserves, to meet known or predicted liabilities.
- 7.3 The Authority's General Fund balance at 31st March, 2010 was £5.459m. As reported separately on this agenda it is anticipated that it will be necessary to draw down reserves of £1.299m to meet revenue and capital expenditure during 2010/11. Based on this, the projected reserve balance at 31st March 2011 would be £4.160m. Should capital expenditure 2011/12 stay on budget and be over Grant-in-aid as detailed in paragraph 6.3 the reserve balance would fall to £3.301m.

- 7.4 The Authority's Scheme of Delegation allows the Chief Engineer and Bridgmaster to move money between one budget head and another, always providing that the total approved is not overspent or expected to be overspent. This allows the Chief Engineer and Bridgmaster to take corrective action to respond to emerging pressures and to redirect any budget under spends to service priorities within each financial year.
- 7.5 The Authority has approved a budget flexibility scheme which assists the Bridgmaster to plan in a more strategic manner and encourages better use of scarce resources. In addition, budget flexibility requires that overspends in one year be addressed in the following year.
- 7.6 Close monitoring of the financial position is undertaken to ensure that all commitments entered into by the Authority continue to be affordable and sustainable. Officials of FETA and Transport Scotland will meet regularly to review budget estimates, the profile of expenditure and the level of reserves.

8 Risks

- 8.1 The financial position is subject to a number of risks, the most significant of which are;
- 8.2 The financial implications for the Authority for the three remaining years 2012-15 of the Spending Review 2010 are unlikely to be available before September 2011. A risk therefore remains as to the level of funding for 2012/13 and beyond.
- 8.3 Future bridge strengthening and improvement works yet to be determined.
- 8.4 Anchorage Investigation. If the investigation does reveal significant deterioration in the steel strands within the anchorage tunnels then, depending on the level of that deterioration, measures may have to be considered to limit loading on the bridge. The investigation of the anchorages in itself carries significant risk and environmental issues are also a key risk. Full scale testing of the sockets within the southern anchorage chambers are not being carried out in the first phase of works but may be required depending on the outcome of the inspection. Work on the northern anchorages will also be dependent on the outcome of the work on the southern anchorages. A Peer Review of the project has now been completed and work is programmed to start on site in the autumn of 2011. A sum of £7.5m is included in the long-term Capital Plan.
- 8.5 Main Cable Strength. Dehumidification of the main cables continues and the first indication of the system's effectiveness will be available in 2012 when the cable is re-inspected. Whilst there is good reason to have confidence that dehumidification can slow down or halt corrosion there is no body of evidence yet available to allow an unconditional assurance to be given that dehumidification will be effective on the Forth Road Bridge.
- 8.6 Cable Band Bolts. The investigation work into the cracking of the cable band bolt nuts being carried out by consulting engineers, Aecom has now been completed and this should allow for final reporting on the matter by the summer of 2011
- 8.7 Main Expansion Joints. A new permanent access system to facilitate both the inspection and monitoring of the joints and also assist in the future replacement of the joints is now substantially complete. In addition, FETA staff have now completed the installation of the failsafe devices under the joints. However, given their age, there is still a residual risk that, in the event of an unforeseen

significant failure of the joints, full replacement would have to be carried out before 2016. There is also a potential risk of delay to the Forth Replacement Crossing Project and if such a delay occurred then a review of the joint replacement programme would have to be carried out.

- 8.8 Improvements to Deck Half Joints. A sum of £0.350m has been included for this work in 2011-13. This is to carry out a trial erection of an improved detail at the orthotropic deck half joints. These joints occur every 18 metres and the original detail is causing both structural problems and issues with ride quality. The maintenance of the existing detail is taking up more and more time and resources. The cost of replacing all of these joints has not been allowed for as further discussion will be required following the trial.
- 8.9 A8000/M9 Spur. Currently a number of matters have still to be concluded that may impact on the final cost of the scheme. Forecasts built in are currently based on "Best-Case" settlement assumptions 2011/12, although these could be subject to variation as a result of when claims are settled.
- 8.10 It should be noted that the main key risks remain the condition of the Anchorages and the Main Cable. Investigations are continuing into both elements and as results from these investigations become available then the level of risk can be evaluated. No allowance has been made in the Capital Plan for the replacement of the Main Cables or the Anchorages.
- 8.11 In the event that mitigating measures continue to be applied to the risks detailed above and the continuing commitment from the Scottish Government with regards to future funding, the level of Reserves is considered to be adequate. The level of Reserves will be subject to review upon completion of the accounts for 2010/11.

9 Recommendations

The Authority is recommended to note the report and;

- (i) Approve the 2011/12 Revenue budget, as detailed in Appendix 1;
- (ii) Approve the Capital budget for 2011/12, as detailed in Appendix 2;
- (iii) Note the indicative Revenue and Capital budgets for 2012/13, as detailed in Appendix 1 and 2;
- (iv) Note the 15 year Capital Plan to 2025/26, as detailed in Appendix 3;
- (v) Note that a report will be presented to the next meeting of the Authority to provide confirmation of Grant-in-aid funding for 2011/12 and any budget implications.
- (vi) Approve the arrangements for reserves as set out in section 7 of the report.
- (vii) Note the risks identified in paragraph 8.



DONALD McGOUGAN

Treasurer

7/02/2011

Appendices:

None

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Background Papers:

Held at offices of the Treasurer

**FORTH ESTUARY TRANSPORT AUTHORITY
REVENUE BUDGET 2010/11 TO 2012/13**

APPENDIX 1

Revenue Budget	Budget	Budget	Indicative
Subjective Analysis	2010/11	2011/12	Budget
	£'000	£'000	2012/13
			£'000
Employee Costs	3,274	3,210	3,240
Premises Costs	231	203	202
Transport Costs	173	170	178
Supplies & Services	1,049	1,054	894
Third Party Payments	331	451	387
Support Services	151	135	135
Income	(94)	(108)	(108)
Total	5,115	5,115	4,928

Revenue budgets	Budget	Budget	Indicative
	2010/11	2011/12	Budget
	£'000	£'000	2012/13
			£'000
1. Administration			
1.1 Employees - Pay	566	552	553
1.2 Employees - Strain/Retire	91	86	77
1.3 Buildings	213	187	186
1.4 Insurance	300	150	150
1.5 ICT and Communications	176	192	161
1.6 Support Costs	151	135	135
1.7 Other Costs	135	269	196
1.8 Other income	(94)	(108)	(108)
	1,538	1,463	1,350
2. Maintenance			
2.1 Employees - Pay	1,542	1,596	1,632
2.2 Carriageways	76	89	84
2.3 Main Cables	27	27	47
2.4 Hangers	64	63	13
2.5 Main Towers	37	51	21
2.6 Deck Structure	46	61	56
2.7 Anchorages	17	31	4
2.8 Viaducts & Side Towers	20	18	16
2.9 Buildings & Workshops	75	75	66
2.10 Compressor House	23	23	23
2.11 Access Equipment	22	33	18
2.12 Rescue Launch	82	80	80
2.13 Other Maintenance	184	190	199
	2,215	2,337	2,259
3. Operations			
3.1 Employees - Pay	1,075	976	978
3.2 Communications	42	43	43
3.3 Weather Emergency	59	118	118
3.4 Other Costs	186	178	180
	1,362	1,315	1,319
Total	5,115	5,115	4,928

**FORTH ESTUARY TRANSPORT AUTHORITY
CAPITAL BUDGET 2010/11 TO 2012/13**

APPENDIX 2

Capital Budget		Budget 2010/11 £'000	Budget 2011/12 £'000	Indicative Budget 2012/13 £'000
1. Capital projects				
1.1	Vehicle Replacements	30	100	20
1.2	Parapet & Barrier Replace	0	0	0
1.3	Tower Painting/DOC	250	0	1,400
1.4	Main Cable Acoustic Monitoring	70	100	0
1.5	Main Cable Dehumidification	307	115	15
1.6	Tower Wind Barriers	50	0	0
1.7	Main Towers Cathodic Protect	200	50	350
1.8	Parking Areas Landscaping	200	100	0
1.9	Resurface Viaducts & North Appr	30	0	0
1.10	Main Expansion Joints	1638	55	0
1.11	Viaducts Bearing Replacement	5022	7,818	2,024
1.12	Truss End Linkages	50	0	0
1.13	Suspended Span Gantry Refurb	275	5	0
1.14	Improve Deck Half Joints	0	300	50
1.15	Cable Band Bolt Replacement	100	250	300
1.16	High Mast Light Replacement	50	500	0
1.17	Resurface Main Span South	0	0	50
1.18	Landscape Works	0	0	40
1.19	M9 Spur/A8000 Main Contract	183	156	182
1.20	Viaducts Barrier Replacement	0	30	0
1.21	Contact and Education Centre	0	0	0
		8,455	9,579	4,431
2. Revenue costs of capital plan				
2.1	Minor Projects	50	50	50
2.2	Susp. Span Truss Assess	10	0	0
2.3	Vehicle Parapet Study	20	0	0
2.4	Bridge Specific Assess Live Load	0	30	0
2.5	Anchorage Investigation	100	800	3,500
2.6	Susp. Span Under Deck Access	75	0	0
2.7	Main Cable Investigation	20	400	1,330
		275	1,280	4,880
Total capital budgets		8,730	10,859	9,311

**FORTH ESTUARY TRANSPORT AUTHORITY
CAPITAL PLAN - 15 YEAR INDICATIVE SPEND 2011/12 TO 2025/26**

APPENDIX 3

Capital projects	11/12 £'000	12/13 £'000	13/14 £'000	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000	21/22 £'000	22/23 £'000	23/24 £'000	24/25 £'000	25/26 £'000	Total £'000
Vehicle Replacement	100	20	30	20	30	100	30	20	30	20	100	30	20	30	30	610
External Repairs to Buildings	-	-	-	-	100	-	-	-	-	-	100	-	-	-	-	200
Upgrade CCTV & Intruder alarms	-	-	-	-	-	200	-	-	-	-	-	-	-	-	-	200
Landscape Works	-	40	-	-	-	-	-	-	-	150	-	-	-	-	-	190
Refurbish Canteen	-	-	-	-	100	-	-	-	-	-	-	-	-	-	-	100
Parking Areas Landscaping	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100
Resurface Main Span South	-	50	2,500	-	-	-	-	-	-	50	2,500	-	-	-	-	5,100
Resurface Main/Side Spans North	-	-	-	-	50	2,500	-	-	-	-	-	-	50	2,500	-	5,100
Resurface Viaducts & North Approaches	-	-	-	-	-	170	2,700	-	-	-	-	-	-	-	-	2,870
Resurface Plaza & Service Road	-	-	-	-	-	-	-	-	500	-	-	-	-	-	-	500
Viaduct Gantries Contract	-	-	-	-	-	-	-	-	-	30	-	-	-	-	-	30
Viaduct Outrigger Beams	-	-	-	-	300	-	-	-	-	-	-	-	-	-	-	300
Viaducts Painting Access	-	-	500	500	400	500	400	400	-	-	-	-	-	-	-	2,700
Viaducts S3 platform and access	-	-	-	-	120	-	-	-	-	-	-	-	-	-	-	120
Tower Painting/DOC	-	1,400	-	-	-	-	-	-	-	-	-	-	-	-	-	1,400
Main Cable Acoustic Monitoring	100	-	900	50	50	50	50	50	50	50	50	50	50	50	1,000	2,550
Main Cable Dehumidification	115	15	15	15	-	-	-	-	-	-	-	-	-	-	-	160
Main Expansion Joint Replacement	55	-	-	-	-	7,000	120	-	-	-	-	-	-	-	-	7,175
Viaduct Bearing Replacement	7,818	2,024	433	-	-	-	-	-	-	-	-	-	-	-	-	10,275
Truss End Linkages	-	-	1,500	1,500	50	-	-	-	-	-	-	-	-	-	-	3,050
Tower Wind Barriers/Impact Strength	-	-	1,500	1,500	90	-	-	-	-	-	-	-	-	-	-	3,090
Suspended Span Painting	-	-	175	6,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	61,175
Suspended Span Gantry Refurbishment	5	-	650	650	-	-	-	-	-	-	-	-	-	-	-	1,305
Suspended Span Truss Strengthen	-	-	75	500	400	400	400	400	400	400	400	400	400	400	400	4,975
Main Towers Cathodic Protection	50	350	-	-	-	-	-	-	-	-	-	-	-	-	-	400
Improvements to Deck Half Joints	300	50	-	-	-	-	-	-	-	-	-	-	-	-	-	350
High Mast Light Replacement	500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500
Cable Band Bolt Replacement	250	300	-	-	-	-	-	-	-	-	-	-	-	-	-	550
North Approach Rock Cut Stabilisation	-	-	500	-	-	-	-	-	-	-	-	-	-	-	-	500
M9 Spur extension / A8000 upgrade	156	182	-	-	-	-	-	-	-	-	-	-	-	-	-	338
Administration Block Upgrade	-	-	-	-	75	-	-	-	-	75	-	-	-	-	-	150
Suspended Spans Under deck Access	-	-	-	-	2,500	2,500	-	-	-	-	-	-	-	-	-	5,000
Viaduct Approach Barriers	30	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30
Contact and Education Centre ¹	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Total Capital Schemes	9,579	4,431	8,778	10,735	9,265	18,420	8,700	5,870	5,980	5,775	8,150	5,480	5,520	7,980	6,430	121,093
Revenue costs of Capital Plan	11/12 £'000	12/13 £'000	13/14 £'000	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000	21/22 £'000	22/23 £'000	23/24 £'000	24/25 £'000	25/26 £'000	Total £'000
Main Cable Investigation	400	1,330	1,000	-	-	-	-	-	2,500	-	-	-	-	-	-	5,230
Bridge Specific Assessment Live Load	30	-	30	-	30	-	30	-	30	-	30	-	30	-	-	210
Contingencies / Minor Works	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	750
Anchorage Investigation	800	3,500	2,500	700	-	-	-	-	-	-	-	-	-	-	-	7,500
Total Revenue Schemes	1,280	4,880	3,580	750	80	50	80	50	2,580	50	80	50	80	50	50	13,690
Total	10,859	9,311	12,358	11,485	9,345	18,470	8,780	5,920	8,560	5,825	8,230	5,530	5,600	8,030	6,480	134,783

¹ No funding implications assumed for the Authority as the costs of the new building and any minor changes to the existing Administration Building will be funded by Transport Scotland.