FORTH ROAD BRIDGE

Our Ref: BRC/AM/A06

Frances Duffy
Director of Strategy & Investment
Transport Scotland
Buchanan House
58 Port Dundas Road
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14 July 2010

Dear Frances

Spending Review 2010

I refer to the meeting held last Friday, 9 July, and subsequent staff discussions and e-mails, concerning the above.

As you are aware one of my concerns is the requirement to provide information on cuts to the Authority's operating and capital costs at short notice. As I have previously stated, any significant changes to the revenue and capital spend profiles which have an effect on the operation and maintenance of the bridge, or those that require a change to Board policy, must have Board approval. It is simply outwith my authority to put forward any such changes without that approval.

The next Board meeting is 27 August of this year and I would propose to bring a paper to that meeting detailing any proposed cuts to the budget.

I have to say at the outset that your proposal to hold the Authority to levels of spend put forward in 2007, before tolling was abolished, does seem somewhat unfair. As early as January 2008, the Authority discussed with officials from the Transport Directorate that due to changes in service and circumstance the spend profile shown in the 2007 Spending Review would have to be changed. However, assurances were given that this was not really an issue as long as our total spend at the end of the four years was within budget. In addition, the Grant-in-Aid for 2010/11 has actually awarded a grant of £13.845, reflecting the actual position, instead of £7.219m as detailed in the 2007 Spending Review. As shown in the table below this change was balanced by a corresponding decrease in 2008/9 and allowed because total grant-in-aid would remain within the agreed £41.007m set out in the 2007 Spending Review. In fact the Authority is on target to be below this total by some £142,000 as also shown in the table below.

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		2008/9	2009/10	2010/11	Total
SR 2007	Rev	6,980	4,715	4,833	16,528
	Cap	14,051	8,042	2,386	24,479
	Total	**21,031**	**12,757**	**7,219**	**41,007**
Grant-in-Aid	Rev	7,070	5,048	5,115	17,233
	Cap	6,895	8,007	8,730	23,632
	Total	**13,965**	**13,055**	**13,845**	**40,865**
Difference	Rev	90	333	282	705
	Cap	(7,156)	(35)	6,344	(847)
	Total	**(7,066)**	**298**	**6,626**	**(142)**

It would seem inconsistent to base a spending review on the 2010/11 figures which were set in 2007 and have since been superseded to the extent that you have actually recognised this in your award of grant for that year.

With regard to Capital Expenditure I am able to say that I am hopeful of being able to obtain a saving of around 15% over the four year period 2011/12 to 2014/15 from the approved Capital Programme without compromising safety or the structural integrity of the bridge. This can be done because of our innovative use of testing to delay or cancel the replacement of elements and by making existing systems work harder. However, this does mean that there will be an inevitable increase in revenue costs if older resources are having their life extended.

What I cannot do is work to the 2007 forecast of £2.386 million capital spend less 15%. Our total submitted spend for that year is £13.002 million and that we are in contract with Balfour Beatty to spend around £6.044 million of that sum on the Viaduct Bearing Replacement Contract. If you recall, Transport Scotland did give approval for the Board to enter into this contract.

The other major capital spend next year is the main cable inspection and the anchorage investigation. I would hope that there would be few questions on the need to proceed with these two projects.

I have attached, as you requested, a justification for each of the schemes remaining on a proposed revised Capital Programme marked 'Plan 1 Essential'.

With regard to Revenue, given that 67% of that budget is in staff costs, the scope for cutting costs without cutting staff is limited. To start at the 2007 figure of £4.833 million and reduce that by 15% would in essence be a 20% cut in the budget figure of £5.115 million that we had previously put forward (equivalent to a cut of £1.02 million). A cut on this scale would have a significant effect on the operation and maintenance of the bridge.

Notwithstanding the above, the reality of public sector cuts have to be faced and I have been looking at ways to try to reduce revenue costs.

Starting at the £5.115 million figure, and looking at savings that can be made, without affecting significantly the operation or maintenance of the bridge, I have concluded that by not filling vacant posts, reducing Sunday working, efficiency savings and by not insuring the bridge against "all risks" a saving of 8% on the actual budget of £5.115 million can be achieved.

With regard to the issue of insurance, the "all risks" element is the actual insurance of the bridge itself. The majority of our insurance cost cannot be removed as it is that which any employer has to carry, such as public and employer's liability.

The only other savings which could reduce this figure further would likely involve redundancies (but obviously we would incur the cost of such redundancies within the Spending Review Period) and/or a ban on overnight working to further reduce overtime. A ban on overnight working and to an extent redundancies, would lead to having to carry out more maintenance work during the working day, Monday to Friday, and having to close carriageways which would have obvious political and economic consequences.

I appreciate you may wish further discussion on this matter and I am available to do so at any time.

Yours sincerely

[redacted]

Barry R Colford
Chief Engineer and Bridgemaster

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