



Quarter 1 - at 30th June 2012

1.0 GRANT SUMMARY 2012/13

- 1.1 In February 2012, the Authority approved a total expenditure budget for 2012/13 of **£13.521m**. The budget for revenue was **£4.993m** and capital **£8.528m**.
- 1.2 The capital budget of £8.528m approved in Feb 2012 was £1.253m higher than the capital grant receivable at that time. The Authority approved this additional expenditure to be drawn down from the Authority's Reserve.
- 1.3 Based on expenditure to 30th June 2012, the forecast outturn at 31st March 2013 is estimated to be **£17.055m**, which would leave a shortfall of **£3.534m** to be met through the Authority's reserve. Variance explanations are provided in tables 3.1 and 3.2.
- 1.4 In addition to the forecast budget over spend of **£3.534m**, the Authority also requires to fund a further **£2.248m** from the Reserve for 2012/13. This has been reported previously to the Authority and Transport Scotland and it relates to the following:
- Reduced Capital Grant for 2012/13 of £0.995m. Transport Scotland advanced £3.204m Capital Grant in to 2011/12. This advance requires to be repaid over three years 2012-15 through reduced Capital Grant. Capital Grant will there for be reduced 2012/13, 2013/14 and 2014/15 by £0.995m, £1.003m and £1.206m respectively.
 - An approved Reserve drawdown for 2012/13 of £1.253m. The capital budget of £8.528m approved in Feb 2012 was £1.253m higher than the capital grant receivable at that time. The Authority approved this additional expenditure to be drawn down from the Authority's Reserve.
- 1.5 Based on the forecasts at 30th June 2012, the total drawdown required against the Authority's reserve for 2012/13 will be **£5.782m**.
- 1.6 It should be noted that where revenue expenditure is funded from capital under statute, the grants will require to be recognised as revenue grants within the Financial Statements of the Authority. However, for the purposes of reporting information to the Authority and to Transport Scotland they will be included within capital.
- 1.7 The table below summarises the Grant to forecast expenditure position 2012/13;

Approved expenditure 2012/13	Budget £'000	Forecast Quarter 1 £'000	(Under)/Over £'000
Revenue	4,993	5,074	81
Capital	8,528	11,981	3,453
Total Expenditure	13,521	17,055	3,534
Grant receivable 2012/13			
Revenue	(4,993)	(4,993)	0
Capital	(7,275)	(6,280)	995
Total Grant	(12,268)	(11,273)	995
Reserve drawdown approved Feb 2012	(1,253)	0	1,253
Total	0	5,782	5,782

2 FINANCIAL INFORMATION

- 2.1 The table below details, per division of the Authority, forecast Revenue expenditure against Revenue Grant 2012/13, variance explanations are also provided.

REVENUE	Budget £'000	Forecast £'000	(Under)/Over £'000	Variance explanation
Administration				
Employee Costs	586	591	5	-
Other costs	946	1,064	118	The over spend in this area relates mainly to increased legal fees. A total forecast of £197k has been forecast against a budget of £61k.

	1,532	1,655	123	
REVENUE (Cont'd)	Budget	Forecast	(Under)/Over	Variance explanation
	£'000	£'000	£'000	
Maintenance of Bridges, Buildings etc				
Employee Costs	1,424	1,468	44	£36k relates to a General Operatives post charges to Maintenance budget budgeted within Operations
Other costs	742	730	(12)	
	2,166	2,198	32	
Traffic Operations				
Employee Costs	1,070	997	(73)	£36k relates to the General Operatives post reported above. The balance relates to misc savings relating to absence, secondment and turnover factor.
Other costs	338	341	3	-
	1,408	1,338	(70)	
Income	(113)	(117)	(4)	-
Net Revenue Expenditure	4,993	5,074	81	

2.2 The table below details forecast Capital Plan expenditure against Capital Grant 2012/13, variance explanations are also provided.

CAPITAL PLAN	Budget	Forecast	(Under)/Over	Variance notes
	£'000	£'000	£'000	
<u>Committed schemes</u>				
Cable Band Bolt Replacement	30	2,198	2,168	In April 2012 the Authority approved the full replacement of all 944 Cable Band Bolt assemblies. The replacement of all of these components was deemed critical. Prior to this action, a budget over three years 2012-2015 of £0.530m was approved in February 2012. However, this budget was based on remedial works/replacement of some existing assemblies and not full replacement. The estimated cost of replacing all assemblies is £4.563m spread over three years 2012-2015. The Scottish Government is still to confirm that an additional capital grant contribution of £2m will be made available in 2013/14. Assuming receipt of the additional grant and taking into account the budget previously approved of £0.530m, the shortfall of funding for this project amounts to £2.033m. As reported in June 2012, three non-committed capital schemes have been deferred (Resurface Main Span South, Abutment Approach Barriers and the South Anchorage Regeneration) which contributes £1.4m. The net shortfall therefore amounts to £0.633m and can only be funded through the Authority's Reserve. Replacement work is due to begin in August 2012 and is estimated to be completed by October 2013.
Viaduct Bearing Replacement	1,938	2,684	746	These costs have been forecast to defer from 2011/12. There was a commensurate increase in the closing Reserve at 31st March 2012, so there will be no net impact on the Reserve. This was reported to the Authority and Transport Scotland at its meeting in June 2012. The project is estimated to be completed in August 2012.
Main Cable Investigation	2,959	2,647	(312)	The forecast is based on latest information provided by the contractor. Work began in November 2011 and as the project is estimated to be completed by November 2012.
Anchorage Investigation	1,845	2,337	492	The contractor has submitted compensation events which may result in additional expenditure. The total budget approved by the Authority in February 2012 was £2.914m over three years from 2012-2015. The forecast for this project is currently £5.108m which would result in a total over spend of £2.194m. The risks associated with this major project have been reported regularly to both the Authority and Transport Scotland since the project was approved in April 2011. Further updates on this project will be provided throughout 2012/13. The project started in August 2011 and is estimated to be completed in December 2013.
M9 Spur extension / A8000 upgrade	360	360	0	-
Improvements to Deck Half Joints	440	390	(50)	Cost saving due to revised design. This project began in July 2012 and is estimated to be complete by September 2012.
High Mast Light Replacement	40	10	(30)	This project is complete.
Parking Areas Landscaping & reconstruction	6	22	16	Additional spend deferred from 2011/12 awaiting agreement of outstanding claim. The project is complete.
Stiffening Truss Assessment	0	4	4	-
Main Expansion Joint Under Deck Access	0	60	60	Spend deferred from 2011/12 due to outstanding painting works not being completed on schedule. This project is complete.
Total committed capital plan projects	7,618	10,712	3,094	

CAPITAL PLAN (Cont'd)	Budget £'000	Forecast £'000	(Under)/Over £'000
Non-committed schemes			
Dismantle Dropped Objects Canopy	10	682	672
Vehicle Replacement	110	110	0
Main Cable Acoustic Monitoring	65	72	7
Truss End Linkages	30	19	(11)
Suspended Span Gantry Refurbishment	100	100	0
Main Cable Dehumidification	15	14	(1)
Main Towers Cathodic Protection (Piers)	100	118	18
Suspended Span Under deck access	100	100	0
Contingencies / Minor Works	50	54	4
Resurface Main Span South	100	0	(100)
South Anchorage Regeneration	30	0	(30)
Abutment Approach Barrier	200	0	(200)
Total uncommitted capital plan projects	910	1,269	359
Total Capital Plan 2012/13	8,528	11,981	3,453
Capital Grant receivable	(7,275)	(6,280)	995
Total Capital	1,253	5,701	4,448

This project was not budgeted to start during 2012/13 and has been brought forward. This project is programmed to start on site in October 2012 and be finished by March 2013.

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See paragraph 1.3

4. RESERVE 2012/13

- 4.1 The reserve at 31st March 2012 was **£7.009m**. Based on a drawdown of **£5.782m** for 2012/13, the forecast closing reserve at 31st March 2013 is **£1.227m**.

	£'000
Opening Reserve 1st April 2012	7,009
Less, forecast expenditure in excess of grant receivable 2012/13	5,782
Estimated Reserve 31st March 2013	1,227

5. RESERVE 2013/14 and 2014/15

- 5.1 Based on the proposed current Capital Plan, capital grant income combined with balance of the Authority's Reserve will not be sufficient to fund planned capital expenditure beyond 2012/13. It is therefore a matter of urgency that Transport Scotland and the Authority meet to discuss the current Capital Plan and funding options beyond 2012/13. Based on the current plan, a funding shortfall of £0.311m would arise 2013/14, with a further shortfall of £0.578m 2014/15.

FETA RESERVE ESTIMATE	2012/13 £'000	2013/14 £'000	2014/15 £'000	Total £'000	%
CAPITAL PLAN:					
- Forecast expenditure at July 2012:					
Committed schemes	10,712	5,178	654	16,544	81%
Non-committed schemes	1,269	1,960	640	3,869	19%
Total expenditure	11,981	7,138	1,294	20,413	
- Capital Funding:					
Capital Grant	(6,280)	(3,600)	(716)	(10,596)	
One-off Cable Band Bolts Grant (TBC)	0	(2,000)	0	(2,000)	
Total income	(6,280)	(5,600)	(716)	(12,596)	
Capital Plan funding shortfall	5,701	1,538	578	7,817	
Revenue budget shortfall 2012/13	81	0	0		
Shortfall	5,782	1,538	578	7,817	

Reserve	(7,009)	(1,227)	311
Closing Reserve	(1,227)	311	889

- 5.2 Transport Scotland require to confirm that additional Capital Grant of £2m will be received 2013/14 to part-fund the Cable Band Bolts project.
- 5.3 The majority of projects within the Capital Plan are already committed contractually. In total terms over three years 2012-2015, committed expenditure forecasts totalling £16.544m accounts for 81% of the total forecast cost of £20.413m. The options therefore available to manage any shortfall are limited to the further deferral of non-committed schemes, which is likely to only see financial benefit from 2013/14 onwards. The total budget of all non non-committed schemes from 2013/14 onwards is £2.6m.
- 5.4 The options to fund any shortfall in the Authority's Capital Plan by deferring capital schemes beyond 2015/16 are now limited. The number of non-committed schemes included within the Capital Plan has reduced significantly since December 2011, mainly due to a reduction in capital funding and the requirement to fund expenditure associated with the full replacement of the Cable Band Bolts.
- 5.5 The Chief Engineer and Bridgemaster proposes to meet with Transport Scotland to discuss the matter further and report on the maintenance and operational implications of any further deferrals of non-committed capital schemes at a future meeting of the Authority.
- 5.6 Although the Authority retains borrowing powers, no borrowing has been assumed due to the impending dissolution of the Authority around June 2015.
- 5.7 FETA are proposing that Transport Scotland consider the ongoing funding/possible compensation issues associated with the upgrade of the A8000/M9 Spur. Since tolls were removed, the Authority has had to pay for the legacy costs of this scheme from the budget allocated for bridge maintenance. This has in turn led to the deferral of capital projects on the bridge.

6 RISKS

- 6.1 Future bridge strengthening and improvement works yet to be determined.
- 6.2 Deferring further uncommitted capital projects.
- 6.3 Financial risks still remain with all the capital projects which are currently being carried out on site, specifically the Anchorage Investigation; Viaducts Bearing Replacement; Main Cable Internal Inspection; Cable Band Bolts Replacement; Improvements to the Deck Half Joints and the Cathodic Protection Remedial Works. The Chief Engineer and Bridgemaster will provide a separate update on the risks within these projects on this agenda. 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 further evaluated. No allowance has been made in the Capital Plan for the replacement of the Main Cables or the Anchorages.