

FORTH ESTUARY TRANSPORT AUTHORITY
GRANT 2013/14
REVENUE AND CAPITAL GRANT/FORECAST EXPENDITURE TO 31ST MARCH 2014

Quarter 2 - at 31st August 2013

1.0 GRANT SUMMARY 2013/14

- 1.1 In February 2013, the Authority approved a total expenditure budget for 2013/14 of **£11.752m**. The budget for revenue was **£5.100m** and capital **£6.552m**.
- 1.2 The total grant receivable for 2013/14 is **£10.700m**. Transport Scotland have since requested that **£1m** capital grant be moved from 13/14 to 14/15. Adjusted grant available is therefore **£9.700m**.
- 1.3 The capital budget of **£6.652m** approved in Feb 2013 was **£1.052m** higher than the approved capital grant for 2013/14 of £5.600m. The Authority approved this additional expenditure to be drawn down from the Authority's Reserve. This figure will increase to **£2.052m** as a result of moving capital grant of **£1m** from 13/14 to 14/15 as detailed above.
- 1.4 Based on expenditure to 31st August 2013, the forecast outturn at 31st March 2014 is estimated to be **£11.089m**. This would leave a shortfall of **£1.389m** when compared to the revised grant for 13/14 of **£9.700m**. This requires to be met through the Authority's reserve. Variance explanations are provided in tables 2.1 and 2.2. but can be summarised as follows:

Revenue	£'000	£'000
- Forecast over spend 13/14 (mainly Maintenance and Ops cost deferred from 12/13)	197	197
Capital		
- Reserve drawdown approved Feb 2013/14 to fund capital expenditure	1,052	
- Capital Grant moved from 2013/14 to 2014/15	1,000	2,052
- Project costs deferred from 12/13 (closing reserve inflated so no net effect)	342	
- Effect of revision to Anchorage investigation scope	-892	
- Cable Band Bolt Replacement project under budget	-128	
- Reinstate Suspended Span Gantry improvement project	515	
- Replacement of Main Cable Acoustic Monitoring system deferred to 14/15	-900	
- Other project revisions	93	
- Two new design projects for post 2015 preparation	80	
- New Project - Pier Defences Painting	30	-860
		1,389

- 1.5 Based on the forecasts at 31st August 2013, the total drawdown required against the Authority's reserve for 2013/14 will be **£1.389m**.
- 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 2013/14;

Approved expenditure 2013/14	Budget £'000	Forecast Quarter 2 £'000	(Under) / Over £'000	Forecast Quarter 1 £'000	(Under) / Over £'000
Revenue	5,100	5,297	197	5,317	(20)
Capital	6,652	5,792	(860)	7,285	(1,493)
Total Expenditure	11,752	11,089	(663)	12,602	(1,513)
Grant receivable 2013/14					
Revenue	(5,100)	(5,100)	0	(5,100)	0
Capital	(5,600)	(4,600)	1,000	(5,600)	1,000
Total Grant	(10,700)	(9,700)	1,000	(10,700)	1,000
Reserve drawdown approved Feb 2013	(1,052)	0	1,052	0	0
Total	0	1,389	1,389	1,902	(513)

1.8 The forecast expenditure position of **£11.089m** at Quarter 2 has **decreased by £1.513m** from the Forecast of **£12.602m** reported at Quarter One.

The main reasons for the movement are as follows:

Revenue - £0.020m reduction in forecast

This is a result of general revisions to forecasts based on updated spend to date and known service requirements.

Capital - £1.493m reduction in forecast

Based on the current Q2 Capital Plan expenditure of £1.676m will now be moved to 2014/15. The reasons for Capital Plan forecast movements per project are detailed below.

Movement in forecasts between Q1 and Q2 Capital Plan	13/14 Movement £'000	14/15 Movement £'000	Total Movement £'000	Movement notes
Main Cable Investigation	60	0	60	Additional analysis is being undertaken on the samples taken during the 3rd Main Cable Internal Inspection using an alternative method.
M9 Spur extension / A8000 upgrade	(12)	(24)	(36)	Forecasts revised based on latest report provided by the City of Edinburgh Council.
Anchorage Investigation	(349)	0	(349)	Q1 forecast was based on the information which was available at that time. Now that the works have been completed a more accurate forecast is possible but the final cost has still to be determined.
Cable Band Bolts	(280)	(50)	(330)	Since Q1 forecast works have been completed. The Q2 forecast is based on the latest information from contractor and consultant, however the final account is still to be determined.
Main Cable Acoustic Monitoring	(900)	900	0	A PQQ was issued in 2012 but no further action was taken due to budget constraints. Following a review of the project it was decided to cancel the previous contract notice and restart the procurement process. This reduced the risk to Authority of a challenge from a supplier who had not previously expressed an interest. As a result the installation work will now be undertaken during 2014/15.
Suspended Span Under deck access (immediate Improvements)	(67)	350	283	Following a review of the scope of the project, the timescales have been revised with the works being undertaken during 2014/15. A more detailed cost estimate has also been undertaken.
Tower Impact Study	25	0	25	Outstanding works on potential vehicle impact on the side tower saddles is due to be undertaken.
Pier Defences Painting	30	500	530	This is additional work which has been identified following recent inspection of the Pier Defences.
Total	(1,493)	1,676	183	

1.9 Capital grant income for 2013/14 has also been reduced by £1m since quarter one to reflect the rephasing to 2014/15.

2 FINANCIAL INFORMATION

2.1 The table below details, per division of the Authority, forecast Revenue expenditure against Revenue Grant 2013/14, variance explanations are also provided.

REVENUE	Budget £'000	Forecast Quarter 2 £'000	(Under) / Over £'000	Variance explanation
Administration				
Employee Costs	598	598	0	Employee forecasts will be reviewed prior to reporting the Q3 position, they have been based on budget at this stage. An initial review has been undertaken, however because the new pay grading structure has only been in place for one month the current cost information available is not a sufficient basis for forecasting.
Other costs	974	1,001	27	The forecast over spend is across several budget headings.
	1,572	1,599	27	
Maintenance of Bridges, Buildings etc				
Employee Costs	1,444	1,444	0	See Administration Employee Cost comment
Other costs	846	959	113	Mainly carriageway patching costs deferred from 12/13 and notified to TS and the Board in June 2013.
	2,290	2,404	114	
Traffic Operations				
Employee Costs	1,006	1,006	(0)	See Administration Employee Cost comment
Other costs	342	387	45	Unbudgeted cost of Vehicle lease agreement. This cost was deferred from 12/13.
	1,348	1,393	45	
Income	(110)	(98)	12	

Net Revenue Expenditure	5,100	5,297	197
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2.2 The table below details forecast Capital Plan expenditure against Capital Grant 2013/14, variance explanations are also provided.

CAPITAL PLAN	Budget	Forecast Quarter 2	(Under) / Over	Variance notes
<u>Committed schemes</u>				
Dismantle Dropped Objects Canopy	10	170	160	Deferred from 12/13 per the Budget report 12/13 presented on the 25th June 2013. The project was originally due for completion by end March 2013 but was delayed for various reasons, primarily weather.
M9 Spur extension / A8000 upgrade	353	478	125	Deferred from 12/13 per the Budget report 12/13 presented on the 25th June 2013.
Main Cable Investigation	0	60	60	Additional analysis is being undertaken on the samples taken during the 3rd Main Cable Internal Inspection using an alternative method.
Viaduct Bearing Replacement	536	515	(21)	Based on latest forecast from consultant
Anchorage Investigation	1,992	1,100	(892)	Following the reduction in the scope of the works forecast costs reduced further following completion of the detailed design of the reinstatement works and the reduction in management and site supervision costs.
Main Cable Dehumidification	15	15	0	-
Main Towers Cathodic Protection (Piers)	118	118	0	-
Improvements to Deck Half Joints	10	42	32	Deferred from 12/13 per the Budget report 12/13 presented on the 25th June 2013.
High Mast Light Replacement	0	7	7	-
Cable Band Bolts	2,048	1,920	(128)	Costs were expected to defer from 12/13 per the Budget report 12/13 presented on the 25th June 2013 but this is no longer applicable based on the latest forecast supplied by the consultant and contractor. It was previously advised that costs could be subject to revision as a result of progress during periods of good weather.
Total committed capital plan projects	5,082	4,425	(657)	
<u>Non-committed schemes</u>				
Main Cable Acoustic Monitoring	955	55	(900)	This project has been deferred to 2014/15 due to the procurement process being reset.
Truss End Linkages	300	335	35	Deferred from 12/13 per the Budget report 12/13 presented on the 25th June 2013.
Suspended Span Gantry Improvements	80	595	515	Project deferred during 2012/13 to beyond 15/16 to ameliorate the shortfall in funding identified during 12/13. Project reinstated after the budget was set following revision of Anchorage investigation project which has reduced the forecast outturn.
Suspended Span Underdeck access (advance contract)	100	50	(50)	Costs were expected to defer from 12/13 per the Budget report 12/13 presented on the 25th June 2013. These are likely to now be incurred 14/15 following a review of the scope of the project and a revision of timescales.
Suspended Span Underdeck Access (main contract)	0	50	50	Project undertaken to design improvement to the under deck access system post 2015.
Vehicle Replacement	30	55	25	Deferred from 12/13 per the Budget report 12/13 presented on the 25th June 2013.
Stiffening Truss Assessment	0	5	5	-
Contingencies / Minor Works	100	100	0	-
Main Expansion Joints review work	5	20	15	Deferred from 12/13 per the Budget report 12/13 presented on the 25th June 2013.
Main Tower Wind Shielding	0	2	2	-
Tower Impact Study	0	40	40	Outstanding works on potential vehicle impact on the side tower saddles is due to be undertaken.
Viaduct Painting Access	0	30	30	This project covers design of works to be undertaken post 2015.
Pier Defences Painting	0	30	30	This is a new project identified following a recent inspection of the Pier Defences. Based on the current capital plan costs of £0.5m are forecast 2014/15. This is funded by reductions in the forecasts of the Anchorage Investigation and Cable Band Bolt Replacement project.
Total uncommitted capital plan projects	1,570	1,367	(203)	
Total Capital Plan 2013/14	6,652	5,792	(860)	
Capital Grant receivable	(5,600)	(4,600)	1,000	
Total Capital	1,052	1,192	140	

3 RESERVE 2013/14

3.1 The audited reserve at 31st March 2013 was **£2.652m**. Based on a drawdown of **£1.389m** for 2013/14, the forecast closing reserve at 31st March 2014 is **£1.263m**.

	£'000
Opening Reserve 1st April 2013	2,652
Less, forecast expenditure in excess of grant receivable 2013/14	1,389
Estimated Reserve 31st March 2014	1,263

4 RESERVE 2013/14 and 2014/15

- 4.1 Based on the proposed current Capital Plan, capital grant income and the balance of the Authority's Reserve , it is estimated that the closing reserve of the Authority in March 2015 will be **£0.460m**.
- 4.2 Grant funding for the final three months of the Authority April - June 2015 is still to be confirmed by Transport Scotland.
- 4.3 Based on the September 2013 Capital Plan, the Authority plans to award capital schemes that are yet to be committed during 2014/15 with a forecast cost of £2.330m. The most significant schemes planned for 2014/15 are; Main Cable Acoustic Monitoring System, Suspended Span Gantry Improvements, Suspended Span Under Deck Access Improvements and Pier Defences Painting. On the current Capital Plan the total cost 14/15 of these four projects is £2.085m. It is recommended that a full review of works on site and reserves is carried out prior to the tenders for all of these contracts being approved.

FETA RESERVE ESTIMATE	2013/14 £'000	2014/15 £'000	Total £'000	%
CAPITAL PLAN:				
- Forecast expenditure at September 2013:				
Committed schemes	4,425	189	4,614	56%
Non-committed schemes	1,367	2,330	3,697	44%
Total expenditure	5,792	2,519	8,311	
- Capital Funding:				
Capital Grant	(4,600)	(1,716)	(6,316)	
Total income	(4,600)	(1,716)	(6,316)	
Capital Plan funding shortfall	1,192	803	1,995	
Revenue budget shortfall 2013/14	197	0		
Shortfall	1,389	803	1,995	
Reserve	(2,652)	(1,263)		
Closing Reserve	(1,263)	(460)		

- 4.4 Although the Authority retains borrowing powers, no borrowing has been assumed due to the impending dissolution of the Authority around June 2015.

5 RISKS

- 5.1 Future bridge strengthening and improvement works yet to be determined.
- 5.2 Deferring further uncommitted capital projects.
- 5.3 Unbudgeted costs 2013/14 e.g. cost of new pay grading structure, equal pay claims, bridge cleaning costs through spillages of FRC embankment material, ICSBOC/50th Celebration, Board Room extension (TS agreed to fund) , A8000 claims post October 2013, legal fees etc
- 5.4 Financial risks still remain with all the capital projects where agreement has not yet been reached over the final account. However, the site work on the Anchorage Investigation and the Cable Band Bolts Replacement is now complete. Therefore, the two most significant financial risks have been reduced. A risk remains that the trial strengthening work on the Truss End Links is unsuccessful and full replacement is required and there is a risk that further delays to the Pier Defences Cathodic Protection repairs will cause more deterioration to the steel sheet piling. There are also risks around claims for the M9 Spur/A8000 Upgrading that the Authority continues to pay for.