



**Quarter 3 - at 31st December 2011**

**1.0 GRANT SUMMARY 2011/12**

- 1.1 In February 2011, the Authority approved a total expenditure budget for 2011/12 of **£15.974m**. The budget for revenue was **£5.115m** and capital **£10.859m**.
- 1.2 Based on expenditure to 31st December 2011, the forecast outturn at 31st March 2012 is estimated to be **£16.904m**, which would leave a shortfall of **£0.930m** to be met through the Authority's reserve. Variance explanations are provided in tables 3.1 and 3.2.
- 1.3 The forecast over spend has increased by **£0.458m** to that reported to the Authority and Transport Scotland in October 2011. Explanations are provided in paragraph 2.1 and table 2.2.
- 1.4 In addition to the forecast budget over spend of £0.930m, the Authority also requires to fund expenditure of **£2.274m** from the Reserve for 2011/12 (**£2.259m capital, £0.015m revenue**). This has been reported previously to the Authority and Transport Scotland and it relates to the following:
- Approved capital expenditure 2011/12 of £10.859m exceeding the £10m Capital budget set-aside by the Scottish Government by £0.859m.
  - In March 2011, Transport Scotland moved £1.4m capital grant which was due to be received for 2011/12 in to 2010/11, effectively moving the requirement to fund capital expenditure between years, and
  - Revenue grant being £0.015m less than expenditure.
- 1.5 Based on the forecasts at 31st December 2011, a total drawdown will be required against the Authority's reserve for 2011/12 of **£3.204m**.
- 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 2011/12;

Approved expenditure 2011/12	Budget	Forecast	(Under)/Over	Forecast	Movement
	£'000	Quarter 3 £'000	£'000	Quarter 2 £'000	£'000
Revenue	5,115	5,156	41	4,977	179
Capital	10,859	11,748	889	11,469	279
<b>Total Expenditure</b>	<b>15,974</b>	<b>16,904</b>	<b>930</b>	<b>16,446</b>	<b>458</b>
<b>Grant receivable 2011/12</b>					
Revenue	(5,115)	(5,100)	15	(5,100)	0
Capital	(10,859)	(8,600)	2,259	(8,600)	0
<b>Total Grant</b>	<b>(15,974)</b>	<b>(13,700)</b>	<b>2,274</b>	<b>(13,700)</b>	<b>0</b>
<b>Total</b>	<b>0</b>	<b>3,204</b>	<b>3,204</b>	<b>2,746</b>	<b>458</b>

**2.0 MOVEMENT IN FORECASTS TO THOSE REPORTED AT QUARTER 2.**

Forecast expenditure has increased by **£0.458m** to that reported at Quarter 2. Revenue and capital forecasts have increased by **£0.179m** and **£0.279m** respectively. Details are provided below for each.

**REVENUE**

- 2.1 The increase in forecast revenue expenditure of £0.179m is mainly due to the following:
- A reclassification of expenditure from capital to revenue of £0.100m relating to legal and consultancy fees for the Cathodic Protection action. Expenditure within Capital has reduced by the same amount.
  - The forecast for the Business Improvement Project being increased by £0.054m. These additional costs relate to the implementation of a quality management system and training costs. The projects is seeking to achieve accreditation under the European Foundation for Quality Management Systems (EFQM) and was approved by the Board in June 2009.

- Other general forecast amendments £0.025m

**CAPITAL**

2.2 The table below details forecast expenditure per project at Quarter 2 and 3, movement explanations are also provided:

<b>Capital projects</b>	<b>Forecast Quarter 3 £'000</b>	<b>Forecast Quarter 2 £'000</b>	<b>Movement £'000</b>	<b>Explanation of forecast movement from Quarter 2 to Quarter 3</b>
Main Cable Dehumidification	301	292	9	-
Viaduct Bearing Replacement	8,896	8,828	68	Revised costs are based on revised spend profile prepared by the contractor.
Improvements to Deck Half Joints Trial	48	48	0	-
High Mast Light Replacement	128	128	0	-
Cable Band Bolt Replacement	10	10	0	-
Other projects	326	475	(149)	£0.100m relates to reclassified spend as outlined in paragraph 2.1. The balance relates to a reduction in the forecast for the refurbishment of the Main Expansion Joints. This is due to compensation events for painting remedial works now forecast to be settled in favour of FETA.
<b>Total capital projects</b>	<b>9,709</b>	<b>9,781</b>	<b>(72)</b>	
<b>Revenue costs of Capital Plan <sup>1</sup></b>				
Anchorage investigation (south only)	1,172	1,241	(69)	Spend profile updated by the contractor.
Main Cable Investigation	566	86	480	The latest forecast is based on the construction programme provided by the Contractor following contract award approval in October 2011. Preliminary works are now under way and work on site is expected to begin in spring 2012. The forecast at quarter two was based on the contract not being awarded until next financial year.
Other studies and investigations	301	361	(60)	A land disturbance claim associated with the M9 Spur/A8000 Upgrade now forecast to be settled 12/13
<b>Total revenue costs of capital plan</b>	<b>2,039</b>	<b>1,688</b>	<b>351</b>	
<b>Total Capital Plan 2011/12</b>	<b>11,748</b>	<b>11,469</b>	<b>279</b>	
Capital Grant receivable	(8,600)	(8,600)	0	
<b>Total Capital</b>	<b>3,148</b>	<b>2,869</b>	<b>279</b>	

<sup>1</sup> The Revenue Costs of the Capital Plan relate to studies and investigations on possible Capital projects prior to contract award. Expenditure on the M9 Spur/A8000 and Tower Wind Barriers/Impact Strengthening has been reclassified as Revenue

**3.0 VARIANCE ANALYSIS**

3.1 The table below details, per division of the Authority, forecast Revenue expenditure against Revenue Grant 2011/12, variance explanations are also provided.

<b>REVENUE</b>	<b>Budget £'000</b>	<b>Forecast £'000</b>	<b>(Under)/Over £'000</b>	<b>Variance explanation</b>
<b>Administration</b>				
Employee Costs	640	633	(7)	The saving previously assumed on vacant posts has not been utilised to pay off pension strain.
Other costs	937	1,031	94	Mainly a forecast increase in legal fees as a result of a reclassification from capital to revenue.
	<b>1,577</b>	<b>1,664</b>	<b>87</b>	
<b>Maintenance of Bridges, Buildings etc</b>				
Employee Costs	1,594	1,440	(154)	Three painters and two riggers were budgeted to work on a variety of painting and essential repair work to the deck steelwork. These staff are expected to finish up around the end of October, which is earlier than anticipated. There have also been internal staffing movements between Maintenance and Traffic Operations.
Other costs	742	787	45	Mainly additional carriageway resurfacing costs, unbudgeted buildings costs associated with control room refurbishment, air conditioning and fire alarms and additional costs of the rescue launch.
	<b>2,336</b>	<b>2,227</b>	<b>(109)</b>	
<b>Traffic Operations</b>				
Employee Costs	976	1,087	111	Mainly due to internal staffing movements relating to staff budgeted in Maintenance who have moved to Ops.
Other costs	334	298	(36)	Mainly weather emergency expenditure forecast to be under budget.
	<b>1,310</b>	<b>1,385</b>	<b>75</b>	
<b>Income</b>	(108)	(120)	(12)	Investment interest rate above budget.

<b>Net Revenue Expenditure</b>	<b>5,115</b>	<b>5,156</b>	<b>41</b>
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3.2 The table below details forecast Capital Plan expenditure against Capital Grant 2011/12, variance explanations are also provided.

<b>CAPITAL</b>	<b>Budget £'000</b>	<b>Forecast £'000</b>	<b>(Under)/Over £'000</b>	<b>Variance notes</b>
Main Cable Dehumidification	115	301	186	The additional costs relate to essential modifications to the dehumidification system and the implementation of required project improvements. Examples include improvements to air conditioning within the plant rooms and the installation of anti-vibration equipment.
Viaduct Bearing Replacement	7,818	8,896	1,078	The variance relates to the latest expenditure profile submitted by the consulting engineers differing to that previously provided and budgeted in February 2011. The total forecast for the project covering years 2011-14 has reduced from that reported in October 2011 from £11.6m to £11.4m, mainly due to an earlier finish on site than previously anticipated. The budget approved by the Board for the project over the same period was £10.275m, which would represent an increase in forecast cost of £1.125m. As reported previously, the variance is due to unforeseen compensation events that were highlighted as a risk at the tender approval stage in February 2010.
Improvements to Deck Half Joints Trial	300	48	(252)	The trial improvements to the joints have been deferred until 2012/13.
High Mast Light Replacement	500	128	(372)	The tender cost received for this project was below the approved budget.
Cable Band Bolt Replacement	250	10	(240)	The project had been deferred due to higher priority capital projects taking preference and the review of capital works. To mitigate the risk of deferring the project, a more rigorous inspection regime has been adopted.
Other projects	440	326	(114)	Mainly expenditure on cathodic protection reclassified as revenue so no spend forecast against budget.
<b>Total capital projects</b>	<b>9,423</b>	<b>9,709</b>	<b>286</b>	
<b>Revenue costs of Capital Plan <sup>1</sup></b>				
Main Cable Investigation	400	566	166	The latest estimate is based on the construction programme from the contractor following re-programming of the work to start on site in April 2012. The budget estimate 11/12 was based on the spend profiles of the first and second inspections prior to the submission of tender documents for the third inspection.
Anchorage investigation (south only)	800	1,172	372	Following the Boards approval in April 2011 of the tender for £3.5m, the contractor submitted an estimated activity schedule. This has since been revised and results in £1.172m being forecast in 2011/12. The approved 2011/12 budget of £0.800m was based on an estimate prior to the award of the contract and receipt of an associated activity schedule. Although a budget of £7.5m was approved in February 2011, this related to both the south and north anchorages. Further updates will require to be prepared as the investigation of the southern anchorage progresses, as well any future year requirement to undertake investigation works at the north anchorage.
Other projects	236	301	65	General expenditure increases on studies and investigations.
<b>Total revenue costs of capital plan</b>	<b>1,436</b>	<b>2,039</b>	<b>603</b>	
<b>Total Capital Plan 2011/12</b>	<b>10,859</b>	<b>11,748</b>	<b>889</b>	
Capital Grant receivable	(10,859)	(8,600)	2,259	See paragraph 1.4
<b>Total Capital</b>	<b>0</b>	<b>3,148</b>	<b>3,148</b>	

#### 4. RESERVES

4.1 The reserve at 31st March 2011 was **£6.152m**. Based on a drawdown of **£3.204m** for 2011/12, the forecast closing reserve at 31st March 2012 is **£2.948m**.

4.2 The long-term 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 the level of risk will be evaluated. No allowance has been made in the Capital Plan for the replacement of the Main Cables or the Anchorages.

	<b>£'000</b>
Opening Reserve 1st April 2011	6,152
Less, forecast expenditure in excess of grant receivable 2011/12	3,204

Estimated Reserve 31st March 2012

2,948