

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

Quarter 3 - at 31st December 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 December 2013, the forecast outturn at 31st March 2014 is estimated to be **£9.782m**. This would leave a shortfall of **£0.082m** 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 under spend 13/14	-10	-10
Capital		
- Reserve drawdown approved Feb 2013/14 to fund capital expenditure	1,052	
- Capital Grant moved from 2013/14 to 2014/15 by Transport Scotland	1,000	2,052
- Project costs deferred from 12/13 (closing reserve inflated so no net effect)	320	
- Effect of revision to Anchorage investigation scope	-730	
- Cable Band Bolt Replacement project under budget based on current forecast	-311	
- Replacement of Main Cable Acoustic Monitoring system deferred to 14/15	-862	
- Defer Main Tower Cathodic Protection costs to 2014/15	-100	
- Reinstate Suspended Span Gantry improvement project in Oct 13. Project since deferred to 2014/15	-49	
- Other project cost revisions or costs deferred to 14/15 (mainly Truss End Linkages and Minor Works)	-341	
- Two new design projects for post 2015 preparation	83	
- New Project - Pier Defences Painting	30	-1,960
		82

- 1.5 Based on the forecasts at 31st December 2013, the total drawdown required against the Authority's reserve for 2013/14 will be **£0.082m**.
- 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 3 £'000	(Under) / Over £'000	Forecast Quarter 2 £'000	(Under) / Over £'000
Revenue	5,100	5,090	(10)	5,297	(207)
Capital	6,652	4,692	(1,960)	5,792	(1,100)
Total Expenditure	11,752	9,782	(1,970)	11,089	(1,307)
Grant receivable 2013/14					
Revenue	(5,100)	(5,100)	0	(5,100)	0
Capital	(5,600)	(4,600)	1,000	(4,600)	0
Total Grant	(10,700)	(9,700)	1,000	(9,700)	0
Reserve drawdown approved Feb 2013	(1,052)	0	1,052	0	0
Total	0	82	82	1,389	(1,307)

1.8 The forecast expenditure position of **£9.782m** at Quarter 3 has **decreased by £1.307m** from the Forecast of **£11.089m** reported at Quarter Two.

The main reasons for the movement are as follows:

1.8.1 **Revenue - £0.207m reduction in forecast**

Forecast revenue spend has reduced by £0.207m from that reported in October. The reduction relates to reduced forecast employee costs (£0.111m) and a reduction in other revenue costs (£0.096m). The reasons for the change in forecasts are provided below;

Employee forecast movement - £0.111m reduction

It was reported in October that the employee forecast was based on budget due to the fact that the new pay grading structure has only been in place for one month. A full review has now been carried out and it is anticipated that an under spend will be incurred this financial year. The under spend relates mainly to savings associated with temporary maintenance staff. With the Maintenance division, eight temp posts were budgeted for six months this financial year, mainly in relation to painting. Two of these posts will not be appointed this year and a further two were not filled for the full budgeted period. In addition to this a permanent rigger post vacated in April will also not be filled until next financial year.

Other revenue forecasts - £0.096m reduction

Revenue forecasts have been reduced in the following areas: Administration (£0.038m); Maintenance (£0.040m) and Operations (£0.018m). The reduction in Administration relates mainly to the removal of the £30k forecast relating to the Board's initial approved contribution for the Forth Bridge's Festival. Advance income for Tower Top Trips should result in a net carry-forward through the reserve so there should be no requirement to forecast this contribution 13/14. The Board's decision to underwrite the £50k costs of the artist in residence project may result in an increase in the £30k contribution when off-set against print sales, however this is unlikely to be incurred until next financial year. Within Maintenance, the reduction relates mainly to a revision of the forecast for carriageway patching. The actual outturn has now been finalised with the savings against the previous forecast being attributable to a significant reduction in concrete repairs required on the Viaducts. The reduction in Operations relates to a revision of the forecast for weather emergency where there could be scope for further reductions if weather remains favourable in the final quarter of the financial year.

1.8.2 **Capital - £1.1m reduction in forecast**

Based on the current Quarter 3 Capital Plan, expenditure totalling £1.461m is now forecast to be incurred 2014/15. The reasons for Capital Plan forecast movements per project are detailed below.

Movement in forecasts between Q2 and Q3 Capital Plan	13/14 Movement £'000	14/15 Movement £'000	Total Movement £'000	Movement notes
Anchorage Investigation	162	0	162	Forecast costs 2013/14 have increased by £0.162m to those reported in October. The reason for this is due to the final valuation of the works which has since been carried out.
Cable Band Bolts	(183)	0	(183)	Forecast revised. It was reported in October that the costs may reduce if weather was favourable. The final account is still to be determined.
Suspended Span Gantry Improvements	(564)	420	(144)	Costs deferred to 14/15 - The total costs have reduced due to elements of the project now being carried out within the Suspended Span Underdeck Access project (below).
Suspended Span Underdeck Access	10	368	378	Costs have increased due to issues which were identified as the design progressed plus the inclusion of the gantry access ladders from the Suspended Span Gantry Improvement project.
Other project costs deferred 2014/15	(546)	545	(1)	Mainly relating to Cathodic Protection (£0.100m), Truss End Linkages (£0.311m), Vehicle Replacement (£0.055m) and Minor Works (£0.080m)
Other project cost revisions	21	128	149	Total movement mainly relating to increases on the Viaducts Painting Access project (£0.050m) and Main Expansion Joints Review (£0.059m)
Total	(1,100)	1,461	361	

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	Forecast Quarter 3	(Under) / Over	Variance explanation
Administration	£'000	£'000	£'000	
Employee Costs	598	602	4	-
Other costs	974	965	(9)	-
	1,572	1,567	(5)	
Maintenance of Bridges, Buildings etc				
Employee Costs	1,444	1,325	(119)	Two temp posts (engineer and painter) and a permanent rigger post not filled 2013/14.
Other costs	846	919	73	Mainly carriageway patching costs deferred from 12/13 and notified to TS and the Board in June 2013. Unbudgeted costs were also incurred on the Main Cables for the procurement of wrapping wire which not budgeted.
	2,290	2,244	(46)	
Traffic Operations				
Employee Costs	1,006	1,010	4	-
Other costs	342	369	27	Mainly the unbudgeted cost of Vehicle lease agreement that was deferred from 12/13, off-set by a forecast reduction on the Weather Emergency budget.
	1,348	1,379	31	
Income	(110)	(100)	10	
Net Revenue Expenditure	5,100	5,090	(10)	

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 3	(Under) / Over	Variance notes
<u>Committed schemes</u>				
Dismantle Dropped Objects Canopy	10	132	122	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	53	53	Additional analysis is being undertaken on the samples taken during the 3rd Main Cable Internal Inspection using an alternative method.
Viaduct Bearing Replacement	536	539	3	Based on latest forecast from consultant
Anchorage Investigation	1,992	1,262	(730)	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	4	(11)	-
Main Towers Cathodic Protection (Piers)	118	18	(100)	Costs deferred to 2014/15
Improvements to Deck Half Joints	10	74	64	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	1,737	(311)	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	4,304	(778)	
<u>Non-committed schemes</u>				
Main Cable Acoustic Monitoring	955	93	(862)	This project has been deferred to 2014/15 due to the procurement process being reset.
Truss End Linkages	300	24	(276)	Costs deferred to 2014/15
Suspended Span Gantry Improvements	80	31	(49)	The project was deferred during 2012/13 to beyond 15/16 to ameliorate the shortfall in funding identified during 12/13. It was subsequently reinstated in October after the budget was set following revision of Anchorage investigation project which has reduced the forecast outturn. The project will now not start this financial year and has now been deferred to 2014/15.
Suspended Span Underdeck access (advance contract)	100	60	(40)	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	47	47	Project undertaken to design improvement to the under deck access system post 2015.
Vehicle Replacement	30	0	(30)	No purchases now planned 13/14.
Stiffening Truss Assessment	0	3	3	-

Plant and Equipment	0	6	6	-
Contingencies / Minor Works	100	20	(80)	Forecast reduced.
Main Expansion Joints review work	5	44	39	Deferred from 12/13 per the Budget report 12/13 presented on the 25th June 2013.
Main Tower Wind Shielding	0	0	0	-
Tower Impact Study	0	0	0	-
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	388	(1,182)	
Total Capital Plan 2013/14	6,652	4,692	(1,960)	
Capital Grant receivable	(5,600)	(4,600)	1,000	Capital Grant now to be received 2014/15
Total Capital	1,052	92	(960)	

3 RESERVE 2013/14

- 3.1 The audited reserve at 31st March 2013 was **£2.652m**. Based on a drawdown of **£0.082m** for 2013/14, the forecast closing reserve at 31st March 2014 is **£2.570m**.

	£'000
Opening Reserve 1st April 2013	2,652
Less, forecast expenditure in excess of grant receivable 2013/14	82
Estimated Reserve 31st March 2014	2,570

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 **£0.306m**.
- 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 January 2014 Capital Plan, the Authority plans to award capital schemes that are yet to be committed during 2014/15 with a forecast cost of £3.695m. The most significant schemes planned for 2014/15 are; Main Cable Acoustic Monitoring System, Suspended Span Gantry Improvements, Suspended Span Under Deck Access Improvements, Truss End Linkages and Pier Defences Painting. On the current Capital Plan the total cost 14/15 of these four projects is £3.283m. 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	4,304	285	4,589	53%
Non-committed schemes	388	3,695	4,083	47%
Total expenditure	4,692	3,980	8,672	
- Capital Funding:				
Capital Grant	(4,600)	(1,716)	(6,316)	
Total income	(4,600)	(1,716)	(6,316)	
Capital Plan funding shortfall	92	2,264	2,356	
Revenue budget shortfall 2013/14	(10)	0		
Shortfall	82	2,264	2,356	
Reserve	(2,652)	(2,570)		
Closing Reserve	(2,570)	(306)		

- 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 Cost increases to those in the draft 2014/15 budget for projects currently out to tender (Main Cable Acoustic Monitoring and the Suspended Span Under Access Advance Contract)
- 5.4 Cost revisions to those currently included resulting from the final accounts of Anchorage Investigation and Cable Band Bolt replacement project.
- 5.5 Unbudgeted costs 2014/15 - e.g. equal pay claims, bridge cleaning costs through spillages of FRC embankment material, Forth Bridges Celebration, Cable Band Bolt legal fees/loss of case, A8000 claims post October 2013.
- 5.6 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.