



Quarter 4 - at 31st March 2012

1.0 GRANT SUMMARY 2011/12

- 1.1 In overall terms the Authority has under spend against Grant 2011/12 by **£0.856m**. Table 1.7 below summarises the year-end position for 2011/12.
- 1.2 A forecast over spend of **£3.204m** was reported to the Authority and Transport Scotland in February 2012. The reduction of **£4.060m** between outturn and forecast is due to two factors; the first being that actual expenditure incurred 2011/12 of **£16.048m** was **£0.856m** less than the forecast previously estimated of **£16.904m**. The second being Transport Scotland's decision to advance **£3.204m** Capital Grant due to be received 2012-15 in to 2011/12.
- 1.3 The under spend of **£0.856m** requires to be carried through the Authority's reserve to minimise the impact of deferred costs 2011/12, mainly in relation to the Viaduct Bearing Replacement project (see table 2.2).
- 1.4 The reduction in actual expenditure compared to forecast of **£0.856m** can be split **£0.369m** revenue and **£0.487m** capital. Details of why actual expenditure did not meet forecast levels is included in paragraph 2.1 and table 2.2.

Request to carry-forward Grant under spend 2011/12

- 1.5 The Authority request confirmation from Transport Scotland to carry forward **£0.856m** via the Authority's reserve. The under spend in Revenue of **£0.313m** is less than the 10% threshold of **£0.510m**. The under spend in capital grant can be carried forward in line with the terms and conditions of grant.
- 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 expenditure position 2011/12;

	Grant	Expenditure	(Under)/Over	Expenditure Forecast Quarter 3	Movement
	£'000	£'000	£'000	£'000	£'000
Revenue	5,100	4,787	(313)	5,156	(369)
Capital	11,804	11,261	(543)	11,748	(487)
Total Expenditure	16,904	16,048	(856)	16,904	(856)

2.0 MOVEMENT IN FORECASTS TO THOSE REPORTED AT QUARTER 3.

Actual expenditure for the year 2011/12 was below the level reported at Quarter 3 by **£0.856m**. The revenue and capital outturn was below forecast by **£0.369m** and **£0.487m** respectively. Details are provided below for each:

REVENUE - £0.369m below Quarter 3 forecast reported in February 2012.

- 2.1 Expenditure in revenue did not match previous reported forecasts for a number of reasons. The main reason related to costs being moved to capital that were previously forecast in revenue relating to IT Licences and Plant and Equipment (**£0.109m**). The majority of costs not incurred within Administration (**£0.087m**) will be deferred to 12/13, mainly in relation to ICT costs (e.g. HR system upgrade) and legal fees (Cathodic Protection and Cable Band Bolts). Expenditure within Maintenance (**£0.105m**) and Operations (**£0.068m**) also did not match levels previously forecast. Some of the costs in Maintenance and Operations forecast but not incurred will be deferred to 12/13, others were either not incurred due to service decisions e.g. a proposed communications tie in with Transport Scotland, a milder winter e.g. weather emergency costs, resource availability e.g. lack of suitable Operations PAS 43 training or time constraints e.g. upgrade of control room communications and signage.

CAPITAL - £0.487m below Quarter 3 forecast reported in February 2012.

- 2.2 The table below details the year-end expenditure 2011/12 per project compared to that forecast at Quarter 3, movement explanations are also provided:

<u>Capital projects</u>	Actual	Forecast Quarter 3	Movement	Explanation of cost movement
	£'000	£'000	£'000	
Main Cable Dehumidification	283	301	(18)	-
Viaduct Bearing Replacement	8,184	8,896	(712)	- Various elements of work were delayed and as such were not completed by the end of the financial year.
Improvements to Deck Half Joints Trial	56	48	8	-
High Mast Light Replacement	111	128	(17)	-
Cable Band Bolt Replacement	19	10	9	-
Other projects	460	326	134	Mainly Business Improvement Licences (£0.053m) and Plant and Equipment (£0.056m) being moved from revenue
Total capital projects	9,113	9,709	(596)	
<u>Revenue costs of Capital Plan</u> ¹				
Anchorage investigation (south only)	1,336	1,172	164	The forecast at Quarter 3 prepared by the consulting engineer was incomplete. Also, contract administration costs were greater than anticipated.
Main Cable Investigation	577	566	11	-
Other studies and investigations	235	301	(66)	Mainly claim deferred on the M9 Spur/A8000
Total revenue costs of capital plan	2,148	2,039	109	
Total Capital Plan 2011/12	11,261	11,748	(487)	

¹ 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 costs of Capital Plan.

3.0 VARIANCE ANALYSIS

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

REVENUE	Grant £'000	Expenditure £'000	(Under)/Over £'000	Variance explanation
Administration				
Employee Costs	640	602	(38)	Saving on vacant posts/turnover (£0.101m), off-set by agency costs and fully paying off pension strain (£0.063m).
Other costs	937	897	(40)	Under spends/deferrals in spend on ICT costs (£0.038m), City of Edinburgh Council support costs (£0.032m) and other expenses (£0.021m), off-set by an increase in legal fees (£0.051m).
	1,577	1,499	(78)	
Maintenance of Bridges, Buildings etc				
Employee Costs	1,594	1,436	(158)	Three painters and two riggers were budgeted to work on a variety of painting and essential repair work to the deck steelwork. These staff finished up around the end of October 2011 which was earlier than anticipated. There were also internal staffing movements between Maintenance and Traffic Operations and so the under spend here will be off-set by an over spend in Operations (see below).
Other costs	742	626	(116)	£0.056m relates to the cost of Hanger Cradles being budgeted in Revenue but charged to Capital at the year-end. The balance relates mainly to maintenance spend being below budget on the Anchorages, Main Towers and Workshops.
	2,336	2,062	(274)	
Traffic Operations				
Employee Costs	976	1,119	143	Mainly due to internal staffing movements relating to staff budgeted in Maintenance who have moved to Operations.
Other costs	334	232	(102)	The weather emergency budget was increased 2011/12 due to severe weather which saw the bridge closed in December 2010. Expenditure in this area during the year was less than budget (£0.044m) because the winter was not as severe. The balance relates to under spends against the communications and various other budget heading as detailed in paragraph 2.1.
	1,310	1,351	41	
Income	(108)	(125)	(17)	Additional interest and rental income
Grant Shortfall 2011/12	(15)	0	15	Budget £5.115m, actual grant received £5.100m
Net Revenue Expenditure	5,100	4,787	(313)	

3.2 The table below details Capital Plan expenditure against Capital Grant 2011/12, variance explanations are also provided.

CAPITAL	Grant £'000	Expenditure £'000	(Under)/Over £'000	Variance notes
Main Cable Dehumidification	115	283	168	The scope of modifications required to the system increased as a result of experience gained during the initial operation of the system.
Viaduct Bearing Replacement	7,818	8,184	366	This was due to variations in the works programme and the payment of various compensation events as reported throughout 2011/12.
Improvements to Deck Half Joints Trial	300	56	(244)	The project was deferred due to budget constraints.
High Mast Light Replacement	500	111	(389)	The budget for this project was set before the full design of the scheme had been prepared. The tender cost received subsequent to this was lower.
Cable Band Bolt Replacement	250	19	(231)	This project was deferred due to other programme constraints. Full replacement of the Cable Band Bolt assemblies will take place during 2012/13 and 2013/14.
Other projects	440	460	20	-
Total capital projects	9,423	9,113	(310)	
Revenue costs of Capital Plan ¹				
Main Cable Investigation	400	577	177	The works programme was accelerated compared to that anticipated when the budget was prepared.
Anchorage investigation (south only)	800	1,336	536	The budget was prepared using pre-tender information and the costs incurred reflected the actual works programme.
Other projects	236	235	(1)	
Total revenue costs of capital plan	1,436	2,148	712	
Total Capital Plan 2011/12	10,859	11,261	402	
Capital Grant receivable	(10,859)	(11,804)	(945)	The original Capital Grant allocation for 2011/12 was £8.600m which would have required a drawdown from the reserve of £2.259m to match budgeted expenditure. However, due to the Scottish Government advancing £3.204m from 2012-15 in to 2011/12, the total capital grant received was in excess of the budget by £0.945m.
Total Capital	0	(543)	(543)	

4. RESERVES

4.1 The reserve at 31st March 2011 was **£6.152m**. Based on an under spend against grant for 2011/12 of **£0.856m**, the closing reserve at 31st March 2012 is **£7.008m**.

	£'000
Opening Reserve 1st April 2011	(6,152)
Under spend against Grant 2011/12	(856)
Reserve 31st March 2012	(7,008)

USE OF RESERVE TO FUND CAPITAL EXPENDITURE 2012-15

- 4.2 The Authority intends to utilise its reserve over the three-year period 2012-15 to fund planned capital expenditure prior to the transfer of operation and maintenance to a private contractor. This conforms with the timeline identified by the Scottish Government in November 2011.
- 4.3 The Reserve will also require to be used to fund any deferred revenue and capital expenditure from 2011/12. The largest example, shown in table 2.2, will be in relation to the Viaducts Replacement Project where approx **£0.7m** may require to be funded depending on revised consultant and contractor forecasts for the project 2012/13.

4.4 In April 2012, the Authority advised the Scottish Government about defects in the nuts on the Cable Band Bolt Assemblies. This defect will require all Cable Band Bolt assemblies to be replaced at an unbudgeted cost of approx £5m. Additional Grant funding towards this project is therefore required from the Scottish Government. The Authority is reviewing all other non-committed projects in the approved February 2012 Capital Plan with a view to deferring less essential projects to free up funds. Options are outlined below, however further discussion requires to take place between the Authority and Transport Scotland prior to agreeing an additional Grant contribution payable towards the cost of the Cable Band Bolts project.

4.5 Revenue expenditure should be fully funded through Grant, so only shortfalls in capital expenditure are anticipated to impact on the Authority's Reserve, two reserve estimates 2012-15 have been included below. The first is based on the approved Capital Plan February 2012 (including deferred 2011/12 expenditure). This option includes the cost of the Cable Band Bolts project of £5m plus a contribution towards this project from the Scottish Government of £4.150m. The second estimate is based on the Authority deferring three projects and rephasing spend on two others so that the contribution required from the Scottish Government is reduced to £2m.

RESERVE - ESTIMATE 1

	2012/13 £'000	2013/14 £'000	2014/15 £'000	Total £'000
Scottish Government Grant funding 2012-15	(6,280)	(3,600)	(716)	(10,596)
Cable Band Bolt Funding	(2,075)	(2,075)		(4,150)
Total funding 2012-15	(8,355)	(5,675)	(716)	(14,746)
<u>Capital Plan budget 2012-2015 (approved Feb 2012)</u>				
Committed schemes	7,588	1,632	130	9,350
Non-committed schemes	910	3,335	1,975	6,220
Cable Band Bolts	1,500	3,500		5,000
Viaducts Bearing Replacement - deferred expenditure 11/12 estimate	712			712
Total	10,710	8,467	2,105	21,282
Shortfall to be funded by reserve	2,355	2,792	1,389	6,536
Reserve estimate opening	(7,008)	(4,653)	(1,861)	
Reserve estimate closing	(4,653)	(1,861)	(472)	

RESERVE - ESTIMATE 2

	2012/13 £'000	2013/14 £'000	2014/15 £'000	Total £'000
Scottish Government Grant funding 2012-15	(6,280)	(3,600)	(716)	(10,596)
Cable Band Bolt Funding	0	(2,000)	0	(2,000)
Total funding 2012-15	(6,280)	(5,600)	(716)	(12,596)
<u>Capital Plan budget 2012-2015 (approved Feb 2012)</u>				
Committed schemes	7,588	1,632	130	9,350
Non-committed schemes ¹	580	2,295	1,335	4,210
Cable Band Bolts	1,500	3,500		5,000
Viaducts Bearing Replacement - deferred expenditure 11/12 estimate	712			712
Total	10,380	7,427	1,465	19,272
Shortfall to be funded by reserve	4,100	1,827	749	6,676
Reserve estimate opening	(7,008)	(2,908)	(1,081)	
Reserve estimate closing	(2,908)	(1,081)	(332)	

¹ This involves deferring three projects totalling £1.4m beyond 2015/16. These projects are the regeneration of the South Anchorage, resurfacing the Main Span South and the Abutment Approach Barrier. It also requires expenditure to be rephased on the Truss End Linkages (£0.270m) and the dismantling of the DOC (£0.340m). This results in the additional contribution required from the Scottish Government reducing to £2m from £4.150m. The Authority would require to be notified of any revisions to the Capital Plan and agreement on funding between the Authority and Transport Scotland.

4.6 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.

