FORTH ESTUARY TRANSPORT AUTHORITY
GRANT-IN-AID 2010/11
REVENUE AND CAPITAL GRANT-IN-AID TO EXPENDITURE TO 31ST MARCH 2011

1.0 GRANT-IN-AID SUMMARY 2010/11

1.1 In overall terms FETA has **under spent** against Grant-in-Aid 2010/11 by £0.703m. A forecast **over spend** of £1.299m was reported to Transport Scotland and the Authority in February 2011. The **reduction of £2.002m** between outturn and forecast variance is due to two main factors; the first being that actual expenditure of £14.542m was £0.602m less than the forecast of £15.144m. The second being that Transport Scotland advanced £1.4m Capital Grant due to be received 2011/12 to 2010/11.

1.2 The reduction in actual expenditure to forecast of £0.602m can be split £0.078m revenue and £0.524m capital. The under spend in capital relates mainly to actual expenditure on the Viaducts Bearing Replacement Project being less than the previous forecast. The movements are explained in tables 2.1 and 2.2.

1.3 The Authority request confirmation from Transport Scotland that they are eligible to carry forward £0.703m via the Authority's reserve. The under spend in Revenue of £0.428m is less than the 10% threshold of £0.512m. The under spend in capital grant can be carried forward in line with the terms and conditions of grant.

1.4 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 Transport Scotland they will be included within capital.

1.5 The table below summarises the Grant-in-aid to expenditure position 2010/11;

Grant-in-aid 2010/11	**Grant-in-aid £'000**	**Expenditure £'000**	**(Under)/Over £'000**	**Forecast Quarter 3 £'000**	**Actual to Forecast £'000**
Revenue	5,115	4,687	(428)	4,765	(78)
Capital	10,130	9,855	(275)	10,379	(524)
Total	**15,245**	**14,542**	**(703)**	**15,144**	**(602)**

2.0 FINANCIAL INFORMATION

2.1 The table below details, per division of the Authority, the Revenue expenditure against Grant-in-Aid received 2010/11. It also details the previous forecasts reported to the Authority and to Transport Scotland and reasons for any significant movements to those forecasts;

REVENUE	**Grant-in-aid £'000**	**Expenditure £'000**	**(Under)/Over £'000**	**Forecast Quarter 3 £'000**	**Movement £'000**	**Reason for movement from previous forecast**
Administration						
Employee Costs	656	567	(89)	573	(6)	-
Other costs	976	841	(135)	917	(76)	Mainly expenditure being less than forecast on; water charges (£16k), ICT equipment/developments (£38k) and support costs (£18k)
	1,632	**1,408**	**(224)**	**1,490**	**(82)**	
Maintenance of Bridges, Buildings etc						
Employee Costs	1,542	1,433	(109)	1,393	40	Mainly payments in lieu as a result of staff leaving the authority, additional overtime costs were also incurred.
Other costs	673	641	(32)	697	(56)	Mainly Hanger cradles procured and forecast but not yet delivered, so costs not incurred. In addition, Anchorage equipment previously forecast in revenue has been capitalised.
	2,215	**2,074**	**(141)**	**2,090**	**(16)**	
Traffic Operations						
Employee Costs	1,076	1,009	(67)	999	10	-
Other costs	286	315	29	315	0	-
	1,362	**1,324**	**(38)**	**1,314**	**10**	
Income	(94)	(119)	(25)	(129)	10	-
Net Revenue Expenditure	**5,115**	**4,687**	**(428)**	**4,765**	**(78)**	

2.2 The table below details, per division of the Authority, the Capital expenditure against Grant-in-Aid received 2010/11. It also details the previous forecasts reported to the Authority and to Transport Scotland and reasons for any significant movements to those forecasts;

CAPITAL	Grant-in-aid £'000	Expenditure £'000	(Under)/Over £'000	Forecast Quarter 3 £'000	Movement £'000	Reason for movement from previous forecast
Parking Areas Landscaping & Reconstruction	200	328	128	370	(42)	Landscape management works delayed.
Tower Painting/Dropped Objects Canopy	250	318	68	220	98	Additional modifications required to painting cradle and support system.
Main Cable Dehumidification	307	371	64	370	1	-
Main Expansion Joints Under Deck Access Platforms	1,638	1,225	(413)	1,251	(26)	Outstanding compensation event costs forecast that are still to be agreed.
Viaduct Bearing Replacement	5,022	6,046	1,024	6,350	(304)	Outstanding compensation event costs forecast that are still to be agreed.
Other projects	855	766	(89)	941	(175)	Cost less than forecast mainly due to work being deferred on the Truss End Linkages, further Tower Wind Barrier testing allowance not required and an ongoing legal dispute causing work to be delayed.
Capital projects total	**8,272**	**9,054**	**782**	**9,502**	**(448)**	
Revenue costs of Capital Plan [1]	**458**	**801**	**343**	**877**	**(76)**	Mainly £0.219m A8000/M9 spur costs previously forecast that have not yet been settled or incurred. As reported previously to the Authority and to Transport Scotland there are a number of land acquisition, compensation and disturbance claims that remain subject to negotiation and litigation. This deferral of costs was partially off-set by additional spend totalling £0.143m relating to the Main Cable Inspection, Suspended Span Truss Assessment and the Anchorage Investigation project.
Capital plan total	**8,730**	**9,855**	**1,125**	**10,379**	**(524)**	
Advanced Capital Grant	1,400	0	(1,400)	0	0	Capital Grant 11/12 advanced 10/11 to meet forecast expenditure pressures
Total Capital	**10,130**	**9,855**	**(275)**	**10,379**	**(524)**	

[1] Expenditure on the M9 Spur extension / A8000 upgrade has been reclassified as Revenue costs of Capital Plan.

3.0 VARIANCE ANALYSIS

3.1 The table below details, per division of the Authority, actual Revenue expenditure compared to Grant-in-Aid 2010/11, variance explanations are also provided.

REVENUE	Grant-in-aid £'000	Forecast Quarter 3 £'000	(Under)/Over £'000	Variance explanation
Administration				
Employee Costs	656	567	(89)	Turnover and vacant posts not filled or partially filled 10/11 (Support Assistant, Finance Officer and Cleaner). Also savings on staff hours being reduced and pension contributions budgeted but not realised.
Other costs	976	841	(135)	Mainly water charges being less than budget (£16k), savings on non-renewal of insurance (£77k) and support costs being less than budget (£34k)
	1,632	**1,408**	**(224)**	

3.1 **Continued**

REVENUE	Grant-in-aid £'000	Forecast Quarter 3 £'000	(Under)/Over £'000	Variance explanation
Maintenance of Bridges, Buildings etc				
Employee Costs	1,542	1,433	(109)	Turnover and vacant posts not filled or partially filled 10/11 (3 x Painter, 1 x Rigger, 1 x Bridge Inspector).
Other costs	673	641	(32)	Mainly under spends totalling £100k due to; Hanger Cradles not being delivered, maintenance equipment being capitalised and training costs not being incurred 10/11. These under spends have been partially off-set by £68k unbudgeted costs associated with gas monitoring in the Anchorages, air conditioning maintenance, extra use of the Rescue Launch due to capital projects and Bridge Carriageway snow clearing costs.
	2,215	**2,074**	**(141)**	
Traffic Operations				
Employee Costs	1,076	1,009	(67)	Non-contractual employee costs less than budgeted, mainly overtime and allowances.
Other costs	286	315	29	Additional Weather Emergency and de-icing agents costs as a result of heavy snow fall, offset by under spends in other areas of operations.
	1,362	**1,324**	**(38)**	
Income	(94)	(119)	(25)	Additional rental income due to increase being applied and income being recovered as a result of an accident on the bridge.
Net Revenue Expenditure	**5,115**	**4,687**	**(428)**	

3.2 The table below details the actual Capital Plan expenditure against Grant-in-Aid 2010/11, variance explanations are also provided.

CAPITAL	Grant-in-aid £'000	Forecast Quarter 3 £'000	(Under)/Over £'000	Variance notes
Parking Areas Landscaping & Reconstruction	200	328	128	The scope of reconstruction increased and the actual tender cost exceeded the estimate.
Tower Painting/Dropped Objects Canopy	250	318	68	Additional modifications required to painting cradle and support system.
Main Cable Dehumidification	307	371	64	Modification works were required for the project.
Main Expansion Joints Under Deck Access	1,638	1,225	(413)	The activity schedule for this project was revised. The project is now substantially complete.
Viaduct Bearing Replacement	5,022	6,046	1,024	The 2010/11 budget for this project was based on an anticipated spend profile prepared by the project Engineer, prior to the commencement of the contract. The contractor produced a revised forecast which varied from the original estimate. Works on this project are currently behind programme and as a result future year payments will increase on the project. At February the total project cost, including all cost to the contractor and consulting engineers, was forecast to be £16.625m. The budget for the project is £15.740m so this would represent on over spend of £0.885m if costs remained in-line with this forecast. However, it should be noted that the forecast is an early estimate and as a result further cost updates and reports will be provided to the Authority and Transport Scotland during 2011/12.
Other projects	855	766	(89)	Under spends totalling £232k relating to; an ongoing legal dispute causing work to be delayed and work being deferred on the Truss End Linkages and Cable Band Bolt Replacement. Additional costs though were incurred totalling £143k relating to additional studies being carried out on Tower Wind Barriers/Impact Strengthening. In addition to this, the actual tender cost exceeded the estimate for the Suspended Span Gantry Refurbishment.
Revenue costs of Capital Plan	458	801	343	Mainly additional Suspended Span Truss Strengthening investigation expenditure being brought forward, an increase in costs associated with the investigation of the Anchorages, costs relating to the A8000/M8 Spur being reclassified as Revenue Costs of Capital Plan and advance costs being incurred relating to the Main Cable Inspection
Advanced Capital Grant	1,400	0	(1,400)	Capital grant advanced to meet pressures 2010/11, mainly the Viaducts Bearing spend reprofile.
Total Capital	**10,130**	**9,855**	**(275)**	

4. RESERVES

4.1 The Reserve at 31st March 2010 was £5.459m.

4.2 The closing reserve based on an under spend against grant 2010/11 of £0.703m will therefore be £6.162m. The previous reserve estimate reported to the Authority and Transport Scotland was £4.160m, the difference of £2.002m is detailed in paragraph 1.1 and Tables 2.1 and 2.2.

4.3 Should Capital expenditure be incurred in-line with the budget of £10.859m during 2011/12, the Authority would require to fund £2.259m of Capital Plan expenditure from Reserves. Capital Grant received for 2011/12 totals £8.6m.

4.4 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 evaluated. No allowance has been made in the Capital Plan for the replacement of the Main Cables or the Anchorages.

	£'000
Opening Reserve 1st April 2010	(5,459)
Under spend 2010/11	(703)
Reserve 31st March 2011	**(6,162)**