

CORNWALL COUNCIL

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TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE**03 DECEMBER 2010****AGENDA NO. 4.3****REVENUE ESTIMATES AND CAPITAL PROGRAMME****Report by Joint Treasurers****1. INTRODUCTION**

This report sets out for consideration and approval, the proposed revenue estimates (budget) for the Joint Committee for 2011/12 and indicative figures for the subsequent three years 2012/13, 2013/14 and 2014/15 together with the proposed capital programme.

2. PROPOSALS**2.1 Key Assumptions**

The figures presented in this report include a number of adjustments to the financial model, to take account of changes in capital expenditure and related financing arrangements and to reflect current economic conditions for cost inflation and interest rates. Whilst the forecast cost of long term capital financing is unchanged at 4.5%, forecast levels of inflation and short term interest rates applicable to the funds held by the Joint Committee are now assumed as follows:

Rates	2011/12	2012/13	2013/14	2014/15
Inflation	2.0%	2.0%	2.0%	2.0%
Interest (Receivable)	0.5%	1.0%	1.0%	1.0%
Interest (Payable)	4.5%	4.5%	4.5%	4.5%

The figures include an assumed toll increase in 2014/15 of 10p to take in to account the reduction in the level of reserve held.

2.2 Revenue Budget and Summary of Variations

The proposed revenue budget is set out in Appendix 1. The variations between the latest 2010/11 forecast and the proposed 2011/12 budget are listed on page 5 of Appendix 1 – the later years covered by the revenue figures are indicative.

Some of the more significant items affecting the proposed budget are as follows:

Income

The income budget is reduced in comparison to the current year forecast. This reflects a 2% anticipated reduction in the cash toll income for the Bridge. This is a prudent approach to reflect the recent downturn in traffic flows, which is anticipated to continue.

Bridge

The revenue budget makes provision for the ongoing maintenance and operation of the Bridge and its infrastructure in line with current engineering best practice. The main changes from the current year forecast are:

- The re-categorisation of expenditure related to the repainting programme (protective coatings) as capital rather than revenue expenditure. This treatment has been reconsidered as part of the move to reporting under (International Financial Reporting Standards) IFRS and has been agreed with the Audit Commission.
- There are also a number of other repairs and maintenance issues which will cause costs to increase over the next few years, including major bridge inspections.

Ferries

The revenue budget also makes provision for the ongoing maintenance and operation of the ferries and their associated infrastructure in line with current engineering best practice. The main changes from the current year forecast are:

- Increases in the maintenance and repairs budgets for additional planned chain maintenance.
- Refurbishment works at Devonport.

Other

The addition of the remaining Park and Ride contribution of £82,000 in 2011/12 represents the main increase from the 2010/11 budget.

In 2013/14 the budget increases to provide an expenditure budget for the future proposed Toll Revision of £75,000.

Capital and other financing costs rise considerably over the period reflecting the capital spend detailed below.

2.3 Capital Programme

The proposed capital programme is shown in Appendix 2. This is based on projects which have been approved to date and schemes which are proposed. The programme now includes re-profiled expenditure on the replacement of the bridge handstrands and the phase one of the resurfacing works.

New items of proposed expenditure include:

- The gantry chain tunnel replacement scheme spanning 3 years, estimated at £225,000
- The bridge protective coating programme, formerly treated as revenue expenditure, now included in the capital programme at an estimated cost of £5,000,000 to start in 2011/12
- Ferry car park improvements proposed for 2011/12, estimated at £15,000
- The footpath 24 reinstatement at the Saltash end of the Bridge is included in 2011/12, estimated at £210,000
- Plaza canopy access works at the Bridge are proposed for 2011/12 at an estimated cost of £40,000
- Devonport traffic control system replacement is included in the 2012/13 programme at an estimated cost of £26,000
- The replacement of the main joint on the Bridge is proposed for the 2012/13 programme at an estimated cost of £500,000
- The Bridge's structural monitoring system is proposed for replacement as part of the 2014/15 programme at an estimated cost of £100,000

A significant project included in the programme is the proposed redevelopment of the Bridge offices, car park and adjacent land scheduled for 2012/13 at an estimated cost of £4.6m. This project would provide new or upgraded office and

operations accommodation and improved facilities for the public, particularly in respect of access for the mobility impaired. Feasibility work on the project is nearing completion and it is proposed that a business case be brought to a future meeting of the Joint Committee in support of this project.

In order to safeguard the reserves of the Joint Committee, it is planned that the financing of these capital projects will be undertaken primarily through the advance of funding from Cornwall Council (in effect borrowing) in line with recent practice. This is reflected in the financing costs included in the revenue budget.

3. OFFICER CONSULTATION

Any relevant financial issues arising from this report have been considered by the Joint Treasurers. Name of Joint Treasurers: Hugh Emsden, Kay Fice

The author considers that there are no legal issues arising from this report.

or

Legal issues arising from this report have been considered by the Joint Clerk and advice has been received that the recommendation(s) can be made.
Name of Joint Clerk:

4. RECOMMENDATION

The Joint Committee recommend that the constituent authorities approve:

- (a) the proposed revenue budget for 2011/12 as set out in Appendix 1;
- (b) the proposed capital programme as set out in Appendix 2, including provisional approval of the bridge office development subject to a satisfactory business case; and
- (c) that the longer term revenue forecast to 2014/15 be noted.

CHIEF OFFICER

MICHAEL CRICH
Joint Treasurer (Cornwall)

ADAM BROOME
Joint Treasurer (Plymouth)

APPENDICES

Appendix 1 Revenue Estimates 2010/11
Appendix 2 Capital Programme 2010/11 to 2014/15
Appendix 3 Statement of Reserves 2010/11 to 2014/15

List of Background Documents (under provisions of the Local Government (Access to Information) Act 1985):

None

TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE

**Revenue Budget 2011/12
and Indicative Projections for 2012/13 to 2014/15**

List of Contents

<i>Overall Summary</i>	<i>Page 1</i>
<i>Corporate Estimates</i>	<i>Page 2</i>
<i>Bridge Operation Estimates</i>	<i>Page 3</i>
<i>Ferry Operation Estimates</i>	<i>Page 4</i>
<i>Analysis of Variations</i>	<i>Page 5</i>

TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE

OVERALL SUMMARY	2010/11 Forecast £' 000	2011/12 Budget £' 000	2012/13 Indicative £' 000	2013/14 Indicative £' 000	2014/15 Indicative £' 000
Operational Summary					
Income	(10,260)	(10,172)	(10,179)	(10,186)	(10,826)
Expenditure					
Corporate	438	559	489	575	510
Bridge Operations	2,509	2,469	2,826	3,180	3,112
Ferry Operations	4,572	4,781	4,797	4,891	5,010
	7,519	7,809	8,112	8,646	8,632
Operating (Surplus)/Deficit	(2,741)	(2,363)	(2,067)	(1,540)	(2,194)
Interest on CC financing	860	871	957	1,229	1,267
Interest on Joint Committee balances	(13)	(14)	(30)	(30)	(25)
Capital Expenditure financed from Revenue	26	15	0	0	0
Contribution to CC MRP	865	909	1,022	1,304	1,390
Overall (Surplus)/Deficit on Undertaking	(1,003)	(582)	(118)	963	438
Reserve Balance brought forward	(800)	(1,803)	(2,385)	(2,503)	(1,540)
Reserve Balance carried forward	(1,803)	(2,385)	(2,503)	(1,540)	(1,102)

TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE

CORPORATE	2010/11 Forecast £' 000	2011/12 Budget £' 000	2012/13 Indicative £' 000	2013/14 Indicative £' 000	2014/15 Indicative £' 000
INCOME					
Tolls					
Toll income - Bridge	(4,774)	(4,679)	(4,679)	(4,679)	(4,983)
Toll income - Ferry	(649)	(649)	(649)	(649)	(692)
Concessionary toll income - Bridge	(3,881)	(3,881)	(3,881)	(3,881)	(4,133)
Concessionary toll income - Ferry	(520)	(520)	(520)	(520)	(554)
	(9,824)	(9,729)	(9,729)	(9,729)	(10,362)
Other					
Saltash Tunnel control	(328)	(335)	(341)	(348)	(355)
Tag statements	(13)	(13)	(13)	(13)	(13)
Other income	(95)	(95)	(96)	(96)	(96)
	(436)	(443)	(450)	(457)	(464)
TOTAL INCOME	(10,260)	(10,172)	(10,179)	(10,186)	(10,826)
EXPENDITURE					
Other Expenditure					
Support services	66	67	69	70	71
Tag statements	34	39	42	45	46
Purchase of tags	259	314	320	326	333
Bank charges	26	27	27	28	28
Internal Audit fees	12	12	13	13	13
External Audit fees	18	18	18	18	19
Reimbursement of vouchers	5	0	0	0	0
Toll revision	0	0	0	75	0
Park & Ride contribution	18	82	0	0	0
TOTAL EXPENDITURE	438	559	489	575	510

TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE

BRIDGE OPERATIONS	2010/11 Forecast £' 000	2011/12 Budget £' 000	2012/13 Indicative £' 000	2013/14 Indicative £' 000	2014/15 Indicative £' 000
Employees					
Salaries and wages	753	797	813	829	846
Agency staff	69	40	41	42	43
Indirect employee expenses	17	18	18	18	19
Premises					
Repair and maintenance - buildings & grounds	67	60	62	63	64
Repair and maintenance - bridge & infrastructure	408	183	400	539	390
Bridge & gantry inspections	95	208	307	496	528
Energy costs, water, rent and rates	56	57	58	60	61
Insurances	9	14	15	16	17
Other premises costs	10	10	10	10	10
Transport Related Expenses					
Staff travel	9	9	10	10	10
Supplies & Services					
Operational expenses	210	221	230	235	240
Office expenses	119	137	133	136	153
Insurances	11	12	12	13	13
Toll collection & banking	447	469	478	487	497
Breakdown recovery	156	159	162	166	169
Other expenses	37	38	39	21	13
Support service charges	36	37	38	39	39
Net Expenditure - Bridge Operations	2,509	2,469	2,826	3,180	3,112

TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE

FERRY OPERATIONS	2010/11 Forecast £' 000	2011/12 Budget £' 000	2012/13 Indicative £' 000	2013/14 Indicative £' 000	2014/15 Indicative £' 000
Employees					
Salaries and wages	2,655	2,699	2,753	2,808	2,864
Agency staff	6	6	7	7	7
Indirect employee expenses	46	60	60	62	63
Premises					
Repair and maintenance - buildings & grounds	32	72	34	35	35
Energy costs, water, rent and rates	68	70	72	75	78
Other premises costs	44	50	51	52	53
Transport Related Expenses					
Staff travel	10	10	10	11	11
Supplies & Services					
Repair & maintenance - ferries & infrastructure	548	600	576	579	592
Annual refit - ferries	470	512	523	533	544
Fuel costs	248	253	258	263	268
Insurances	96	101	105	111	116
Operational expenses	183	184	188	191	195
Office expenses	96	115	109	112	130
Other expenses	31	10	11	11	12
Support service charges	39	39	40	41	42
Net Expenditure - Ferry Operations	4,572	4,781	4,797	4,891	5,010

Variations between the 2010/11 and 2011/12 Estimates

The variation of £564,000 between the estimated overall net surplus for 2010/11 of £1,003,000 and the 2011/12 estimated overall net surplus of £429,000 is made up as follows:

	£'000	£'000	£'000
Revenue			
Corporate			
Inflation for prices	8		
Increased cost of Tamar Tag replacements	50		
Reduction of voucher reimbursement costs	(5)		
Park and Ride contribution carried forward	64		
Other costs	4		
	<hr/>	121	
Bridge			
Inflation for pay awards and prices	51		
Increased employee costs due to prior year reduction	29		
Reduced agency costs due to prior year increase	(30)		
R & M of bridge and infrastructure	76		
Change from R & M painting (revenue) to major programme (capital)	(309)		
Additional inspections in 2011/12	111		
Toll collection	13		
Increased computing costs	12		
Other costs	7		
	<hr/>	(40)	
Ferry			
Inflation for pay awards and prices	95		
R & M of buildings and grounds	40		
R & M of ferries and infrastructure	40		
Increased ferry refit costs due to prior year one off savings	33		
Increased computing costs	14		
Rendel Park one off costs in prior year	(20)		
Other costs	7		
	<hr/>	209	
Income			
Inflation on other income	(7)		
Reduced Bridge cash tolls	238		
	<hr/>	231	
Change in Revenue Surplus/Deficit			521
Other			
Interest payments on capital financing		11	
Interest on balances		(1)	
Capital financed from revenue		(11)	
Contribution to CCC MRP		44	
		<hr/>	43
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TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE

Capital Programme 2010/11 to 2014/15

TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE

CAPITAL PROGRAMME	Payments to 2009/10 £'000	Forecast 2010/11 £'000	Capital Programme 2011/12 £'000	Capital Programme 2012/13 £'000	Capital Programme 2013/14 £'000	Capital Programme 2014/15 £'000	Estimated Final Cost Total £'000
1997-98 Programme							
Rendel Park	205	0	0	0	0	0	205
	205	0	0	0	0	0	205
2004-05 Programme							
Ferry Infrastructure	3,890	16	0	0	0	0	3,906
	3,890	16	0	0	0	0	3,906
2005-2006 Programme							
Electronic Tolling	5,331	0	0	0	0	0	5,331
	5,331	0	0	0	0	0	5,331
2006-07 Programme							
Advance Signing	116	0	0	0	0	0	116
	116	0	0	0	0	0	116
2007-2008 Programme							
Bridge Access Works	52	338	301	0	0	0	691
	52	338	301	0	0	0	691
2008-09 Programme							
Bridge WIM	0	50	100	0	0	0	150
Ferry Marshalling Area	22	3	0	0	0	0	25
Bridge Office Feasibility Study	9	0	0	0	0	0	9
Bridge Car Park	4	0	0	0	0	0	4
Illuminated Road Studs	0	600	0	0	0	0	600
Bridge Handstrands	0	0	500	0	0	0	500
Bridge Anchorage Chambers	73	7	0	0	0	0	80
	108	660	600	0	0	0	1,368
2010-11 Programme							
Storage Building Devonport	0	40	0	0	0	0	40
Resurfacing Works - Phase 1	0	0	600	0	0	0	600
Bridge Protective Coating	0	0	1,000	2,100	1,900	0	5,000
Gantry Chain Tunnel Replacement	0	75	75	75	0	0	225
	0	115	1,675	2,175	1,900	0	5,865
2011-12 Programme							
Ferry Car Park Improvements	0	0	15	0	0	0	15
Footpath 24 Reinstatement	0	0	210	0	0	0	210
Plaza Canopy Access Works	0	0	40	0	0	0	40
	0	0	265	0	0	0	265
2012-13 Programme							
Bridge Office Development	0	0	0	4,600	0	0	4,600
Devonport Traffic Control System	0	0	0	26	0	0	26
Bridge Main Joint Replacement	0	0	0	250	250	0	500
	0	0	0	4,876	250	0	5,126
2014-15 Programme							
Bridge Structural Monitoring System	0	0	0	0	0	100	100
	0	0	0	0	0	100	100
TOTAL CAPITAL PROGRAMME	9,702	1,129	2,841	7,051	2,150	100	22,973
FUNDING							
CC Financing	8,083	1,103	2,826	7,051	2,150	100	21,313
Capital Receipts	20	0	0	0	0	0	20
Revenue Contributions	1,599	26	15	0	0	0	1,640
TOTAL FUNDING	9,702	1,129	2,841	7,051	2,150	100	22,973

TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE

**Statement of Estimated Reserves
for 2010/11 to 2014/15**

TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE

RESERVES AND PROVISIONS	2010/11 Forecast £' 000	2011/12 Budget £' 000	2012/13 Indicative £' 000	2013/14 Indicative £' 000	2014/15 Indicative £' 000
RESERVES					
General Reserve					
Balance brought forward	(800)	(1,803)	(2,385)	(2,503)	(1,540)
Net movement for year	(1,003)	(582)	(118)	963	438
	(1,803)	(2,385)	(2,503)	(1,540)	(1,102)