

Cornwall Council

Report to: **Tamar Bridge & Torpoint Ferry Joint Committee**

Date: **6th December 2013**

Title: **2014/15 Revenue Estimates & Capital Programme**

Portfolio Holder(s) **Bert Biscoe (CC), Transport & Waste**
Mark Coker (PCC), Cabinet Member for Transport

Divisions Affected **All**

Relevant Portfolio Advisory Committee: **Transport & Waste**

Key Decision: **N/A** Approval and clearance obtained: **Y**

Urgent Decision: **N/A** Implementation Date: **N/A**

If Key Decision - on Forward Plan? **N/A** If not on Forward Plan – Procedure 16 or 17 used? **N/A**

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Recommendations:

The Joint Committee recommend that the constituent authorities approve:

- (a) the proposed revenue budget for 2014/15 as set out in Appendix 1;
- (b) the proposed capital programme as set out in Appendix 2; and
- (c) that the longer term revenue forecast to 2017/18 be noted.

1. Executive Summary:

This report sets out for consideration and approval, the proposed revenue estimates (budget) for the Joint Committee for 2014/15 and indicative figures for the subsequent three years 2015/16, 2016/17 and 2017/18, together with the proposed capital programme.

2. Background and Corporate Objectives:

The Tamar Bridge and Torpoint Ferry (TBTF) are operated, maintained and improved jointly by Plymouth City Council and Cornwall Council on a 'user pays' principle, being funded by toll income using powers derived from the Tamar Bridge Act. The finances of the joint undertaking are effectively ring-fenced by the Act and it is operated as a self-financing business.

The current reserves balance stands at £3.65m, however flat traffic levels coupled with increasing costs have led to the reserve levels projected to deplete towards the determined appropriate minimum level of £2m by the end of the 2014/15 financial year.

Income workshops with members and officers have continued throughout 2013, to consider the possibility of making an application to the Department of Transport for an increase in the toll crossing fee and/or the possibility of implementing a monthly Tag fee on account holders.

At the meeting of the last Joint Committee (13 September 2013), the General Manager presented an Income Strategy report and it was resolved that a monthly Tag fee would be applied to Tag accounts as the preferred income strategy, for recommendation to the respective Cabinets (Cornwall and Plymouth City Council).

It was also resolved that the General Manager, in conjunction with the Joint Chairmen, would undertake a voluntary consultation on the Joint Committees preferred option.

For budgeting purposes, the Tag fee has been incorporated into these estimates taking effect from 1 April 2014 and at a charge of 80 pence per month on Tag accounts. This is however subject to the Income Strategy approval at this meeting.

3. Decision and Supporting Information (Including Options):

The Joint Committee has been reviewing income and projected reserve levels through a series of workshops held over the last two years. It was resolved at the last meeting of the Joint Committee that the preferred income strategy for recommendation to the respective Cabinets is to apply a monthly fee to the Tag accounts, rather than apply a toll increase.

The Joint Committee will further consider its position in relation to Tag account fees at this meeting.

4. Contributions to Corporate Priorities:

Optimising the use of Corporate Resources.

5. Financial Implications and Budget:

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. The forecast cost of long term capital financing varies slightly each year, but is currently anticipated at approximately 4.4%. The forecast levels of general inflation and short term interest rates applicable to the funds held by the Joint Committee are now assumed as follows:

Rates	2014/15	2015/16	2016/17	2017/18
Inflation	2.00%	2.00%	2.00%	2.00%
Interest (Receivable)	0.40%	0.40%	0.70%	1.00%
Interest (Payable)	4.41%	4.36%	4.36%	4.36%

Revenue Budget and Summary of Variations

The proposed revenue budget is set out in Appendix 1. The variations between the latest 2013/14 forecast and the proposed 2014/15 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:

Corporate

Income

Indications at this stage of the financial year show that traffic levels are continuing to remain 'flat'. In recognition of this, both the revised 2013/14 and future years' budgets for cash and toll income have been adjusted to reflect the actual income received during 2012/13, as a prudent approach.

A new budget line has been added in respect of the new Tag account fee, which is anticipated to take effect from 1 April 2014 (subject to Income Strategy approval). It is estimated that this will raise an additional £506,000 per annum.

Expenditure

Following the decision by the Joint Committee in September 2013 to introduce the Tag fee as the preferred strategy (as opposed to an increase in tolls), there are no further costs anticipated for 2014/2015 onwards against the provision made to meet costs associated with a toll revision.

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 previous year are:

- An increase of £44k in respect of Salaries, Wages and Agency Costs, as vacant and new posts are recruited and anticipated increases in pension costs are accommodated
- A significant increase of £270k in R&M Building - Planned Maintenance, in respect of a replacement roof, toilet upgrade, replacement of structural single glazing for the first floor and reorganisation of accommodation to provide appropriate space for IT equipment and maximise available accommodation for operational purposes
- There is a reduction of £110k to the maintenance of the Bridge and Infrastructure, specifically with regards to non-capital painting works
- The level of inspections required to the Bridge and gantries is expected to be significantly higher during 2014/15, with an increase in budget of £480k. Some of this work has however been re-profiled from 2013/14. The budget then reduces down over future years.
- An additional cost of £50k is provided to outsource the conversion of paper Tag account files to an e-format and to provide the equipment necessary to locally maintain the system

Ferry

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.

One of the main changes from the previous year is a reduction of £50k in the budget for repairs and maintenance of the Ferry Infrastructure, following completion of the chain gantry renovation works.

There is a corresponding increase of £50k in the Toll Equipment Budget, due to the requirement to replace palmtop computers (PDA's) which have been superseded, the associated printers and the software development costs necessary to enable applications to work with the current operating systems.

Capital Programme

The proposed capital programme is shown in Appendix 2. The projects detailed under 'Current Programme' have already been approved. A new scheme 'Bridge Resurfacing Works – Phase 2' has been included under 'Future Programme' and at this stage it is provided within the future year's indicative budget, for information only. A full business case will be developed by the General Manager and presented to a future Joint Committee.

As advised at the September Joint Committee, work has now been undertaken by officers to assess the current capital programme and the revised estimate for 2013/14 is now anticipated at £1.152m, a reduction of £2.462m. In general, this reduction in the current year has been re-profiled across future years.

Bridge Access Works – The contract has now been awarded and a revised estimate and profile has been established.

Bridge Weigh-in-Motion – Specification work in conjunction with a structural monitoring system will be undertaken during 2013/14, with the main work expected to be undertaken during 2014/15.

Bridge Handstrands – Inspection and specification work to be undertaken during 2013/14, with the majority of the work currently estimated to take place during 2014/15.

Bridge Protective Coating – This is the most significant item within the capital programme and is currently estimated at £4.659m, a reduction of £341k. This scheme has now been re-profiled more evenly across a period of six/seven years, aligning with a new specification. There is also a significant risk that the overall estimate may need revision upwards based on ongoing technical evaluation of the current condition of the structure and determination of the preferred coating systems based on risk and life cost, which will develop over the period to 2017/18. Further updates on this matter will be brought to the attention of the Joint Committee as the works progress.

Footpath 24 Reinstatement – The scope of this project has been significantly reduced and the final invoice is due shortly.

Bridge Main Joint Replacement – The majority of the work is now scheduled to take place during 2014/15.

Bridge Half Joint Replacement – The work is scheduled for 2014/15.

For the remaining schemes, there is currently no further anticipated change to the existing estimate or profile.

The Bridge Office Development scheme is currently subject to a feasibility study and has not been included here. Following the outcome of this study

a full business case will be presented to the Joint Committee for consideration.

As established within last years budget report, the financing of all capital projects is currently undertaken through the advance of funding from Cornwall Council (in effect borrowing). This is in order to mitigate the effect on the revenue budget and therefore the level of reserves held by the Joint Committee. The financing costs are reflected within the revenue budget.

6. Other Resourcing Implications:

None

7. Legal Implications:

None

8. Equality Impact Assessment:

The content of this report is such that an Equality Impact Assessment is not required.

9. Significant risks:

A risk register and mitigation measures are included in the Tamar Bridge & Torpoint Ferry Business Plan 2013-2017.

10. Consultation including Portfolio Advisory Committee and Local Member Representation:

None

Supporting Information

Appendices:

Appendix 1 Revenue Estimates 2013/14 (revised) and 2014/15 and indicative projections for 2015/16-2017/18

Appendix 2 Capital Programme 2013/14 to 2017/18

Background Papers:

None

Approval and Clearance of Report

All Reports:

Final Report Sign Offs	This report has been cleared by OR not significant/ not required	Date
Finance Required for all reports	Wayne Rickard	26.11.13
Legal (if significant/required)	Not required	
Equality Impact Assessment (if significant/required)	Not required	
Human Resources (if significant/required)	Not required	
Property (if significant/required)	Not required	
Procurement (if significant/required)	Not required	
Information Services (if significant/required)	Not required	