

Cornwall Council

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

Date: **24th November 2016**

Title: **2017/18 Revenue Estimates & Capital Programme**

Portfolio Area **Transport & Waste**

Divisions Affected **All**

Relevant Scrutiny Committee: **Scrutiny Management Committee**

Relevant Portfolio Advisory Committee (Cabinet (executive) decisions):
Transport & Waste

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

Urgent Decision: **N** Date next steps can be taken: **N/A**
(e.g. referral on of recommendation or implementation of substantive decision)

Appropriate pre-decision notification given where an executive Decision? **Y**

Author: **Julia Harvey** Role: **Service Accountant**
Andrew Vallance **Business Manager**

Contact: **01872 324944** jaharvey@cornwall.gov.uk
01752 361577 andrew.vallance@tamarcrossings.org.uk

Recommendations:

The Joint Committee recommends that the constituent authorities approve:

1. the proposed revenue budget for 2017/18 as set out in Appendix 1;
2. the proposed capital programme as set out in Appendix 2; and
3. that the longer term forecast to 2020/21 be noted.

Cornwall Council

1. Executive summary

This report sets out for consideration and approval, the proposed revenue estimates (budget) for the Joint Committee for 2017/18 and indicative figures for the subsequent three years 2018/19, 2019/20 and 2020/21, together with the proposed capital programme.

The reserve position at 31 March 2018 is forecast to be £3.872m. Indicatively, future years show that the reserve position will then decrease year on year dropping below £2.000m during 2019/20.

2. Background

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 reserve balance at the beginning of this financial year stood at £3.923m.

3. Outcomes/outputs

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 is currently anticipated at 4.53%. 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	2017/18	2018/19	2019/20	2020/21
Inflation	2.00%	2.00%	2.00%	2.00%
Interest (Receivable)	0.25%	1.00%	1.00%	1.00%
Interest (Payable)	4.53%	4.53%	4.53%	4.53%

Cornwall Council

Revenue Budget and Summary of Variations

The proposed revenue budget is set out in Appendix 1. The variations between the latest 2016/17 forecast and the proposed 2017/18 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

- Reduction in bank charges of £0.025m due to merchant provider costs expected to reduce.
- A £0.040m reduction in Tag Statement production through bringing the process in house.
- Removal of the £0.020m contribution for the Plymouth City Council park and ride study.

An increase to income has been applied at the Ferry only. Any increase of income at the Bridge is likely to be affected by major works required for the suspension system remedial works and kerb and waterproofing improvements and therefore the Bridge income level remains static.

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 £0.580m for the toll equipment refit project costs consolidating budget provision over several years and representing an overall reduction in anticipated costs.
- An increase of £0.128m for IT server software and installation of PC hardware in relation to the new office development
- Reinstatement of £0.072m in respect of Grounds Maintenance following delay in works during 2016/17
- Removal of £0.050m increase to the 2015/16 budget for additional painting to cover hand strand, main cable and other areas not included within capital spend.

Cornwall Council

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. The main changes from the previous year are:

- Additional £0.175m provision to carry out stabilisation works to the yard rock face, further discussion is required to establish whether this is capital work.
- Additional £0.097m staffing and salary costs for pay award increases, increments, NI and superannuation rate increases
- Additional £0.075m to allow for slipway grouting works within Shore Infrastructure.
- Addition of £0.050m for Ferry Refit to carry out preliminary works and to contract professional support for the tender specification
- Additional £0.040m for IT server software and installation of PC hardware in line with improvements at the new office development

Capital Programme

The proposed capital programme is shown in Appendix 2. The projects detailed under 'Current Programme' have already been approved.

Bridge Resurfacing Works – Phase 2 has been included under Future Programme and remains within the future years' indicative budget, for information only.

Work has now been undertaken by officers to assess the current capital programme and the revised estimate for 2016/17 is now anticipated at £1.355m, a reduction of £2.795m. In general, this reduction in the current year has been re-profiled across future years.

- Bridge Protective Coating – The scheme has been re-profiled and expected to now complete during 2018/19
- Bridge Structure Monitoring System – This £0.100m scheme is now due to be completed within 2017/18
- Bridge Office Development – Details of increased costs and have been provided in the General Managers report. An increase in total forecast cost from £3.970m to £4.700m has been incorporated into

Cornwall Council

the capital programme for approval. The scheme has been profiled with the majority of expenditure during 2017/18 and 2018/19.

- Bridge Kerb Units and Waterproofing Improvements has been re-profiled with the majority of expenditure to now take place during 2017/18 and 2018/19. The forecast remains at £3.850m.
- Suspension System Remedial Works - £6.000m has been added to the capital programme for approval and expenditure will take place during 2017/18 and 2018/19. Details of the scheme have been provided in a separate report.
- Bridge Resurfacing Works have been included in the capital programme for 2018/19 and 2019/20 and remain for information only at this stage.

In response to Members comments on the financing of the capital programme, a workshop was held on 27 May 2016 to explore the differing financial implications of using borrowing, reserves or revenue contributions. It is recommended that large scale capital projects, such as the Suspension System Remedial works programme as outlined above, are funded from borrowing. To fund the cost of the project from revenue or reserves would have a significant impact and require a toll review.

Following the recommendations from the workshop, officers continue to review the capital programme and identify smaller scale work that could be funded from in year revenue underspends, or reserves, without significantly advancing the timing of the critical forecast reserves position.

Reserves

The reserve position as at the 31 March 2018 (Appendix 3) is forecast to be £3.872m. Indicatively, future years show that the reserve position will decrease year on year. The forecast 2018/19 end of year reserve position is £2.489m and the 2019/20 forecast outturn is for a further reduction to £0.443m. These forecasts assume no increase in tolls but suitable changes effective in April 2019 would ensure that the reserve level remains above £2.000m.

4. Options available and consideration of risk

This budget paper sets out the financial plan of the Joint Committee for 2016/17 and indicative future years. This enables consideration of the balances available, informs decision making and enables risks to be appropriately managed.

5. Proposed Way Forward

Cornwall Council

The decision is sought that the Joint Committee recommends that the constituent authorities approve:

1. the proposed revenue budget for 2017/18 as set out in Appendix 1;
2. the proposed capital programme as set out in Appendix 2; and
3. That the longer term forecast to 2020/21 be noted.

6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	N	None arising directly from this report.
Financial	N	The financial implications are as set out in the body of this report. The Joint Committee needs to be mindful of the need to operate within the agreed minimum level of reserves of £2m.
Risk		A risk register and mitigation measures are included in the Tamar Bridge & Torpoint Ferry Business Plan 2015-2019.
Comprehensive Impact Assessment Implications		
Equality and Diversity		There are no Equality and Diversity implications associated with this report.
Safeguarding		There are no Safeguarding implications associated with this report.
Information Management		There are no Information Management implications associated with this report.
Community Safety, Crime and Disorder		This report has no impact upon crime and disorder reduction.
Health, Safety and Wellbeing		There are no Health, Safety and Wellbeing implications associated with this report.
Other implications		None.

Cornwall Council

Supporting Information

Appendices:

Appendix 1 Revenue Estimates 2016/17 (revised) and 2017/18 and indicative projections for 2018/19-2020/21

Appendix 2 Capital Programme 2016/17 to 2020/21

Appendix 3 Statement of Estimated Reserves 2016/17 to 2020/21

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
Legal (if significant/required)	Simon Mansell	16.11.16
Finance Required for all reports	Leah Thomas, Interim Strategic Finance Manager	17.11.2016
Equality and Diversity	Not required	

**Revenue Budget 2017/18
and Indicative Projections for 2018/19 to 2020/2021**

<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	2016/17 Original Budget £'000	2016/17 Revised Forecast £' 000	2017/18 Budget £' 000	2018/19 Indicative £' 000	2019/20 Indicative £' 000	2020/21 Indicative £' 000
Operational Summary						
Income	(11,046)	(11,205)	(11,218)	(11,201)	(11,187)	(11,388)
Expenditure						
Corporate	429	457	382	465	397	405
Bridge Operations	3,528	3,378	4,234	3,531	3,589	3,637
Ferry Operations	4,810	4,749	5,264	5,796	5,904	5,971
	8,767	8,584	9,880	9,792	9,890	10,013
Operating (Surplus)/Deficit	(2,279)	(2,621)	(1,338)	(1,409)	(1,297)	(1,375)
Interest on CC financing	903	867	1,017	1,367	1,558	1,533
Interest on Joint Committee balances	(6)	(6)	(6)	(24)	(24)	(14)
Capital Expenditure financed from Revenue	0	0	0	0	0	0
Contribution to CC MRP	1,048	1,042	1,096	1,449	1,809	1,914
Overall (Surplus)/Deficit on Undertaking	(334)	(718)	769	1,383	2,046	2,058
Reserve Balance brought forward	(2,845)	(3,923)	(4,641)	(3,872)	(2,489)	(443)
Reserve Balance carried forward	(3,179)	(4,641)	(3,872)	(2,489)	(443)	1,615

TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE

CORPORATE	2016/17 Original Budget £'000	2016/17 Revised Forecast £' 000	2017/18 Budget £' 000	2018/19 Indicative £' 000	2019/20 Indicative £' 000	2020/21 Indicative £' 000
INCOME						
Tolls						
Toll income - Bridge	(4,925)	(5,064)	(5,064)	(5,064)	(5,064)	(5,166)
Toll income - Ferry	(659)	(659)	(666)	(673)	(673)	(673)
Concessionary toll income - Bridge	(3,996)	(4,015)	(4,015)	(4,015)	(4,015)	(4,096)
Concessionary toll income - Ferry	(519)	(519)	(524)	(529)	(529)	(529)
	(10,099)	(10,257)	(10,269)	(10,281)	(10,281)	(10,464)
Other						
Tag Account Fee	(506)	(506)	(506)	(506)	(506)	(516)
Saltash Tunnel control	(333)	(324)	(327)	(330)	(333)	(340)
Tag statements	(1)	(4)	(2)	0	0	0
Other income	(107)	(114)	(114)	(84)	(67)	(68)
	(947)	(948)	(949)	(920)	(906)	(924)
TOTAL INCOME	(11,046)	(11,205)	(11,218)	(11,201)	(11,187)	(11,388)
EXPENDITURE						
Other Expenditure						
Support services	50	62	63	65	66	67
Tag statements	28	55	16	16	17	17
Purchase of tags	203	203	208	212	216	220
Bank charges	78	78	54	55	56	57
Internal Audit fees	8	8	8	8	8	9
External Audit fees	11	0	0	0	0	0
Consultants	31	31	32	33	33	34
Professional Fees	20	20	1	1	1	1
Cost of Toll Review	0	0	0	75	0	0
TOTAL EXPENDITURE	429	457	382	465	397	405

TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE

BRIDGE OPERATIONS	2016/17 Original Budget £'000	2016/17 Revised Forecast £' 000	2017/18 Budget £' 000	2018/19 Indicative £' 000	2019/20 Indicative £' 000	2020/21 Indicative £' 000
Employees						
Salaries and wages	918	975	1,011	1,028	1,046	1,067
Agency staff	20	60	21	22	22	22
Indirect employee expenses	16	18	21	21	22	23
Premises						
Repair and maintenance - buildings & grounds	135	58	130	75	56	58
Repair and maintenance - bridge & infrastructure	479	579	541	551	562	574
Bridge & gantry inspections	269	269	274	279	285	291
Energy costs, water, rent and rates	71	71	73	74	76	77
Insurances	67	27	27	28	28	29
Other premises costs	16	16	16	36	36	37
Transport Related Expenses						
Staff travel	31	16	17	17	17	18
Supplies & Services						
Operational expenses	481	292	909	339	346	356
Office expenses	272	293	476	330	337	303
Toll collection & banking	538	508	528	559	581	604
Breakdown recovery	134	134	137	140	142	145
Other expenses	43	41	43	22	23	23
Support service charges	38	21	10	10	10	10
Net Expenditure - Bridge Operations	3,528	3,378	4,234	3,531	3,589	3,637

TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE

FERRY OPERATIONS	2016/17 Original Budget £'000	2016/17 Revised Forecast £' 000	2017/18 Budget £' 000	2018/19 Indicative £' 000	2019/20 Indicative £' 000	2020/21 Indicative £' 000
Employees						
Salaries and wages	2,864	2,952	3,049	3,101	3,154	3,217
Agency staff	26	75	52	20	20	21
Indirect employee expenses	64	108	112	73	75	76
Premises						
Repair and maintenance - buildings & grounds	90	59	260	240	245	250
Energy costs, water, rent and rates	79	77	79	80	82	84
Other premises costs	67	70	72	74	75	77
Transport Related Expenses						
Staff travel	20	27	28	28	29	29
Supplies & Services						
Repair & maintenance - ferries & infrastructure	747	540	626	563	575	586
Annual refit - ferries	0	0	50	751	766	731
Fuel costs (Marine Gas Oil)	245	245	245	250	255	260
Insurances	117	122	124	127	129	132
Operational expenses	201	201	211	155	158	161
Office expenses	219	226	306	284	289	295
Other expenses	24	21	23	23	24	24
Support service charges	47	26	27	27	28	28
Net Expenditure - Ferry Operations	4,810	4,749	5,264	5,796	5,904	5,971

Variations between the Revised 2016/17 and 2017/18 Original Estimates

The variation of £1.487m between the revised estimated overall net surplus for 2016/2017 of £0.718m and the 2017/2018 estimated overall net cost of £0.769m is accounted for as follows:

	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Corporate			
Inflation for prices (net)	10		
Reduction in Bank Charges of £25k in merchant provider costs	(25)		
Tag Statement Production reduction of £40k costs due to processing in house	(40)		
Professional Fees reduction of £20k, removal of contribution to Park & Ride study	(20)		
Reduction of Tag Statement Income assuming provision of statements ceasing in 2017-18	2		
Increase in Cash Toll (Ferry), anticipated increase to Bridge closures	(7)		
Increase in Tag Toll (Ferry), anticipated increase related to Bridge closures	(5)		
Increase in Saltash Tunnel Income, 1% Infl	(3)		
	<hr/>	(88)	
Bridge			
Increases for pay awards, increments, Ni and Superann rates etc.	36		
Reduction in agency staff costs - stability of workforce	(39)		
HSE Training provision	3		
Removal of R&M Painting to cover handstrand, main cable and other areas not within capital spend added in 2015-16	(50)		
Reinstatement of budget in 2017/18 following delay to works in 2016/17	72		
New and upgraded CCTV systems	25		
Health & Safety equipment, increase provision for new office development - fire safety equipment	3		
Rebranding of uniforms	2		
New furniture requirements for new office development	30		
Increase for toll equipment refit project costs consolidating budget provision over several years	580		
Toll e-cash processing solution	10		
IT server software and instal of PC hardware for new office development	128		
Additional line rental costs for new telephone system re new office development	25		
Reduction for removal of redundant broadband connections	(5)		
Inflation for goods and services	45		
Small increase in conference and hotel expenses	2		
Reduction in remaining provision of HR support provided by Plymouth City Council	(11)		
	<hr/>	856	
Ferry			
Increases for pay award, increments, NI and Superann rates.	97		
Agency staff, removal of 16/17 charge for temporary HR support	(25)		
Grounds Maintenance increase required for flat roof, windows & workshop	25		
Additional provision to carry out stabilisation works to the yard rock-face	175		
Shore Infrastructure Repairs and Maintenance increase for Slipway grouting	75		
Ferry Refit - preliminary works, long lead equipment and professional support for tender specification	50		
Uniforms and clothing reduction	(10)		
Toll Equipment refit costs	15		
New DMS and associated processes	10		
IT server software and instal of PC hardware upgraded for new office development	40		
Additional line rental costs for new telephone system re new office development	25		
Inflation for goods and services	38		
	<hr/>	515	
Change in Operational (Surplus)/Deficit			1,283
Other			
Interest payments on capital financing		150	
Contribution to CC MRP		54	
		<hr/>	204
			<hr/> <hr/> 1,487

* Highlighted lines denote where variations are included in the written report

TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE

Capital Programme 2016/2017 to 2020/2021

TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE

CAPITAL PROGRAMME	Actual	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated
	Payments to 2015/16 £'000	Payments 2016/17 £'000	Payments 2017/18 £'000	Payments 2018/19 £'000	Payments 2019/20 £'000	Payments 2020/21 £'000	Final Cost Total £'000
Completed Schemes							
Rendel Park	205	0	0	0	0	0	205
Ferry Infrastructure	3,890	0	0	0	0	0	3,890
Electronic Tolling	5,331	0	0	0	0	0	5,331
Advance Signing	116	0	0	0	0	0	116
Ferry Marshalling Area	22	0	0	0	0	0	22
Bridge Office Feasibility Study	9	0	0	0	0	0	9
Bridge Car Park	4	0	0	0	0	0	4
Bridge Anchorage Chambers	73	0	0	0	0	0	73
Ferry Car Park Improvements	21	0	0	0	0	0	21
Gantry Chain Tunnel Replacement	261	0	0	0	0	0	261
Rendel Park - Phase 2	154	0	0	0	0	0	154
Bridge Resurfacing Works - Phase 1	720	0	0	0	0	0	720
Illuminated Road Studs	600	0	0	0	0	0	600
Storage Building Devonport	54	0	0	0	0	0	54
Ferry Sewage Treatment Plant	250	0	0	0	0	0	250
Footpath 24 Reinstatement	29	0	0	0	0	0	29
Bridge Handstrands	14	0	0	0	0	0	14
Plaza Canopy Access Works	21	0	0	0	0	0	21
Rendel Park - Sea Wall Stabilisation	32	0	0	0	0	0	32
Current Programme							
Bridge Access Works	707	35	0	0	0	0	742
Bridge WIM	37	5	0	0	0	0	42
Bridge Protective Coating	1,212	1,225	1,330	800	0	0	4,567
Bridge Main Joint Replacement	250	0	0	0	0	0	250
Bridge Half Joint Replacement	0	0	0	0	0	0	0
Bridge Structural Monitoring System	0	0	100	0	0	0	100
Bridge Office Development	244	90	2,900	1,266	200	0	4,700
Bridge Kerb Units and Waterproofing	0	0	1,500	1,925	425	0	3,850
Awaiting Approval							
Suspension System Remedial Works	0	0	3,000	3,000	0	0	6,000
Future Programme (Not approved)							
Bridge Resurfacing Works - Phase 2	0	0	0	2,000	2,000	0	4,000
TOTAL CAPITAL PROGRAMME	14,256	1,355	8,830	8,991	2,625	0	36,057
FINANCING							
Prudential Borrowing	12,525	1,355	8,830	8,991	2,625	0	34,326
Capital Receipts	20	0	0	0	0	0	20
Revenue Financing	1,711	0	0	0	0	0	1,711
TOTAL FINANCING	14,256	1,355	8,830	8,991	2,625	0	36,057

TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE

**Statement of Estimated Reserves
for 2016/2017 to 2020/2021**

TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE

RESERVES AND PROVISIONS	2016/17 Original Budget £'000	2016/17 Revised Forecast £' 000	2017/18 Budget £' 000	2018/19 Indicative £' 000	2019/20 Indicative £' 000	2020/21 Indicative £' 000
Balance brought forward	(2,845)	(3,923)	(4,641)	(3,872)	(2,489)	(443)
Net movement for year	(334)	(718)	769	1,383	2,046	2,058
Balance Carried Forward	(3,179)	(4,641)	(3,872)	(2,489)	(443)	1,615