

Report to:	Tamar Bridge & Torpoint Ferry Joint Committee	
Date:	1 December 2017	
Title:	2018/19 Revenue Estimates & Capital Programme	
Portfolio Area:	Transport and Infrastructure	
Divisions Affected:	All	
Relevant Scrutiny Committee: Scrutiny Management Committee		
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Approval and clearance obtained:	Y	
For Cabinet and delegated executive decisions only		
Key decision? (\geq £500k in value or significant effect on communities in two or more electoral divisions)	N/A	
Published in advance on Cabinet Work Programme?	N/A	
Urgency Procedure(s) used if 'N' to Work Programme?	N/A	
Date next steps can be taken		

Recommendations:

1. the proposed revenue budget for 2018/19 as set out in Appendix 1 is approved
2. the proposed capital programme as set out in Appendix 2 is approved; and
3. the longer term forecast to 2020/21 is noted.

1 Executive Summary

- 1.1 This report sets out for consideration and approval, the proposed revenue estimates (budget) for the Joint Committee for 2018/19 and indicative figures for the subsequent three years 2019/20, 2020/21 and 2021/22, together with the proposed capital programme.
- 1.2 The reserve position at 31 March 2019 is forecast to be £2.921m. Indicatively, future years show that the reserve position is maintained above the £2.000m reserve level following a proposed toll increase in July 2019.

2 Purpose of Report

- 2.1 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.
- 2.2 The reserve balance at the beginning of this financial year stood at £5.123m. 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 4.68%. 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	2018/19	2019/20	2020/21	2021/212
Inflation	2.00%	2.00%	2.00%	2.00%
Interest (Receivable)	1.00%	1.00%	1.00%	1.00%
Interest (Payable)	4.68%	4.68%	4.68%	4.68%

- 2.3 Income received from funds held by the Joint Committee has been estimated using the investment strategy for cash balances agreed within the Treasury Management Strategy in March 2016.
- 2.4 The proposed revenue budget is set out in Appendix 1. The variations between the latest 2017/18 forecast and the proposed 2018/19 budget are listed on page 5 of Appendix 1 – the later years covered by the revenue figures are indicative.

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

Corporate

The income budgets have been reviewed and revised with the inflationary increases within previous estimates being removed as a cautious response to volumes experienced during 2017. This is to ensure that the income budget reflects the current income expectation. This has resulted in a reduction of forecast cash income of £0.049m and tag income of £0.039m, in addition to the lower base figures resulting from lower 2017/18 income expectations. An assumed 1% fall in income associated with lane closures associated with capital works during the current year has now been included in 2018/19 projections.

The impact of the reduction in projected income has led to officers moving capital projects to later years where prudent to do so in order to minimise the impact on reserves. However, the review process has identified that the assumed increase in tolls from October 2019 which was included in earlier forecasts will need to be brought forward by three months to ensure that reserves remain above £2m. 2019/20 forecasts have assumed that 20% additional income from this proposed toll review will commence from July 2019.. Therefore 2019/20 shows a part year increase with the remainder of full year benefit of the increase showing in 2020/21.

Budgets anticipate that income from tag account fees will increase by 20% as fees are adjusted from July 2019 on the same basis as tolls

There is a £0.030m reduction in Tag Statement production through bringing the process in house.

There is also an addition of £0.020m for a Variable Tolling Study.

2.6 **Bridge**

The revenue budget makes provision for the ongoing maintenance and operation of the bridge and its infrastructure in line with current best practice. The main changes from the previous year are;

£0.140m reduction in the IT Software and Hardware budget, reflecting the benefit seen from restructured communications following the move to new offices.

Grounds Maintenance budget has been reduced by £0.071m after provisions for revenue landscaping during 2017/18 have been removed.

An increase of £0.050m within Bridge & Gantry Inspections to cover the cost of additional inspection requirements.

£0.040m increase to the Breakdown Recovery budget due to re-tender of contract.

£0.039m reduction in Agency budget following recruitment to currently vacant posts.

Additional £0.026m staffing and salary costs for pay award increases assumed to be higher than in recent years, increments, NI and superannuation rate increases

In 2019/20, Operational Expenses show a reduction in budget of £0.366m. This reflects the removal of the additional budget provision for the Toll Equipment replacement project and commencement of maintenance arrangements following the end of a warranty period.

2.7 **Ferry**

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

A further £0.050m, in addition to the £0.750m previously assumed for the Ferry refit due in 2018-19 and for the subsequent refits.

The provision of £0.160m in the current year's Grounds Maintenance budget, to accommodate the contribution from the Joint Committee to stabilise the rock face behind the current Torpoint office and workshop complex, has been removed from subsequent years' budgets.

Additional £0.094m staffing and salary costs for pay award increases which is assumed to be higher than in recent years, increments, NI and superannuation rate increases.

A reduction of £0.050m in respect of Toll Equipment due to the replacement of elderly equipment.

A reduction of £0.050m within IT Hardware and Software following review of the current budget and forecast.

- 2.8 The proposed capital programme is shown in Appendix 2. Work has been undertaken by officers to assess the current capital programme and the revised estimate for 2017/18 is now anticipated at £7.280m, a reduction of £1.550m. The reduction in the current year has been re-profiled across future years.

Bridge Structure Monitoring System –This £0.100m scheme is now due to be completed within 2018/19 with work commencing during 2017/18.

Bridge Office Development – the scheme remains as per budget and profile with the majority of expenditure during 2017/18 and 2018/19.

Bridge Kerb Units and Waterproofing Improvements have been re-profiled with the majority of expenditure to now take place during 2018/19 and 2019/20. The forecast remains at £3.850m.

Suspension System Remedial Works – the scheme remains as per budget and profile with the work to take place during 2017/18 and 2018/19.

Bridge Protective Coating works continue and are due to complete in 2018/19. Following review of the work remaining which has been described within the General Manager's Report, an additional provision has been made in the budget of £1.000m.

There are three projects showing within the Future Programme area of Appendix 2 as follows:

Bridge Protective Coating Phase 2 - £3.000m commencing 2019/20 through to 2020/21.

Ferry Traffic Control Systems - £0.300m for 2018/19.

Bridge Resurfacing Works - £6.000m scheduled for 2020/21. The budget for this work has been increased to reflect inflation given that work has been delayed by several years due to the current surface's longer than expected lifespan.

Further background on capital schemes has been included in the General Manager's Report.

2.9 Reserves

The reserve position as at the 31 March 2018 (Appendix 3) is forecast to be £4.511m. The forecast for 2018/19 end of year reserve position is £2.921m and, assuming a 20% increase in tolls in July 2019, the 2019/20 forecast outturn is for a further reduction to £2.409. With forecasts assuming an increase in the tolls effective July 2019 to ensure that the reserve position will remain above £2.000m.

A supporting graphical presentation of the projected long-term position will be made at the meeting.

3 Benefits for Customers/Residents

- 3.1 Appropriate management of finances and budget monitoring ensures that appropriate resource is available for the operation, maintenance and improvement of crossings which form key elements of the local transport network which is essential to the sustainable economic and social development of the region for the benefit of residents.

4 Relevant Previous Decisions

- 4.1 Approved budget for 2017-18 at Tamar Bridge and Torpoint Ferry Joint Committee of 24th November 2016 (TBTF/19).

5 Consultation and Engagement

- 5.1 Not applicable.

6 Financial Implications of the proposed course of action/decision

- 6.1 Financial implications are detailed within Section 2 of this report.

7 Legal/Governance Implications of the proposed course of action/decision

- 7.1 There are no implications associated with this report.

8 Risk Implications of the proposed course of action/decision

- 8.1 There are no implications associated with this report.

9 Comprehensive Impact Assessment Implication

- 9.1 There are no implications associated with this report.

10 Options available

- 10.1 To approve the proposed revenue budget for 2018-19 and Capital Programme as set out in Appendix 1 & 2.
- 10.2 To not approve the proposed revenue budget for 2018-19 and Capital Programme as set out in Appendix 1 & 2.

11 Supporting Information (Appendices)

- 11.1 Appendix 1-3 TBTF Budget 2018-19.

12 Background Papers

- 12.1 Not applicable.

13 Approval and clearance

All reports:

Final report sign offs	This report has been cleared by (or mark not required if appropriate)	Date
Governance/Legal (Required for all reports)	Simon Mansell, Corporate and Information Governance Manager	23.11.17
Finance (Required for all reports)	Leah Thomas, Strategic Finance Manager	23.11.2017
Equality and Diversity (If required)	Not Required	
Service Director (Required for all reports)	Nigel Blackler – Service Director Transport & Infrastructure	21 November 2017
Strategic Director (If required)	Not Required	

**Revenue Budget 2018/19
and Indicative Projections for 2019/20 to 2021/2022**

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TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE

OVERALL SUMMARY	2017/18 Original Budget £'000	2017/18 Revised Forecast £' 000	2018/19 Budget £' 000	2019/20 Indicative £' 000	2020/21 Indicative £' 000	2021/22 Indicative £' 000
Operational Summary						
Income	(11,218)	(11,005)	(10,938)	(12,604)	(13,400)	(13,409)
Expenditure						
Corporate	382	401	398	384	341	347
Bridge Operations	4,234	4,271	3,998	3,724	3,810	3,881
Ferry Operations	5,264	5,036	5,657	5,800	5,774	5,059
	9,880	9,708	10,053	9,908	9,925	9,287
Operating (Surplus)/Deficit	(1,338)	(1,297)	(885)	(2,696)	(3,475)	(4,122)
Interest on CC financing	1,017	801	1,095	1,449	1,472	1,721
Interest on Joint Committee balances	(6)	(1)	(20)	(20)	(20)	(20)
Capital Expenditure financed from Revenue	0	0	0	0	0	0
Contribution to CC MRP	1,096	1,109	1,400	1,779	1,867	2,167
Overall (Surplus)/Deficit on Undertaking	769	612	1,590	512	(156)	(254)
Reserve Balance brought forward	(4,641)	(5,123)	(4,511)	(2,921)	(2,409)	(2,565)
Reserve Balance carried forward	(3,872)	(4,511)	(2,921)	(2,409)	(2,565)	(2,819)

TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE

CORPORATE	2017/18 Original Budget £'000	2017/18 Revised Forecast £' 000	2018/19 Budget £' 000	2019/20 Indicative £' 000	2020/21 Indicative £' 000	2021/22 Indicative £' 000
INCOME						
Tolls						
Toll income - Bridge	(5,064)	(4,887)	(4,838)	(5,612)	(5,999)	(5,999)
Toll income - Ferry	(666)	(640)	(640)	(736)	(768)	(768)
Concessionary toll income - Bridge	(4,015)	(3,990)	(3,951)	(4,583)	(4,899)	(4,899)
Concessionary toll income - Ferry	(524)	(531)	(531)	(611)	(637)	(637)
	(10,269)	(10,048)	(9,960)	(11,542)	(12,303)	(12,303)
Other						
Tag Account Fee	(506)	(506)	(506)	(582)	(607)	(607)
Saltash Tunnel control	(327)	(335)	(357)	(362)	(369)	(377)
Tag statements	(2)	(2)	0	0	0	0
Other income	(114)	(114)	(115)	(118)	(121)	(122)
	(949)	(957)	(978)	(1,062)	(1,097)	(1,106)
TOTAL INCOME	(11,218)	(11,005)	(10,938)	(12,604)	(13,400)	(13,409)
EXPENDITURE						
Other Expenditure						
Support services	63	57	58	59	60	61
Tag statements	16	55	26	0	0	0
Purchase of tags	208	190	194	198	202	206
Bank charges	54	50	40	41	42	43
Internal Audit fees	8	16	17	17	17	17
External Audit fees	0	1	1	1	1	1
Consultants	32	32	42	18	19	19
Professional Fees	1	0	20	0	0	0
Cost of Toll Review	0	0	0	50	0	0
TOTAL EXPENDITURE	382	401	398	384	341	347

TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE

BRIDGE OPERATIONS	2017/18 Original Budget £'000	2017/18 Revised Forecast £' 000	2018/19 Budget £' 000	2019/20 Indicative £' 000	2020/21 Indicative £' 000	2021/22 Indicative £' 000
Employees						
Salaries and wages	1,011	1,037	1,063	1,088	1,110	1,129
Agency staff	21	60	21	22	22	22
Indirect employee expenses	21	29	21	22	22	22
Premises						
Repair and maintenance - buildings & grounds	130	104	34	35	36	36
Repair and maintenance - bridge & infrastructure	541	641	608	620	633	639
Bridge & gantry inspections	274	225	277	283	288	291
Energy costs, water, rent and rates	73	109	92	104	106	107
Insurances	27	33	35	37	37	38
Other premises costs	16	14	39	39	40	41
Transport Related Expenses						
Staff travel	17	16	16	16	17	17
Supplies & Services						
Operational expenses	909	704	670	304	310	312
Office expenses	476	499	305	311	317	346
Toll collection & banking	528	605	597	621	646	652
Breakdown recovery	137	150	192	195	199	201
Other expenses	43	34	17	17	17	17
Support service charges	10	11	11	10	10	11
Net Expenditure - Bridge Operations	4,234	4,271	3,998	3,724	3,810	3,881

TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE

FERRY OPERATIONS	2017/18 Original Budget £'000	2017/18 Revised Forecast £' 000	2018/19 Budget £' 000	2019/20 Indicative £' 000	2020/21 Indicative £' 000	2021/22 Indicative £' 000
Employees						
Salaries and wages	3,049	3,052	3,146	3,220	3,284	3,350
Agency staff	52	30	15	15	16	16
Indirect employee expenses	112	60	61	63	63	65
Premises						
Repair and maintenance - buildings & grounds	260	220	52	53	54	55
Energy costs, water, rent and rates	79	84	85	87	88	90
Other premises costs	72	55	56	57	58	59
Transport Related Expenses						
Staff travel	28	26	26	27	27	28
Supplies & Services						
Repair & maintenance - ferries & infrastructure	626	490	494	505	516	525
Annual refit - ferries	50	50	851	868	835	0
Fuel costs (Marine Gas Oil)	245	245	247	252	257	262
Insurances	124	124	127	131	135	138
Operational expenses	211	266	209	223	187	191
Office expenses	306	284	231	252	205	230
Other expenses	23	30	37	27	28	29
Support service charges	27	20	20	20	21	21
Net Expenditure - Ferry Operations	5,264	5,036	5,657	5,800	5,774	5,059

Variations between the Revised 2017/18 and 2018/19 Original Estimates

The variation of £0.978m between the revised estimated overall net cost 2017/2018 of £0.612m and the 2018/2019 estimated overall net cost of £1.590m is accounted for as follows:

	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Corporate			
Inflation for prices (net)	8		
Reduction in Bank Charges of £11k in merchant provider costs	(11)		
Tag Statement Production reduction of £30k costs due to processing in house	(30)		
Professional Fees Variable Tolling Study	20		
Consultancy costs £10k for Terms & Conditions review	10		
Inflation for non toll income	(8)		
Toll Income Bridge - removal of inflation and revised forecast based on income to date	49		
Concessionary Toll Income Bridge - removal of inflation and revised forecast based on income to date	39		
Removal of Tag Statement income	2		
Saltash Tunnel - additional charge re LRV costs	<u>(15)</u>		
		64	
Bridge			
Increases for pay awards, increments, Ni and Superann rates etc.	26		
Reduction in agency staff costs	(39)		
Removal of Storm Training provision - completed in 17-18	(8)		
Grounds Maintenance - provisions for revenue landscaping during 2017/18 have been removed	(71)		
Bridge R&M budget has been reviewed and revised	(44)		
Bridge & Gantry Inspections to cover cost of inspection of the runway beam	50		
Electricity Cost increase for new building	6		
Rates budget reviewed	(23)		
Office Cleaning - increased costs for new building	25		
Revised estimated for costs of Control Equipment	(35)		
General supplies and services reduction in budget	(4)		
Toll Cash Handling budget reduced to original position following increased for 2017-18	(30)		
Breakdown Recovery increased budget to cover new contract cost	40		
Inflation for goods and services	54		
Office furniture, budget previously increased for new offices	(30)		
IT software & hardware purchase & support budget - reduced following move to new offices	(140)		
ISP/SDN/RAS Line Costs - line no longer required	(19)		
Line rental installations reduced following increase for new office additional costs	(10)		
External Storage - portakabins no longer required	(12)		
Various small reductions - catering, radio installations, uniforms	(4)		
Reduction in miscellaneous charges	<u>(5)</u>		
		(273)	
Ferry			
Increases for pay award, increments, NI and Superann rates.	94		
Reduction in agency staff costs	(15)		
R&M budget reviewed and reduced	(10)		
Grounds Maintenance - budget included provision for stabilisation works behind office and workshop complex	(160)		
Ferry Refit - due to take place in 2018-19	800		
Uniforms and clothing reduction	(10)		
Toll Equipment reduction in maintenance costs of new system	(50)		
IT software & hardware purchases, budget reviewed and reduced	(50)		
Reduction in line rental costs	(6)		
Miscellaneous costs increase	7		
Inflation for goods and services	<u>21</u>		
		<u>621</u>	
Change in Operational (Surplus)/Deficit			412
Other			
Contribution to CC MRP		291	
Interest Payable		294	
Additional interest		<u>(19)</u>	
			566
			<u><u>978</u></u>

TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE

Capital Programme 2017/2018 to 2021/2022

TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE

CAPITAL PROGRAMME	Actual	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated
	Payments to 2016/17 £'000	Payments 2017/18 £'000	Payments 2018/19 £'000	Payments 2019/20 £'000	Payments 2020/21 £'000	Payments 2021/22 £'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	754	0	0	0	0	0	754
Bridge WIM	37	0	0	0	0	0	37
Bridge Protective Coating	2,728	1,330	1,509	0	0	0	5,567
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	50	50	0	0	0	100
Bridge Office Development	335	2,900	1,265	200	0	0	4,700
Bridge Kerb Units and Waterproofing	0	0	3,350	500	0	0	3,850
Suspension System Remedial Works	5	3,000	3,000	0	0	0	6,005
Future Programme (Not approved)							
Bridge Protective Coating Phase 2	0	0	0	1,500	1,500	0	3,000
Ferry Traffic Control Systems	0	0	300	0	0	0	300
Bridge Resurfacing Works - Phase 2	0	0	0	0	6,000	0	6,000
TOTAL CAPITAL PROGRAMME	15,915	7,280	9,474	2,200	7,500	0	42,369
FINANCING							
Prudential Borrowing	14,184	7,280	9,474	2,200	7,500	0	40,638
Capital Receipts	20	0	0	0	0	0	20
Revenue Financing	1,711	0	0	0	0	0	1,711
TOTAL FINANCING	15,915	7,280	9,474	2,200	7,500	0	42,369

TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE

**Statement of Estimated Reserves
for 2017/2018 to 2021/2022**

TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE

RESERVES AND PROVISIONS	2017/18 Original Budget £'000	2017/18 Revised Forecast £' 000	2018/19 Budget £' 000	2019/20 Indicative £' 000	2020/21 Indicative £' 000	2021/22 Indicative £' 000
Balance brought forward	(4,641)	(5,123)	(4,511)	(2,921)	(2,409)	(2,565)
Net movement for year	769	612	1,590	512	(156)	(254)
Balance Carried Forward	(3,872)	(4,511)	(2,921)	(2,409)	(2,565)	(2,819)