

Cabinet



Date of meeting:	12 January 2021
Title of Report:	Tamar Bridge & Torpoint Ferry 2021/22 Revenue Estimates and Capital Programme
Lead Member:	Councillor Mark Coker (Cabinet Member Strategic Planning and Infrastructure)
Lead Strategic Director:	Anthony Payne (Strategic Director for Place)
Author:	David List, General Manager, Tamar Bridge and Torpoint Ferry
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Your Reference:	DL20/21
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

The Tamar Bridge and Torpoint Ferry 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 crossings are governed by the Tamar Bridge and Torpoint Ferry Joint Committee (TBTFJC) comprised of five councillors from each of the parent Authorities.

The finances of the joint undertaking are effectively ring-fenced by the Tamar Bridge Act, and it is operated as a self-financing business. TBTFJC's revenue and capital expenditure are funded entirely from Bridge and Ferry toll income and do not affect the budgets of either Plymouth City Council or Cornwall Council. TBTFJC's Terms of Reference require the Cabinets of the Joint Authorities to recommend TBTFJC's budgets to their respective Full Councils.

This report presents TBTFJC's 2021/22 Revenue Estimates and Capital Programme report submitted to TBTFJC on 18 December 2020 and draft minutes recording TBTFJC's endorsement.

Recommendations and Reasons

That the Cabinet recommends TBTFJC's 2020/21 Revenue Estimates and Capital Programme to Council for approval.

Alternative options considered and rejected

The TBTF Strategic Plan 2018-2022 and associated Annual Plans are designed to deliver safe, reliable and efficient crossings of the Tamar. The key priorities and delivery actions support the Plan and maintain established service delivery characteristics. The proposed budgets provide the resources to deliver the plan.

Asset maintenance has been designed to optimise service delivery and life cost.

Relevance to the Corporate Plan and/or the Plymouth Plan

The Tamar Bridge & Torpoint Ferry links are key gateways to the City and provide opportunities for investment, jobs and growth particularly in the wider context of Plymouth as the regional economic centre.

Providing a safe well-maintained road network contributes to the economic well-being of the City, supporting the Council's Growth priority.

Implications for the Medium Term Financial Plan and Resource Implications:

Finance – The proposed revenue budget and capital financing is in normal times funded entirely from the undertaking's own income. The Government provided a level of support funding in 2020/21 to cover part of the forecast income lost as a result of the Covid-19 pandemic. It is understood that there is a possibility of further support funding from Government in 2021/22 but no assumptions of such support funding have been made. Bridge and Ferry traffic volumes from April 2021 onwards have assumed that traffic will be at 90% of 2019 levels to reflect the forecast effects of the ongoing pandemic. Based on the forecast traffic levels, the proposed budgets forecast an end of year reserves level of £0.5m. TBTFJC will be holding a Member/Officer workshop in January 2021 to consider its future finance strategy in light of the ongoing pandemic.

The TBTFJC's borrowing requirements are provided through Cornwall Council. This arrangement together with subsequent servicing costs of the loans being funded from toll revenue means that approval of TBTFJC's Revenue Estimates and Capital Programme will not affect Plymouth City Council budgets.

Human – The proposed budgets support the approved TBTF Strategic Plan 2018-2022 and associated Annual Plans and these will be delivered by the existing organisation using its own staff, contractors and consultants, with support from the parent authorities.

IT – The IT implications are restricted to incremental improvement of existing systems as part of the Business Plan and associated projects.

Land – No land issues arising from this item.

Carbon Footprint (Environmental) Implications:

Approval of budgets will ensure that planned maintenance and appropriate operational oversight of the crossings will continue, providing reliable journey times minimising the potential for longer diversionary journeys or congestion related pollution.

Other Implications: e.g. Health and Safety, Risk Management, Child Poverty:

** When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.*

Risk Management – The risk register and mitigation measures are updated routinely and presented to TBTFJC.

Health and Safety – Key Performance Indicators within the Strategic Plan and associated Annual Plans are designed to drive improvement.

There are no child poverty or community safety implications.

Appendices

*Add rows as required to box below

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable)						
		If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.						
		1	2	3	4	5	6	7
A	Briefing report title							
B	Appendix 1 – Financial Model							
C	Appendix 2 – TBTFJC Report - 2021/22 Revenue Estimates and Capital Programme							
D	Appendix 3 - Draft Minutes of TBTFJC Meeting, 18 December 2020							

Background papers:

*Add rows as required to box below

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are unpublished works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Title of any background paper(s)	Exemption Paragraph Number (if applicable)						
	If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.						
	1	2	3	4	5	6	7

Sign off:

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Originating Senior Leadership Team member: Philip Robinson (Service Director for Street Services)											
Please confirm the Strategic Director(s) has agreed the report? Yes											
Date agreed: 05/01/2021											
Cabinet Member approval: Councillor Mark Coker (Cabinet Member for Strategic Planning and Infrastructure)											
Date approved: 05/01/2021											

Briefing Report -

Tamar Bridge and Torpoint Ferry 2021/22 Revenue Estimates and Capital Programme

Introduction

- 1.1 The Tamar Bridge and Torpoint Ferry 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 in normal times as a self-financing business. The undertaking's income has been drastically affected by the reduced traffic levels during the pandemic. The parent Authorities has applied to Government for support to cover lost income during the pandemic, and the undertaking had commenced the process for increasing tolls to cover a forecast end-of-year deficit for 2020/21 until Government support was confirmed. The Government has now provided a level of support funding in 2020/21 to cover part of the forecast income lost as a result of the Covid-19 pandemic, and this is forecast to total £2.66m. It is understood that there is a possibility of further support funding from Government in 2021/22 but no assumptions of such support funding have been made. TBTFJC's revenue and capital expenditure are funded entirely from Bridge and Ferry toll income and do not affect the budgets of either Plymouth City Council or Cornwall Council. The undertaking adopts approved four-year plans and annual plans which aims to provide the service without external financial support from the parent authorities or other source.
- 1.2 The parent authorities continue to lobby the Department for Transport (DfT) and Highways England (HE) for ongoing support towards the cost of operating, maintaining and improving the Tamar Bridge, and dialogue with DfT and HE has commenced.
- 1.3 The parent authorities have also sought support from DfT for changes to legislation allowing tolls to increase with inflation in the future without recourse to the Secretary of State.

Revenue Estimates

- 1.4 The proposed Revenue Estimates 2021/22 (budgets) and indicative estimates for future years support the approved 2018-2022 Strategic Plan and are consistent with the organisation's long-term financial model. They have been determined from the detailed analysis of forecast expenditure and income. The various assumptions made in financial modelling have also been examined at TBTFJC meetings. Assumptions on pay inflation and on interest rates for borrowing and investment have followed those used by Cornwall Council.
- 1.5 Toll income is a function of traffic levels, the mix of vehicle types and the proportion of discounted pre-paid (TamarTag) traffic. Combined total traffic for the two crossings in the 12 months ending 31 October 2020 was 25% less than in the preceding 12 month period. Bridge and Ferry traffic volumes from April 2021 onwards have assumed that traffic will be at 90% of 2019 levels to reflect the forecast effects of the ongoing pandemic. Our traffic forecasts are considered to represent a conservative but prudent approach in view of the ongoing effects on traffic resulting from Covid-19, but it must be noted that forecasting at the present time carries an unprecedented level of uncertainty.

- 1.6 TBTFJC normally adopts a prudent minimum level of reserves of £2m, and a forecast of falling below that threshold is used as the trigger for a requirement for additional income. Based on the assumptions set out above, funding of the projects in the proposed Capital Programme by borrowing and using current toll charges, indicative reserves will reduce to £0.515m by the end of 2021/22, and at current levels and without external support, deficits are predicted for subsequent years. The reserves position is illustrated at Appendix 1.
- 1.7 Detail on the revenue estimates is shown in Appendix 2 being the report presented as item 7.2 of the agenda pack for the 18 December 2020 meeting of TBTFJC, and these were approved by TBTFJC for recommendation to Constituent Authorities as shown in the draft minutes at Appendix 3.
- 1.8 In view of the end-of-year deficit positions forecast for 2022/23 onwards, TBTFJC will be holding a workshop in January 2021 to consider its strategy to address the forecast financial position.

Capital Programme

Financing

- 1.9 As established within previous years' budget reports, the financing of capital projects is currently undertaken through the advance of funding from Cornwall Council (in effect borrowing). This spreads the effect on the revenue budget and therefore on the level of reserves held by the Joint Committee. The financing costs for the capital programme are reflected within the revenue estimates and include improvements in terms for new borrowing compared to historical arrangements.
- 1.10 Detail on the consolidated capital programme is shown in the report at Appendix 2, being the report presented as item 7.2 of the agenda pack for the 18 December 2020 meeting of TBTFJC, and these were approved by TBTFJC for recommendation to Constituent Authorities as shown in the draft minutes at Appendix 3.

Projects

- 1.9 The financing of all major capital projects is currently undertaken through the advance of funding from Cornwall Council (in effect borrowing). This spreads the effect on the revenue budget and moderates the level of reserves held by the Joint Committee. The financing costs of this borrowing are reflected within TBTFJC's revenue budget.
- 1.10 As can be seen from Appendix 2 there are five approved projects in the proposed Current Programme for 2021/22, (excluding projects completed in the current year with retention payments) with existing approved budgets :
- Ferry Traffic Control Systems – deferred from 2020/21
 - Bridge LED Street Lighting
 - Main Cable Remedial Works
 - Toll System Upgrade
 - Bridge Resurfacing

Future Projects

I.11 New proposed projects commencing in 2021/22 are:

- Bridge Access Improvements £0.50m
- Supplementary Cable Works £2.00m
- Parapet Works (provisional) £2.00m
- Ferry Gantry Tower Replacement £0.84m

The parapet works will be subject to further approval at TBTFJC at its March 2021 meeting.

I.12 The remaining items in the Future Capital Programme are scheduled to commence from 2022/23 onwards:

- Rocker/Pendle Remedial Works

I.13 These items will be the subjects of business cases to be submitted to TBTFJC and the Joint Authorities for approval in due course. The funding of these projects has been incorporated in the long-term financial model.

I.14 Detail on the consolidated capital programme is shown in the report at Appendix 2, being the report presented as item 7.2 of the agenda pack for the 18 December 2020 meeting of TBTFJC. The programme was approved by TBTFJC for recommendation to Constituent Authorities as shown in the draft minutes at Appendix 3.

Tamar Bridge and Torpoint Ferry Financial Model 2020-2025

