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| Date of meeting:         | 24 January 2022  |
| Title of Report:         | <b>Tamar Bridge and Torpoint Ferry 2022-2023 Revenue and Capital Estimates</b> |
| Lead Member:             | Councillor Jonathan Drean (Cabinet Member for Transport)                       |
| Lead Strategic Director: | Anthony Payne (Strategic Director for Place)                                   |
| Author:                  | David List, General Manager, Tamar Bridge and Torpoint Ferry                   |
| Contact Email:           | david.list@tamarcrossings.org.uk   |
| Your Reference:          |  |
| 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 with the associated proposal to increase tolls, will continue not to 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 2022/23 Revenue Estimates and Capital Programme report submitted to TBTFJC on 3 December 2021 and draft minutes recording TBTFJC's endorsement of both the Estimates and the annual Business Plan.

### **Recommendations and Reasons**

That City Council –

- I. Agree the Tamar Bridge and Torpoint Ferry Joint Committee Annual Business Plan and the 2022/23 Revenue Estimates and Capital Programme.

### **Alternative options considered and rejected**

The do nothing option was rejected as it is a requirement of the Tamar Bridge Act and PCC / CC that plans are provided and approved for the continued operation and maintenance of the Bridge and Ferry.

### **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 based on the proposed uniform 30% increase in tolls recommended in the Tamar Bridge and Torpoint Ferry Future Financing Report also being presented to this meeting.

Provided that that increase proposal is agreed, the proposed revenue budget and capital financing will provide an estimated reserve level of approximately £1m at the end of financial year 2022/23.

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.

### **Financial Risks**

As the Bridge and Ferry are operated and maintained on a 'user pays' basis the financial risk to the authority is minimal if the proposed toll increases are approved.

### **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:**

No other implications

### **Appendices**

*\*Add rows as required to box below*

| Ref. | Title of Appendix   | Exemption Paragraph Number (if applicable) |   |   |   |   |   |   |
|------|---|--|---|---|---|---|---|---|
|      |   | 1  | 2 | 3 | 4 | 5 | 6 | 7 |
| A    | Briefing Report<br>Tamar Bridge and Torpoint Ferry 2022/23<br>Revenue Estimates and Capital Programme |  |   |   |   |   |   |   |
| B    | TBTFJC Report - 2022/23 Revenue Estimates<br>and Capital Programme                                    |  |   |   |   |   |   |   |

|   |  |  |  |  |  |  |  |  |
|---|--|--|--|--|--|--|--|--|
| C | Draft Minutes of TBTFJC Meeting, 3 December 2021 |  |  |  |  |  |  |  |
|---|--|--|--|--|--|--|--|--|

**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) |   |   |   |   |   |   |
|----------------------------------|--|---|---|---|---|---|---|
|                                  | 1  | 2 | 3 | 4 | 5 | 6 | 7 |
|                                  |  |   |   |   |   |   |   |
|                                  |  |   |   |   |   |   |   |

**Sign off:**

|   |                      |     |                       |            |  |    |  |        |  |               |  |
|---|----------------------|-----|-----------------------|------------|--|----|--|--------|--|---------------|--|
| Fin   | ba.2<br>1.22.<br>207 | Leg | MS/2/<br>14.01.<br>21 | Mon<br>Off |  | HR |  | Assets |  | Strat<br>Proc |  |
| 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: 04/01/2022   |                      |     |                       |            |  |    |  |        |  |               |  |
| Cabinet Member approval: Councillor Johnathan Drean (Cabinet Member for Transport)                |                      |     |                       |            |  |    |  |        |  |               |  |
| Date approved: 04/01/2022   |                      |     |                       |            |  |    |  |        |  |               |  |

**APPENDIX A****Briefing Report -****Tamar Bridge and Torpoint Ferry 2022/23 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 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 2020/21 until Government support was confirmed. 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, and this was £2.66m. Further support funding from Government in 2021/22 was restricted to the first three months of the financial year and amounted to £0.156m. This support only partially covered pandemic losses and with traffic (and therefore income) still below pre-pandemic levels tolls must increase to preserve the self-financing status of the crossings and if service levels are to be maintained. Assuming tolls increase as anticipated, TBTFJC's revenue and capital expenditure will remain funded entirely from Bridge and Ferry toll income and will continue not to affect the budgets of either Plymouth City Council or Cornwall Council.
- 1.2 The undertaking has previously adopted approved four-year plans and annual plans which aimed to provide the service without external financial support from the parent authorities or other source. The current plan expires at the end of the 2021/22 financial year and an interim Annual Plan has been proposed, to allow TBTFJC to consider any different approach recommended by an external consultancy commencing in early Spring 2022. The interim Plan retains the fundamental self-financing assumption of the expiring four-year plan.
- 1.3 The parent authorities continue to lobby the Department for Transport (DfT) for ongoing support towards the cost of operating, maintaining and improving the Tamar Bridge, despite a negative response to lobbying in late-Summer 2021.
- 1.4 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 and specialist advice has been sought to determine the best approach to achieve this goal.

**Revenue Estimates**

- 1.5 The proposed Revenue Estimates 2022/23 (budgets) and indicative estimates for future years 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.

- I.6 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 first nine months of financial year 2021/22 remained significantly below pre-Covid levels and at the end of November 2021 had not yet exceeded 90% of that seen in 2019. It has been assumed that traffic at both crossings will be at 90% of 2019 levels until 2025, to reflect the forecast effects of the ongoing pandemic and on the assumption of longer-term changes in behaviour post-pandemic. Traffic forecasts are considered to represent a relatively conservative but prudent approach in view of the ongoing effects on traffic resulting from Covid-19, but it must be noted that forecasting continues to carry an unprecedented level of uncertainty.
- I.7 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 £1.021m by the end of 2022/23, but will provide modest reserve levels above the £2m prudent minimum in subsequent years within the medium term financial plan.
- I.8 Detail on the revenue estimates is shown in Appendix B being the report presented as item 7 of the agenda pack for the 3 December 2021 meeting of TBTFJC, and these were approved by TBTFJC for recommendation to Constituent Authorities as shown in the draft minutes at Appendix C.
- I.9 A public consultation exercise commencing in mid-January 2022 will provide information on the background about why tolls have to rise and provide the opportunity for the public to indicate any alternative preference on the structure of increases which will inform final decisions at the TBTFJC Meeting on 18 March 2022 on increasing pre-paid (TamarTag) tolls and progressing revision of cash tolls. The exercise will also provide valuable information about current and anticipated travel patterns to help plan services and improve income estimates.

## Capital Programme

### Financing

- I.10 Current practice is for the financing of capital projects 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 improved terms for new borrowing compared to historical arrangements.
- I.11 Detail on the consolidated capital programme is shown in the report at Appendix B, being the report presented as item 7 of the agenda pack for the 3 December 2021 meeting of TBTFJC, and these were approved by TBTFJC for recommendation to Constituent Authorities as shown in the draft minutes at Appendix C.

### Projects

- I.12 As can be seen from Appendix B there are four approved projects in the proposed Current Programme for 2022/23, (excluding projects completed in the current year with retention payments) with existing approved budgets:
- Ferry Traffic Control Systems – deferred from 2021/22
  - Bridge LED Street Lighting – deferred from 2021/22

- Bridge Access Improvement Works Phase 2
- Main Cable Remedial Works

### **Future Programme**

I.11 Further projects commencing in 2022/23 are:

- Supplementary Cable Works £2.00m
- Rocker/Pendle Remedial Works £10.00m
- Ferry Gantry Tower Replacement £0.84m

I.12 The remaining items in the Future Capital Programme are scheduled to commence from 2023/24 onwards:

- Bridge Protective Coating Phase 3
- Ferry Refits (2023-25 cycle)

These new items will be the subject of a business case 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.12 Detail on the consolidated capital programme is shown in the report at Agenda Item 7 in Appendix B. The programme was approved by TBTFJC for recommendation to Constituent Authorities as shown in the draft minutes at Appendix C.

### **2022-2023 Business Plan**

I.13 The supporting Annual Business Plan that accompanies the budgets represents an interim approach, being a stand-alone document that is not associated with a current four-year Strategic Plan.

I.14 The approach has been taken to retain an appropriate framework for the coming year whilst reflecting TBTFJC's resolutions to seek external review of the organisation's planning framework during the coming 2022 calendar year.