

PLYMOUTH CITY COUNCIL

Subject: Tamar Bridge & Torpoint Ferry
2017/18 Revenue Estimates and Capital Programme

Committee: Cabinet

Date: 17 January 2017

Cabinet Member: Councillor Patrick Nicholson

CMT Member: Anthony Payne (Strategic Director for Place)

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Ref:

Key Decision: No

Part: I

Purpose of the 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 2017/18 Revenue Estimates and Capital Programme report submitted to TBTFJC on 24 November 2016 and draft minutes recording TBTFJC's endorsement.

The Council Corporate Plan 2016/19:

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 Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land

Finance – The proposed revenue budget and capital financing will be funded entirely from toll income, and based on assumed annual traffic growth of 1% from April 2017 to April 2019 at the Ferry and no traffic growth at the Bridge in that period, no increases in toll charges are anticipated until 2019.

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 budgets support the approved Business Plan 2015-2019 and this 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.

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

Risk Management – A risk register and mitigation measures are included within the Tamar Bridge and Torpoint Ferry Business Plan 2015-2019. The risk register and mitigation measures are updated every six months and presented to TBTFJC. The most recent revision was presented to TBTFJC on 24 November 2016.

It should be noted that Plymouth City Council and Cornwall Council have reviewed the TBTFJC Business Plan, Business Continuity Management System and Risk Management Framework, and are content that the business continuity risks associated with TBTFJC are adequately covered.

Health and Safety – Key Performance Indicators within the Business Plan are designed to drive improvement.

There are no child poverty or community safety implications.

Equality and Diversity

Has an Equality Impact Assessment been undertaken? Yes, these are provided within respective TBTFJC reports.

Recommendations and Reasons for recommended action:

That the Cabinet recommends TBTFJC's 2017/2018 Revenue Estimates and Capital Programme to Full Council for approval.

Alternative options considered and rejected:

The Business Plan 2015-2019 and its forthcoming 2017-2019 successor 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.

Appendices :

Tamar Bridge & Torpoint Ferry Joint Committee reports, 24 November 2016 :

Appendix 1 - 2017/18 Revenue Estimates and Capital Programme

Appendix 2 - Tamar Bridge Suspension System Remedial Work

Appendix 3 – Draft Minutes of TBTFJC Meeting 24 November 2016

Background papers:

Sign off:

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|--|-----------------------------|-----|-------------------|------------|-----------------------|----|--|--------|--|----|--|---------------|--|
| Fin | AKH 1617. 56 | Leg | 2723 6/D VS | Mon Off | Lt/ 27 23 24 | HR | | Assets | | IT | | Strat Proc | |
| Originating SMT Member | | | | | | | | | | | | | |
| Has the Cabinet Member(s) agreed the contents of the report? Yes | | | | | | | | | | | | | |

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 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. The undertaking follows an approved four-year Business Plan (currently 2015-2019) which aims to provide the service without external financial support from the parent authorities or other source.

Revenue Estimates

- 1.2 The proposed Revenue Estimates 2017/18 (budgets) and indicative estimates for future years support the approved 2015-2019 Business 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.
- 1.3 Income in the 12 months ending 31 October 2016 was 1.7% higher than in the preceding 12 month period, which was higher than the 1% increase anticipated in earlier forecasts. Current forecasts predict this recent trend to continue through to the end of this financial year. It is assumed that Ferry toll income will increase by 1% per annum for 2017/18 and 2018/19 in line with previous forecasts and reflecting a small switch away from use of the bridge during periods of major works. Beyond April 2019 Ferry income is assumed to remain unchanged. Beyond April 2017 Bridge income is assumed to remain unchanged as any natural growth in traffic levels is likely to be suppressed by minor disruption due to planned essential capital works (see Capital Programme below). The above income forecast is considered to be a conservative but prudent approach in comparison to the Office for Budget Responsibility's (OBR) latest forecasts of economic growth of at least 1.4%, increasing to 2.1% towards the end of our forecasting period.
- 1.4 TBTFJC 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 and funding of the projects in the Capital Programme by borrowing, indicative reserves fall from £3.87m at the end of 2017/18 to £0.44m at the end of 2019/20. Indicative reserves do not fall below £2m until 2019/20 and it is therefore not anticipated that any toll revision will be necessary until that financial year.
- 1.5 Detail on the revenue estimates is shown in Appendix I being the report presented as item 5.2 of the agenda pack for the 24 November 2016 meeting of TBTFJC, and these were approved by TBTFJC for recommendation to Constituent Authorities as shown in the draft minutes at Appendix 3.

Capital Programme

Financing

- 1.6 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 approved programme, the increased budget for the Bridge Office Development Project, the proposed additional item Tamar Bridge Suspension System Remedial Work and also the provisional item Bridge Resurfacing Works – Phase 2 are all reflected within the revenue estimates.

Detail on the consolidated capital programme is shown in the report at Appendix I, being the report presented as item 5.2 of the agenda pack for the 24 November 2016 meeting of TBTFJC, .

Projects

- 1.7 The following items are in the approved Capital Programme for 2017/18 and are unchanged from the 2016 programme approval :

| | |
|-------------------------------------|--------|
| Bridge Protective Coating | £4.57m |
| Bridge Structural Monitoring System | £0.10m |
| Bridge Kerb Units and Waterproofing | £3.85m |

- 1.8 The Bridge Protective Coating project commenced in May 2015 and addresses the areas with the worst corrosion on the underside of the vehicle deck and on the supporting truss. The work is largely below vehicle deck level, and access is generally from the pedestrian/cycle lane on the south side of the structure, while keeping the lane open to pedestrians, cyclists and mobility scooters. The works only affect vehicle lanes occasionally in off-peak periods for specific access. The strategy adopted for this first phase of recoating will be assessed and will inform future phases.
- 1.9 The Bridge Structural Monitoring System will be procured and installed in 2017 to replace the existing 15 year-old system which is now operating in a degraded state. The new system will monitor physical characteristics of the structure including geometry, loads in certain structural elements and environmental conditions. Neither the installation nor the operation of this system will affect users.
- 1.10 The Bridge Kerb Units and Waterproofing project is planned to commence in late Spring/early Summer 2017 and will involve the following :
- removal of all kerb units and existing fixings
 - installation of new fixing system
 - waterproofing of affected vehicle deck area
 - refitting of kerb units

The detail of traffic management for this work has not yet been finalised but will aim to minimise impact on users, particularly in peak periods and where possible coordinate with traffic management for other major works. The works will commence on the pedestrian/cycle lane on the south cantilever.

- 1.11 The proposed Capital Programme includes a new item – Tamar Bridge Suspension System Remedial Work. This item was the subject of a separate report to TBTFJC at its 24 November 2016 meeting seeking a budget of £6.00m, and this report can be found at Appendix 2.

The need for this work follows a series of detailed inspections of elements of the suspension system - which we refer to as cable band bolts and hanger bolts - and subsequent investigations.

These bolts carry load from the vehicle deck via the vertical hanger cables up to the main cables and are fundamental to the function of the structure. The bolts in question were expected to last for the life of the structure and not normally subject to any detailed inspections. However relatively recent high profile failures and issues on other structures (e.g. Hammersmith Flyover) have led to an industry focus on such elements and as a result our inspection and testing programme was extended. All such bolts on the structure (1374 in total) have now been inspected and tested - most in-situ and some in laboratory conditions. Through inspections 20% of the bolts have characteristics outside the acceptable specification range currently there are no bolt failures. It is prudent to start these works in the next financial year to ensure the structure remains safe.

The wide distribution of these sub-standard bolts around the structure means that virtually every hanger/deck/main cable connection needs to be accessed, and the access arrangements will be a critical and expensive aspect of the work. As with the kerb remedial work, the detail of traffic management for this work has not yet been finalised but will aim to minimise impact on users, particularly in peak periods and where possible coordinate with traffic management for other major works. The works are planned to commence in April 2017.

This item was approved by TBTFJC for inclusion in the proposed Capital Programme as shown in the draft minutes at Appendix 3.

- 1.12 The Bridge Office Development project approved by both parent authorities will provide a new fit for purpose Control Room, an improved customer services hub, improved operational resilience and additional office accommodation,

In conjunction with this development, TBTFJC has plans to create a Learning Centre facility at the same location and has sought funding from the Heritage Lottery Fund (HLF) to support that project. The project will develop a proposed Science, Technology, Engineering, Art and Mathematics (STEAM) hub, overlooking the two bridges and deliver a programme of events and learning activities led by a Community, Learning and Volunteering coordinator. TBTFJC will develop the project in liaison with partners including Plymouth History Centre, schools, universities and local community organisations to maximize public benefit and interest.

It has been confirmed in December 2016 that TBTFJC has been successful in its latest (3rd) Round One application to the HLF for contribution of £37,000 towards the total £47,500 project development phase of the proposed Learning Centre project at Tamar Bridge. Success at Round Two would bring a further HLF contribution of £272,700 for implementation.

The proposed Capital Programme includes an increase in the budget for the Bridge Office Development project following the recent tender exercise. To facilitate award to the preferred tenderer an increase is sought in the project budget from £3.97m to £4.7m. The project procurement team believes that the preferred tender is above the forecast figure due to a range of factors including the following :

- building cost inflation – programme and design delayed due to MoD and other planning considerations
- general market conditions – the project cost consultant advised that the southwest construction market is very buoyant and contractors are very selective about the projects that they bid for
- successive Heritage Lottery Fund (HLF) bids for the Learning Centre have been iteratively scaled back adding some costs to the project

The works are planned to commence in April 2017.

The proposed budget increase for this item was approved by TBTFJC for inclusion in the proposed Capital Programme as shown in the draft minutes at Appendix 3.

Future Capital Projects

- 1.13 One further unapproved but anticipated item has been noted in the Capital Programme - Bridge Resurfacing Works – Phase 2. Phase 1 Resurfacing completed in 2011 only addressed the Plymouth side span of the main deck – the most heavily trafficked section of the structure. Phase 2 addressing the remainder of the carriageway is scheduled to commence in 2018/19. A business case will be developed for this item and presented to a future meeting of TBTFJC for consideration, but in the meantime the revenue cost of financing this unapproved but anticipated work has been included in financial modelling to ensure that TBTFJC, Cabinets and Full Councils have an accurate picture demonstrating the affordability of the overall programme and the future financial position. This project will be recommended to the parent Authorities for later addition to the Capital Programme in due course, based on ongoing assessment of carriageway condition.