

PLYMOUTH CITY COUNCIL

Subject: Tamar Bridge & Torpoint Ferry
2018/19 Revenue Estimates and Capital Programme

Committee: Council

Date: 26 February 2018

Cabinet Member: Councillor Ian Bowyer

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 2018/19 Revenue Estimates and Capital Programme report submitted to TBTFJC on 1 December 2017 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 the undertaking's own income. Bridge traffic volume has been assumed to decrease by 1% from April

2018 to April 2019 to account for the possible effect of major capital works, and then stay unchanged beyond April 2019. Ferry traffic volume has been assumed to remain unchanged from April 2018 onwards. The longer term financial model assumes a 20% toll increase from July 2019, and it is anticipated that such increase will be the subject of a separate report to Cabinet in summer 2018.

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 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 – The risk register and mitigation measures are updated every six months and presented to TBTFJC. The most recent revision was presented to TBTFJC on 15 September 2017.

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.

Equality and Diversity

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

Recommendations and Reasons for recommended action:

Recommend that Council –

- I. approves the Tamar Bridge and Torpoint Ferry Joint Committee 2018/19 Revenue Estimates and Capital Programme.
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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.

Appendices:

Tamar Bridge & Torpoint Ferry Joint Committee reports, 1 December 2017:

Appendix 1 - 2018/19 Revenue Estimates and Capital Programme

Appendix 2 - Draft Minutes of TBTFJC Meeting, 1 December 2017

Appendix 3 – Financial Model

Background papers:

Sign off:

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|------------------------------------------------------------------|-----------------|-----|-------------------------|------------|------------------|----|--|--------|--|----|--|---------------|--|
| Fin | djn1718. 163 | Leg | It/2962 2/1912 17 | Mon Off | It/dvs/ 29622 | HR | | Assets | | IT | | Strat Proc | |
| Originating SMT Member - Anthony Payne | | | | | | | | | | | | | |
| 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 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.

Revenue Estimates

- 1.2 The proposed Revenue Estimates 2018/19 (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.
- 1.3 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 2017 was 0.9% less than in the preceding 12 month period, and current forecasts predict this recent trend to continue through to the end of this financial year. It is assumed that Ferry traffic levels will remain unchanged from April 2018 onwards. For financial year 2018/19 Bridge traffic is assumed to reduce by a further 1% to take account of the impact of forthcoming capital works on traffic management. It is assumed that Bridge traffic will subsequently recover by that 1% for financial year 2019/20 and then remain unchanged beyond April 2020. The above traffic forecasts are considered to represent a conservative but prudent approach in comparison to the Office of Budget Responsibility's forecasts of economic growth averaging 1.4% over the next five years. In forecasting income, it has been assumed that traffic mix and proportion of discounted crossings will remain unchanged.
- 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, funding of the projects in the proposed Capital Programme by borrowing and using current toll charges, indicative reserves would fall below £2m by the end of 2019/20. In order to maintain reserves above the £2m threshold it is assumed that a 20% toll increase and 20% increase in TamarTag account fees will be implemented from July 2019. This is illustrated within the model at Appendix 3.
- 1.5 Detail on the revenue estimates is shown in Appendix 1 being the report presented as item 6.2 of the agenda pack for the 1 December 2017 meeting of TBTFJC, and these were approved by TBTFJC for recommendation to Constituent Authorities as shown in the draft minutes at Appendix 2.

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 capital programme are 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 6.2 of the agenda pack for the 1 December 2017 meeting of TBTFJC.

Projects

- 1.7 There are five items in the approved Capital Programme for 2018/19, and budgets for four of those remain unchanged from the programme approved last year:

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|-------------------------------------|--------|
| Suspension System Remedial Works | £6.00m |
| Bridge Structural Monitoring System | £0.10m |
| Bridge Kerb Units and Waterproofing | £3.85m |
| Bridge Office Development | £4.70m |

- 1.8 The fifth item, Bridge Protective Coating, commenced in May 2015 and adopts a strategy that 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. Progress on this project has exceeded forecast and it is proposed to increase the budget for this item from £4.57m to £5.57m to allow extension of the current successful recoating strategy to additional areas during 2018/19. The success of this strategy adopted for the first phase of recoating will inform that adopted for Phase 2.
- 1.9 The proposed Capital Programme for 2018/19 includes a new item – Ferry Traffic Control Systems with a proposed budget of £0.30m. This project will improve system resilience and the safety of all users of the Ferry through improvements to infrastructure layout, road markings and signage, and by replacement of ageing traffic signals and associated obsolete control systems. The item will be subject to a separate business case which will be presented once the design has been developed.

Future Capital Projects

- 1.10 The Future Capital Programme also includes two further proposed capital items – Bridge Protective Coating Phase 2 and Bridge Resurfacing Works Phase 2. These items are planned to commence in 2019/20 and 2020/21 respectively and will be the subjects of business cases to be submitted to TBTFJC and the Joint Authorities in due course. The funding of these two projects has been incorporated in the financial model.