

PLYMOUTH CITY COUNCIL

Subject:	Tamar Bridge & Torpoint Ferry 2019/20 Revenue Estimates and Capital Programme
Committee:	Council
Date:	28 January 2019
Cabinet Member:	Councillor Mark Coker (Cabinet Member for Strategic Planning and Infrastructure)
CMT Member:	Anthony Payne (Strategic Director for Place)
Author:	David List, General Manager Tamar Bridge and Torpoint Ferry
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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 2019/20 Revenue Estimates and Capital Programme report submitted to TBTFJC on 7 December 2018 and draft minutes recording TBTFJC's endorsement.

The Corporate 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 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 and Ferry traffic volumes from April 2019 onwards have been assumed to remain unchanged from those estimated for the current year. The longer term financial model assumes a 33% toll increase from July 2019, and an application for such an increase is being recommended by Cabinet to Council. This represents an increase in the private car pre-paid TamarTag toll from 75p to £1.00 and in the private car cash toll from £1.50 to £2.00. These rises are approximately in line with inflation since the last toll increase. Cabinets of both Plymouth City Council and Cornwall Council unanimously supported this proposed increase at their meetings on 11 December 2018 and 18 December 2018 respectively, and have recommended it to their respective Councils. The increase in tolls is subject to the approval of an application the Secretary of State. Approval of the proposed toll increases is anticipated around May/June 2019. If the proposed toll increases are not approved by the Secretary of State then a report will be brought to both parent authorities' Councils via respective Cabinets, amending the future capital programme where possible and proposing alternative revenue budgets.

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.

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 5 October 2018.

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:

That Council approves the Tamar Bridge and Torpoint Ferry Joint Committee's 2019/20 Revenue Estimates and Capital Programme.

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 and minutes 7 December 2018 and Financial Model :

Appendix 1 – 2019/20 Revenue Estimates and Capital Programme

Also at <https://democracy.cornwall.gov.uk/documents/g8312/Public%20reports%20pack%2007th-Dec2018%2010.00%20Tamar%20Bridge%20and%20Torpoint%20Ferry%20Joint%20Committee.pdf?T=10>

Appendix 2 - Draft Minutes of TBTFJC Meeting, 7 December 2018

Also at <https://democracy.cornwall.gov.uk/documents/g8312/Printed%20minutes%2007th-Dec-2018%2010.00%20Tamar%20Bridge%20and%20Torpoint%20Ferry%20Joint%20Committee.pdf?T=1>

Appendix 3 – Financial Model

Background papers:

Cabinet Report 11 December 2018 - TBTF Future Funding

<http://democracy.plymouth.gov.uk/documents/g8090/Public%20reports%20pack%20Tuesday%2011-Dec-2018%2014.00%20Cabinet.pdf?T=10>

Sign off:

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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 2019/20 (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 2018 was 1.3% 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 traffic levels will remain unchanged beyond April 2019 from those within 2018/19 revised estimates. Our traffic forecasts are considered to represent a conservative but prudent approach in comparison to the Department for Transport's Road Traffic Forecasts 2018.
- 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 33% toll increase will be implemented from July 2019. This represents an increase in the private car pre-paid TamarTag toll from 75p to £1.00 and in the private car cash toll from £1.50 to £2.00. These rises are approximately in line with inflation since the last toll increase. Cabinets of both Plymouth City Council and Cornwall Council unanimously supported this proposed increase at their meetings on 11 December 2018 and 18 December 2018 respectively, and have recommended it to their respective Councils. The increase in tolls is subject to the approval of an application the Secretary of State. Approval of the proposed toll increases is anticipated around May/June 2019. If the proposed toll increases are not approved by the Secretary of State then a report will be brought to both parent authorities' Councils via respective Cabinets, amending the future capital programme where possible and proposing alternative revenue budgets.
- 1.5 Detail on the revenue estimates is shown in Appendix I being the report presented as item 9.2 of the agenda pack for the 7 December 2018 meeting of TBTFJC, and these were approved by TBTFJC for recommendation to Constituent Authorities as shown in the draft minutes at Appendix 2. The revenue estimates are reflected in the financial model 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 capital programme are reflected within the revenue estimates and include improvements in terms for new borrowing compared to historical arrangements.
- 1.7 Detail on the consolidated capital programme is shown in the report at Appendix 1, being the report presented as item 9.2 of the agenda pack for the 7 December 2018 meeting of TBTFJC, and these were approved by TBTFJC for recommendation to Constituent Authorities as shown in the draft minutes at Appendix 2.

Projects

- 1.8 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.
- 1.9 There are in total 7 items in the proposed approved Capital Programme for 2019/20, excluding retention payments on projects completed in the current year. Budgets for three of the four projects from the programme approved last year remain unchanged. The Ferry Traffic Control Systems estimated budget has increased by £0.30m to £0.60m as the scope of infrastructure works necessary to adequately improve vehicle and pedestrian safety has expanded.
- 1.10 New projects are:

Toll System upgrade	£1.275m (previously revenue project)
Bridge LED Lighting	£0.10m
Parapet Works	£6.00m

Future Projects

- 1.11 The Future Capital Programme also includes further proposed capital items:
- Rocker/Pendle Remedial Works
 - Bridge Resurfacing Works Phase 2
 - Main Cable Remedial Works
 - Supplementary Cable Works
 - Bridge Access Improvement – Phase 4
- 1.12 These items are planned to commence in 2020/21 onwards and 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 however been incorporated in the long term financial model.

I.13 Detail on the consolidated capital programme is shown in the report at Appendix 1, being the report presented as item 9.2 of the agenda pack for the 7 December 2018 meeting of TBTFJC. The programme was approved by TBTFJC for recommendation to Constituent Authorities as shown in the draft minutes at Appendix 2.

Recommendation

It is recommended that the Cabinet recommends TBTFJC's 2019/20 Revenue Estimates and Capital Programme to Council for approval.