

Cabinet



Date of meeting: 11 January 2022

Title of Report: **Tamar Bridge and Torpoint Ferry Future Financing**

Lead Member: Councillor Jonathan Drean (Cabinet Member for Transport)

Lead Strategic Director: Anthony Payne (Strategic Director for Place)

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Your Reference:

Key Decision: No

Confidentiality: Part I - Official

Purpose of Report

The Tamar Bridge and Torpoint Ferry have historically been operated together as a single undertaking on a 'user-pays' principle funded almost entirely from toll income. The undertaking maintains a contemporary financial model that incorporates income forecasts based on traffic levels. Income at the two crossings has been significantly reduced by the effect of Covid-19 on traffic levels and since the pandemic started the risk of deficits has been tracked. Workshops have been held since the beginning of the pandemic to consider means of addressing forecast shortfalls, and the issue has been considered at TBTFJC meetings since June 2020.

At its meeting on 3 December 2021, TBTFJC was presented with three intervention options to address the forecast financial position.

This report seeks a recommendation to Council to approve the preferred option of uniform 30% increases selected by TBTFJC at its meeting on 3 December 2021, to address the forecast deficits.

A parallel governance process is being followed in Cornwall Council.

Recommendations and Reasons

That Cabinet recommends to Council -

1. TBTFJC's preferred option for toll revision of uniform 30% toll increases on both Tag and cash tolls for all user classes be approved. Such approval to be subject to the Joint Committee making a decision whether or not to implement the preferred option following consideration of the public consultation responses. The Joint Committee being given the authority to make the implementation decision;
2. That Plymouth City Council, through the Portfolio Holders and Joint Chairs of the Tamar Bridge and Torpoint Ferry Joint Committee, continue to lobby Government and support a

Users Campaign for a fair contribution towards maintaining the A38 across the Tamar Bridge to reduce the burden on the user.

Without intervention, the undertaking's reserves will be fully depleted by the end of 2022/23, and the resulting deficit will fall on the parent authorities. The income will allow the continued delivery of safe reliable and efficient crossings of the Tamar.

Alternative options considered and rejected

The other intervention options were uniform 35% increases on both TamarTag and cash tolls for all user classes and a hybrid 35% option with 35% cash increases and 30% TamarTag increases for all user classes. These were rejected on the basis that the uniform 30% increase option was considered to be the lowest level of increase that gives an acceptable level of financial resilience.

The do nothing option was rejected as it would result in escalating deficits which would become the responsibility of the parent authorities.

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:

Financial Risks

The proposal addresses the forecast deficit position and reduces associated risk to the parent authorities.

Carbon Footprint (Environmental) Implications:

Continued service delivery will provide reliable journey times and minimises the potential for congestion or longer diverted journeys and related pollution.

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

Risk Management – This proposal is a response to the pandemic, which is a risk recognised within the strategic risk 'Epidemic' in the TBTF Risk Register. The core model used to forecast traffic recovery is considered to be reasonably conservative but remains sensitive to the many changeable parameters resulting from the pandemic e.g. the implementation of higher tier constraints locally or regionally. The uncertainties around traffic recovery presents the risk of significant income variances.

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

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) <i>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.</i>						
		1	2	3	4	5	6	7
A	Briefing Report - Tamar Bridge and Torpoint Ferry Future Financing							
B	TBTFJC Report 3 December 2021 – Future Financing							
C	Draft Minutes of TBTFJC Meeting, 3 December 2021							
D	Medium Term Financial Model							

Background papers:

Title of any background paper(s)	Exemption Paragraph Number (if applicable) <i>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.</i>						
	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: 15/12/2021											
Cabinet Member approval: Councillor Johnathan Drean (Cabinet Member for Transport)											
Date approved: 15/12/2021											

Appendix A**Briefing Report -****Tamar Bridge and Torpoint Ferry Future Financing****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. Under the Act, increases to the ceiling tolls for the different vehicle types requires a formal application to the Department for Transport for approval.
- 1.2 The impact of the Covid 19 Pandemic on the crossings has been profound, reflecting effects elsewhere in the public, commercial and private realms.
- 1.3 Workshops have been held since the beginning of the pandemic to consider means of addressing forecast shortfalls, and the issue has been considered at TBTFJC meetings since June 2020. The workshops have considered traffic recovery modelling, cost inflation and other key parameters, and the income increases necessary to moderate or eliminate the forecast deficits. Workshops have closely examined expenditure, service levels and capital programme to achieve savings and/or delay expenditure limited, but the scope has been limited by service delivery requirements and critical maintenance of the assets.
- 1.4 A toll increase was initially proposed in autumn 2020 but in November 2020 the UK Government confirmed that it would provide financial support to the parent authorities in respect of the crossings totalling £3.08m. This support deferred the imminent need to increase tolls but has only partially offset the losses resulting from reduced traffic levels.
- 1.5 Traffic levels have remained significantly below pre-Covid levels and are currently running at approximately 90% at both crossings which is line with the 90% level incorporated in the financial model. Without intervention significant annual deficits are forecast for this financial year and subsequent years, resulting in end-of-year deficit positions from 2022/23 onwards and reaching over £10 million by 2025/26. It must be recognised that traffic forecasting has been undertaken against a backdrop of great uncertainty, and that significant variances from the central model are quite possible.
- 1.6 The Tamar Bridge Act 1957 sets out the default process to be followed if such deficits arise, namely that the parent authorities, Cornwall Council and Plymouth City Council cover that deficit for subsequent recovery at some later stage when the undertaking returns to a surplus position.
- 1.7 The Joint Chairmen of TBTFJC and Portfolio Holders of both authorities have continued to lobby government for long term financial support but without success to date.
- 1.8 The detailed background to the effect on the undertaking's financial position and the response of TBTFJC is detailed in Section 2 of the TBTFJC Future Financing Report at Appendix B (pages 71-91).

1.9 At its meeting on 3 December 2021 TBTFJC Members were presented with three toll revision options to address the forecast financial position, namely:

- uniform 30% increases on both TamarTag and cash tolls for all user classes
- uniform 35% increases on both TamarTag and cash tolls for all user classes
- a hybrid 35% option with 35% cash increases and 30% TamarTag increases for all user classes

1.10 The three intervention options would all resolve the forecast deficit positions with differing levels of reserves resilience. The tables below detail the forecast annual deficits/surpluses and end-of-year positions resulting from a 'do nothing' option and the three intervention options:

option	annual deficit/surplus				
	2021/22	2022/23	2023/24	2024/25	2025/26
do nothing	-£1.169m	-£2.332m	-£2.670m	-£3.262m	-£3.218m
30% increase	-£1.169m	-£0.295m	+£1.017m	+£0.425m	+£0.827m
35% increase	-£1.169m	+£0.045m	+£1.631m	+£1.039m	+£1.502m
35%/30% hybrid	-£1.169m	-£0.211m	+£1.352m	+£0.760m	+£1.195m

option	end of year reserves position				
	2021/22	2022/23	2023/24	2024/25	2025/26
do nothing	+£1.316m	-£1.016m	-£3.686m	-£6.949m	-£10.166m
30% increase	+£1.316m	+£1.021m	+£2.038m	+£2.463m	+£3.290m
35% increase	+£1.316m	+£1.361m	+£2.992m	+£4.031m	+£5.333m
35%/30% hybrid	+£1.316m	+£1.105m	+£2.458m	+£3.218m	+£4.413m

The three options are also illustrated graphically at the appendices to the TBTFJC Report at Appendix B (pages 71-91).

1.11 Members' attention was drawn to the sensitivity of modelling to external variances that will be outside the undertaking's control and the impact of such variances on the financial position for example:

- each 1% variance in traffic flow from the forecast 90% would result in income changing by approximately £0.150m per annum
- each 1 month delay in getting an approved toll order (estimated Jan 2023) to raise cash tolls would result in the loss of approximately £0.150m based on a 30% increase
- we are already seeing significant inflation in prices of some goods and services in excess of 3.5%. The Office of National Statistics has released the inflation figures for October 2021,

with CPI recorded at 4.2% and RPI at 6.0%. The Bank of England has stated that it expects CPI to increase to approximately 5% in the early part of 2022, before reducing over the longer term.

- I.12 Following detailed discussion, TBTFJC resolved to recommend the preferred toll revision option of uniform 30% increases to Councils via respective Cabinets. On balance this option was considered to be the lowest level of increase that gives an acceptable level of financial resilience. The undertaking's forecast financial position with the preferred option is illustrated at Appendix D.
- I.13 This proposal for a 30% uniform increase would apply to all vehicle classes, and would mean that the TamarTag toll for a car would increase from £1.00 to £1.30, with the cash toll increasing from £2.00 to £2.60. Tolls are charges one way only, so for a typical daily commuter doing a return journey five times a week in a car using a TamarTag, this would mean an additional £1.50 a week in tolls. The increased tolls would still be amongst the cheapest of comparable tolled crossings in the UK.
- I.14 These options are set out in detail in the report presented to the TBTFJC meeting on 3 December 2021 as Agenda Item 7 which is attached at Appendix B and can be found in the published Agenda Pack (pages 71-91)
- [\(Public Pack\)Agenda Document for Tamar Bridge and Torpoint Ferry Joint Committee, 03/12/2021 10:00 \(cornwall.gov.uk\)](#)
- I.15 A final decision at the TBTFJC Meeting on 18 March 2022 on increasing pre-paid (TamarTag) tolls and progressing revision of cash tolls will be taken following the results of a public consultation exercise commencing in mid-January 2022. This exercise 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. The exercise will also provide valuable information about current and anticipated travel patterns to help plan services and improve income estimates.
- I.16 TBTFJC's resolution can be found in the draft minutes of the TBTFJC meeting on 3 December 2021 which are attached at Appendix C and can be found at
- [Draft minutes for the Tamar Bridge and Torpoint Ferry Joint Committee 03/12/2021](#)
- I.17 It should be noted that in the longer term TBTFJC is pursuing the facility for any future increases in tolls after this proposed increase to be made in smaller increments in line with increases in RPI as at other major crossings, and legal advice is being sought on the appropriate route to achieve this aim.

MEDIUM TERM FINANCIAL MODEL
(actuals to date and forecast)

