

REPORT TO: Executive Board

DATE: 12 December 2019

REPORTING OFFICER: Strategic Director – Enterprise, Community & Resources

PORTFOLIO: Transportation

TITLE: Mersey Gateway Project Update

WARDS: Borough-wide

1.0 PURPOSE OF REPORT

1.1 To provide an overview of progress with the Mersey Gateway Project as at 30 September 2019.

2.0 RECOMMENDATION: That the report be noted.

3.0 SUPPORTING INFORMATION

Background

3.1 The Mersey Gateway Bridge was successfully completed and opened on 14th October 2017. The Project and the on-going operation of the bridge is managed and overseen on a day-to-day basis, on behalf of the Council, by the Mersey Gateway Crossings Board.

3.2 The Mersey Gateway Crossings Board receives regular progress reports concerning a wide range of matters, including in particular the performance of the Project in terms of construction works, maintenance, traffic flows and finance. The Board also monitors the Operator's (Merseylink) performance against the contract (Project Agreement) and the activities of the toll operator Emovis.

3.3 Executive Board received a progress report on 11 April 2019. This report provides an update on progress with the Mersey Gateway project for the first six months of 2019/20.

Construction and Finishing Works

3.4 Final completion of the planned construction and finishing works is anticipated by December 2019.

3.5 A number of finishing, drainage, fencing, lighting, landscaping, earthworks and snagging works have continued to be undertaken in various locations. Progress with completion of these is being monitored by the Mersey Gateway Crossings Board.

- 3.6 Discussions are continuing with Merseylink regarding the formal handover of Temporary Use Areas within the project boundary, which have to be reinstated in order to allow the Works Completion Certificate to be issued.
- 3.7 Highway construction works associated with the delinking and reconfiguration of approaches to the Silver Jubilee Bridge are currently ongoing. The Silver Jubilee Bridge currently remains closed for major maintenance and deck reconfiguration works.

Operation and Maintenance Update

- 3.8 The Mersey Gateway Crossings Board monitors Merseylink's operational performance against the Project Agreement. A large range of data is monitored and reviewed on an ongoing basis, including; lane closures, defect repairs, safety inspections, street lighting, winter maintenance, planned maintenance and reactive maintenance, and traffic incidents. Any concerns identified are raised with Merseylink to ensure they are rectified within the terms of the Project Agreement.

Economic Impact and Handback Land

- 3.9 Despite current uncertainty in the investment market, primarily related to Brexit, companies are continuing to invest within the Borough. Many companies state that the improved connectivity which the Mersey Gateway Bridge has brought, has been a major factor in determining their investment decisions. Expansion plans have been announced in both Runcorn and Widnes, for example, at Widnes Waterfront, 3MG, Astmoor, and Manor Park. Examples include:

1.Hitachi

Made the decision in September 2017 to locate in Halton, and were clear at the time that the decision to invest was based on the opening of the bridge and improved journey times.

2. ConvaTec

ConvaTec is a global medical products and technologies company focused on therapies for the management of chronic conditions, with leading market positions in advanced wound care, ostomy care, continence and critical care, and infusion devices.

They have a large presence in Deeside and have established a sales and marketing function at the Heath, circa 40 jobs.

Communications and proximity to clients was cited as a reason for their relocation to Halton.

3. Hosokawa Micron

International process technology company Hosokawa Micron Ltd has launched a new state-of-the-art Technical Innovation Centre at Sci-Tech Daresbury.

4. Autoscan

C-Major Medical has secured a trio of patents for its innovative syringe technology in Japan, Taiwan and Europe and has cited its new location in the borough as having a huge impact on its growth.

The company's leading CHoRD™ technology targets the multi-billion dollar retracting syringe market and aims to assist in the prevention of needle-stick injuries (NSIs) and infectious contamination.

5. LIVFUL

US biotechnology start-up LivFul has set up a UK research base at STFC's Daresbury Laboratory as part of its global mission to save lives from malaria and other insect-borne diseases

6. Carpenter Additive – Widnes

Carpenter Additive make Additive Manufacturing a reality in critical production environments. They focus on high quality metal powder products and services.

They made a £30 million investment in Widnes with the purchase of LPW Technology in 2019.

7. Fresenius Kabi

With a reinvestment in Halton Fresenius Kabi will be creating more in the region of 400 jobs. It is worth noting that 485 of all staff employed here are taken up by local people and their definition of local means Halton residents only.

Figures from the Land Registry show that The residential property market in Halton is also buoyant with a 7.5% growth in house prices June 2018 and June 2020.

The Council is working with Merseylink to conclude the 'hand back' of land which was temporarily required as part of the construction of the Bridge. The return of the land is being overseen by an Independent Assessor, who will determine that this will be in accordance with the requirements of the Project Agreement, which will enable the sites to be brought forward for development in the future. To date the Council has only accepted the return of a limited number of sites. These areas are those that have been required by the Council to undertake works inclusive of the permanent Widnes loops junction and the maintenance works to Hutchinson Sidings Bridge. Three landscaped verge areas, the former Stobart car park site and 4/5 Dock Road site have also been returned.

Nevertheless, given the economic potential of some of these sites, the Council's regeneration team is prioritising the Handback Land in Astmoor, Runcorn. Strategic Investment Funding from the Combined Authority is being sought to assist with this. This is in preparation for the marketing of the handback sites once they are returned to HBC's ownership.

Finances - Update

Project Funding

- 3.12 The Mersey Gateway project requires Government funding in the form of Availability Support Grant (AS grant) and Extended Discount Scheme grant (EDS grant) in addition to toll/charge income, in order to meet all related project costs.
- 3.13 The EDS grant provides funding for the extension of the Local User Discount Scheme (LUDS) to cover all journeys made by Halton Residents (ie. in addition to the first 300 journeys which are paid for by the Council).
- 3.14 The DfT Funding Letter dated 24 February 2016 sets out the level of Government grant funding for the Mersey Gateway Project. Although there are provisions to seek additional support, a key measure of success of the Project is the ability to stay within the agreed funding levels. The Funding Letter also specifies levels of anticipated expenditure and the success of the Project will be measured by the ability to operate within total anticipated costs.
- 3.15 The Funding Letter provides for the overall Project position to be refreshed on a rolling basis and to this end a rolling Five Year Plan was submitted to DfT based on more up to date information. The success of the Project will also be judged by its performance against this Five Year Plan.

Financial Performance

- 3.16 The Appendix presents a summary of the financial performance of the Mersey Gateway Project from 1 April 2019 to 30 September 2019.
- 3.17 When the gross theoretical revenues (ie. excluding penalty charge notice revenues) are compared to total project costs for the period, the actual shortfall of £9.5m is less than the expected shortfall shown in both the Funding Letter (£12.9m) and Five Year Plan (£13.8m).
- 3.18 The shortfall is funded from the DfT Availability Support grant and Extended Discount Scheme grant. Should performance continue at the same pace, there are no anticipated pressures on Government Funding and therefore the Project is operating within its funding targets.
- 3.19 It should be noted that the shortfall is reduced when actual revenues are compared to project costs, because actual revenues include penalty charge notice receipts and registration fees, which were not included in the Funding Letter or Five Year Plan. The resultant actual shortfall is £2.3m.
- 3.20 With regard to the financial performance information shown in the Appendix, the key reasons for variances are as follows;
 - The Mersey Gateway Crossing Board's operational costs have been managed below the levels estimated in the Funding Letter and Five Year Plan.

- Operational Insurances have been secured significantly below estimate.
- The project has incurred interest on the Council's borrowing significantly below that estimated in the Funding Letter, primarily because it was achieved at significantly lower rate of interest rate than anticipated.
- The Surplus Revenue Adjustment is calculated quarterly, becoming payable only if toll revenues exceed certain amounts as set out in the Demand Management Participation Agreement (DMPA). It does not feature in the Funding Letter and Five Year Plan and hence appears as a variance

Local User Discount Scheme (LUDS) and Extended Discount Scheme (EDS)

- 3.21 Under the Local User Discount Scheme (LUDS) the Council funds the cost of qualifying residents' first 300 journeys in a 12 month period, with the balance of journeys (Extended Discount Scheme) being funded by the DfT.
- 3.22 Under the Funding Letter the Council can contribute up to 10% of toll revenues that would have been earned in the absence of any discount scheme, plus their share of procurement savings, in order to fund the LUDS.
- 3.23 Based on the traffic analysis overall the pattern of journeys for LUDS users has remained steady at 73% undertaking 300 journeys or lower with 27% undertaking more than 300 journeys. Accordingly, the cost of the LUDS during the period met 73% by the Council and 27% by DfT is £5.5m and £2.0m respectively. From the Council's perspective this exceeds the maximum contribution imposed by the Funding Letter by £0.6m, but for the DfT this represents a positive position being some £1.8m less than expected.

Conclusions

- 3.24 The operation of the Mersey Gateway from 1 April 2019 to 30 September has continued to be positive in both operational and financial terms. The Mersey Gateway Crossings Board continues to manage and oversee the Project on a day to day basis on behalf of the Council, and to take any necessary action to ensure the Operator fully complies with the requirements of the Project Agreement.
- 3.25 Indications are that should the Project's financial performance continue to progress at the current rate, there will be no anticipated difficulties in terms of both the Council's and the Government's funding for the Project, as it is operating within its funding targets.

4.0 POLICY IMPLICATIONS

- 4.1 There are none.

5.0 OTHER IMPLICATIONS

- 5.1 None.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 There are no implications for the Council's priorities.

7.0 RISK ANALYSIS

7.1 Performance to date indicates that the Mersey Gateway Project is ahead of target. However, the Project is still in the relatively early stages and although the indications are positive, the results to date should be extrapolated forward with a degree of caution.

7.2 The Project is subject to a number of risks and these are managed by the Mersey Gateway Crossings Board on behalf of the Council, captured on the risk registers. The Mersey Gateway Crossings Board's Audit Committee review the detailed risk registers on a regular basis.

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 None.

9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

Document	Place of Inspection	Contact Officer
Mersey Gateway DfT Funding Letter	Mersey Gateway Crossings Board Limited, Forward Point, Tanhouse Lane, Widnes, WA80SL	David Lyon
Mersey Gateway Five Year Plan	“	“

Appendix

Mersey Gateway Financial Performance 1 April 2019 to 30 September 2019

	Forecast		Actual Costs £'000	Variances	
	5 Year Plan £'000	Funding Letter £'000		To 5 Year Plan £'000	To Funding Letter £'000
MGCB Operating Costs	948	1,268	667	281	601
Operational Insurances	760	720	200	560	520
Prudential Borrowings Interest	2,829	3,720	2,558	270	1,162
HMT Fee	75	91	75	0	16
Adjudication Costs	173	0	101	73	-101
Sustainable Transport	250	0	130	120	-130
HBC Costs	74	0	60	14	-60
Unitary Charge	18,723	18,723	18,726	-4	-4
Service Subsidy	4,036	4,036	4,044	-8	-8
Surplus Revenue Adjustment	0	0	1,450	-1,450	-1,450
Total Costs	27,869	28,557	28,012	-143	545
Gross Theoretical Revenue ¹	14,105	15,654	18,485	4,381	2,832
Shortfall / Surplus	-13,764	-12,904	-9,527	4,237	3,377
Actual Revenue ¹	14,105	15,654	25,676	11,572	10,023
Shortfall / Surplus	-13,764	-12,904	-2,336	11,428	10,568
DfT Availability Support Grant	9,114	9,114	9,114	0	0
DfT Extended LUDS Grant	3,790	3,790	3,790	0	0
Total DfT Grant	12,904	12,904	12,904	0	0

Note 1 Gross Theoretical Revenue excludes PCN revenues whereas Actual Revenue includes them.

Local User Discount Scheme & Extended Discount Scheme – Crossing Numbers

Month	Number of Crossings		
	Less Than 25 Trips ie. Funded by LUDS	More Than 25 Trips ie. Funded by EDS	Total
April 2019	502,116	173,349	675,465
May 2019	514,746	196,343	711,089
June 2019	505,432	182,969	688,401
July 2019	518,670	208,329	726,999
August 2019	516,399	175,674	692,073
September 2019	510,496	190,529	701,025
Total	3,067,859	1,127,193	4,195,052

Local User Discount Scheme and Extended Discount Scheme – Funding

	Actual Revenue (£'000)	Gross Theoretical Revenue (£'000)
Local User Discount Scheme		
Total Revenue	25,677	18,486
LUDS (Forsaken Revenue)	<u>7,552</u>	<u>14,105</u>
Grand Total Revenue	<u>33,229</u>	<u>32,591</u>
10% of Revenue Used for LUDS Council Share of Procurement Savings	<u>3,323</u> <u>1,636</u>	<u>3,260</u> <u>1,636</u>
Total Available for LUDS	<u>4,959</u>	<u>4,896</u>
Cost of LUDS (<300 Trips)	<u>5,523</u>	<u>7,552</u>
Shortfall	<u><u>-564</u></u>	<u><u>-2,656</u></u>
Extended Discount Scheme		
EDS DfT Grant	3,790	3,790
Cost of EDS	2,029	2,029
Remaining DfT EDS Funding	<u><u>1,761</u></u>	<u><u>1,761</u></u>