

## **REGENERATION, COMMUNITY AND CULTURE OVERVIEW AND SCRUTINY COMMITTEE**

**13 JANUARY 2009**

### **MEMBER'S ITEM – MEDWAY TUNNEL**

Report from: Robin Cooper Director of Regeneration, Community and Culture

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#### **Summary**

This report is in response to a request from Councillor Godwin and provides information on the finances for the Medway Tunnel.

#### **1. Budget and Policy Framework**

- 1.1 Under Medway Constitution Overview and Scrutiny rules (Chapter 4, Part 5, Paragraph 9.1) Councillor Godwin has requested that an item on this matter is included on the agenda for this meeting.
- 1.2 The contents of this report fall with the Council's policy and budgetary framework. The successful operation of the tunnel impacts on the ability of the Council to meet target NI 167 Congestion – average journey time per mile during the morning peak which forms part of Medway's Local Area Agreement.

#### **2. Member's item request**

- 2.1 Councillor Godwin requested that this item is placed on the agenda in order that the committee may consider the following matters:
  - Plan for how the money gained from the Rochester Bridge Trust will be spent on the tunnel. Will the full amount of money be ring-fenced for work on the tunnel?
  - Plan for how the money from the Government will be spent on the tunnel.
  - Revenue implications for having to operate the tunnel solely from Medway's budget - where will the money be found, and therefore what planned works or services will be affected?

- It was stated that the council needs £750,000 revenue each year and £200,000 - £500,000 each year in capital monies. Detail how this has been achieved.
- Medium to long-term plan for funding the tunnel: do officers have one, or when can Members expect it?
- Staffing levels for monitoring, operating and repairing the tunnel, including costs.

### **3 Background**

3.1 The Rochester Bridge Trust (RBT) currently owns the tunnel and there is a lease agreement with the Council to operate and maintain the tunnel for 999 years. In addition to this lease there is a financial agreement which allows for the RBT to consider paying a level of contribution to the Council, to assist in operating and maintaining the tunnel. The agreement for funding is favourable to the RBT and in fact allows them to withdraw at any time from making any payments. Both the lease and financial contribution agreement were negotiated by Kent County Council before Medway Council was formed.

3.2 Exempt paragraph

3.3 In addition to the annual running costs of £750,000, funding will be required as major pieces of infrastructure reach their end of life. Since the South East of England Regional Assembly's (SEERA) announcement that they are awarding Medway £5 million, on behalf of the Department for Transport (DfT) to invest in the tunnel, officers have started developing a programme to replace various key systems including the computer system, CCTV, establishing a 24/7 control centre linked to the current CCTV centre at Strood, communications links for staff and emergency services and users through the tunnel. Officers are also looking at alternative sources of energy to operate the tunnel and this may lead to a total replacement of the lighting and electrical systems in the tunnel. Given the fact that approximately £250,000 each year is spent on energy costs for the tunnel, this may represent a real cost saving for the future. In addition to the funding from SEERA, there is also the ability to allocate capital funding from the Local Transport Plan to improve the tunnel in advance of the SEERA grant.

3.4 Current funding for the tunnel is supplemented from Highway's budgets. If the RBT release the quoted sum shown in exempt paragraph 3.2 at the point of transfer of ownership, then this will place Medway in a sound position for operating and maintaining the tunnel financially for the next four to six years. Officers would like to be far more accurate than this, however as equipment is replaced maintenance costs and potentially running costs may drop, thus extending the duration that the ring fenced funding would last. Officers have looked at historical data and tried to estimate what will be the significant maintenance and replacement costs in the future.

- 3.5 This report has detailed the short and medium term plan above. The whole issue of government revenue funding has been discussed with the Government Office for the South East (GOSE), as the government view the tunnel for revenue purposes as purely 725 metres of road surface. This length of dual carriageway does warrant a much smaller level of funding than the maintenance costs of a significant item of civil infrastructure such as the tunnel. In the longer term, the Council is continuing to raise the issue with local Members of Parliament and government departments as currently there is no provision for road tunnels in the overall assessment of funding needs to Local Authorities like Medway.
- 3.6 Currently Medway has three posts (officers) that are solely responsible for operating and maintaining the tunnel. However, other staff from within the highways section take on specific duties, for example the Highways Inspectors undertake the daily highways inspection of the tunnel, officers who deal with road signs, responsive and planned highway surface maintenance, structures and drainage all play a part at various times in the year in the running and maintaining of the tunnel. It is considered that in staff costs alone, it accounts for approximately £130,000 per year. Once the new CCTV system is in place and networked back to the existing CCTV control room in Strood, there may be the need for additional staffing resources. However, if required, it would need to be developed in conjunction with the management of the existing CCTV centre, the management of the Urban Traffic Management system and the out of hours operations by Frontline Services staff.

#### **4 Options**

- 4.1 The Council needs to balance and support the day to day operational costs of the tunnel whilst continuing to pursue external funding sources either in terms of contributions to revenue costs or the development of capital projects that enhance the operations of the tunnel and minimise future revenue costs for the Council.

#### **5. Advice and analysis**

- 5.1 The effective maintenance of the tunnel is vital for the economic, social and physical regeneration of Medway. The Council needs to pursue the option set out in paragraph 3.1 to maintain and enhance this key part of the highways network.

#### **6. Financial and legal implications**

- 6.1 The Council currently leases part of the tunnel and has rights over the remaining part of the tunnel (the part in fact within the river) under a 999 year lease from the Rochester Bridge Trust. The lease contains a covenant that the Council will keep the tunnel in good and substantial repair and that it will rebuild or reinstate as necessary, and that its liability will not be limited by the age or condition of the tunnel. If the

Bridge Trust consider the Council to be in breach of this covenant at any time, then they can serve a notice on the Council informing them of the works that need to carry out. If the Council fails to comply with its obligations, then the Bridge Trust can request the Court to order that the work is carried out. In addition, the Bridge Trust can give the Council four weeks notice of any work that they consider necessary and if the Council fail to carry out the work then the Bridge Trust can do so in default and recover the costs and interest from the Council.

- 6.2 The Bridge Trust entered into a contribution agreement with the Council, whereby it would contribute to the annual running costs of the tunnel up to a maximum amount per annum (index linked). However, it did not have to make any contribution unless its engineer approved the Council's arrangements and costs for the operation and maintenance of the tunnel each year and that it had the finance available to make the payment. This meant that the decision whether to make the payment to the Council was within the Trust's discretion.
- 6.3 The RBT is in the process of making it's final decision whether to transfer the tunnel to Medway Council's ownership early in 2009.
- 6.4 Medway Council will spend the £5 million grant offered by SEERA to improve and refurbish the tunnel. The funding is available in 2010.
- 6.5 Medway requires around £750,000 per year to operate and routinely maintain the tunnel. This is currently funded by payment from RBT and from the Council's existing Highways budgets.
- 6.6 The decision to purchase the tunnel was taken at Full Council on 12 June 2008 and the decision was "That Council agree the sum as detailed in the exempt appendix to the report from the Rochester Bridge Trust and agree the purchase of the tunnel as detailed in the exempt appendix and its addition to the capital programme."

## **7. Recommendations**

- 7.1 That Members consider and comment on the report.

### **Lead officer contact**

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