

**Oversight and Governance**

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## CITY COUNCIL

Friday 8 March 2024  
2.00 pm  
Council House, Plymouth

**Members:**

Councillor Shayer, Chair

Councillor Ms Watkin, Vice Chair

Councillors Allen, Aspinall, Mrs Beer, Bingley, Blight, Briars-Delve, Mrs Bridgeman, Carlyle, Coker, Dr Cree, Cresswell, Dann, Darcy, Dingle, Evans OBE, Finn, Gilmour, Goslin, Harrison, Haydon, Hendy, Holloway, Hulme, Krizanac, Laing, Loveridge, Lowry, Lugger, Dr Mahony, McLay, McNamara, Moore, Murphy, Nicholson, Noble, Partridge, Patel, Penberthy, Penrose, Poyser, Raynsford, Reilly, Rennie, Ricketts, Salmon, Smith, Sproston, Stephens, Stevens, Stoneman, Tippetts, Tofan, Tuffin, Tuohy and Wakeham.

Members are invited to attend the above meeting to consider the items of business overleaf.

You can watch any of our webcast meetings on [YouTube](#). For further information on attending Council meetings and how to engage in the democratic process please follow this link - [Get Involved](#)

**Tracey Lee**

Chief Executive

## **City Council**

### **Agenda**

#### **1. Apologies**

To receive apologies for absence submitted by councillors.

#### **2. Minutes**

**(Pages 1 - 16)**

To approve and sign the minutes of the meeting held on 29 January 2024 as a correct record.

#### **3. Declarations of Interest**

Members will be asked to make any declarations of interest in relation to items on this agenda, in accordance with the Code of Conduct.

#### **4. Urgent Announcements**

- (a) To receive announcements from the Lord Mayor, Chief Executive, Service Director for Finance or Head of Legal Services;

#### **5. Tamar Bridge and Torpoint Ferry - Future Financing and 2024/25 Revenue Budget and Capital Programme:**

**(Pages 17 - 166)**

#### **6. Revenue and Capital Budget and Proposed Council Tax Levels for 2024/25:**

**(Pages 167 - 262)**

## City Council

**Monday 29 January 2024**

### **PRESENT:**

Councillor Shayer, in the Chair.

Councillor Ms Watkin, Vice Chair.

Councillors Allen, Aspinall, Mrs Beer, Bingley, Blight, Briars-Delve, Mrs Bridgeman, Carlyle, Coker, Cresswell, Dann, Darcy, Dingle, Evans OBE, Gilmour, Goslin, Harrison, Haydon, Hendy, Holloway, Hulme, Krizanac, Laing, Mrs. Loveridge, Lugger, Dr Mahony, McLay, McNamara, Moore, Murphy, Nicholson, Noble, Partridge, Patel, Penberthy, Penrose, Poyser, Raynsford, Reilly, Rennie, Ricketts, Salmon, Smith, Sproston, Stephens, Stevens, Tippetts, Tofan, Tuffin, Tuohy and Wakeham.

Apologies for Absence: Councillors Dr Cree, Finn, Lowry and Stoneman.

The meeting started at 14:00 and finished at 17:41.

*Note: The full discussion can be viewed on the webcast of the City Council meeting at [www.plymouth.gov.uk](http://www.plymouth.gov.uk). At a future meeting, the Council will consider the accuracy of these draft minutes, so they may be subject to change. Please check the minutes of that meeting to confirm whether these minutes have been amended.*

#### 60. **Minutes**

The minutes of the meetings held on 20 November 2023 were agreed as a correct record.

#### 61. **Declarations of Interest**

The following declarations of interest were made by Councillors in accordance with the code of conduct -

<b>Name</b>	<b>Item Number</b>	<b>Reason</b>	<b>Interest</b>
Neil Hendy	16.b	Family member worked for private foster agency.	Pecuniary
Mark Coker	10	Licence Holder	Pecuniary
Nat Harrison	9	Family member possessed a licence.	Pecuniary
Patel	10	Licence Holder	Pecuniary
Mahony	8 and 16c	Not Specified	Pecuniary
Lugger	10	Licence Holder	Pecuniary

62. **Council Proportionality January 2024**

The Council agreed to note the changes to proportionality for January 2024.

63. **Questions by the Public**

The following question was submitted by Roy Hamilton:	
<b>Question:</b> When will the Licensing Authority meet with knowledgeable persons and Licensees who understand the economics and infrastructure of the Taxi Trade as promised during the March Scrutiny Committee Meeting and the Full Council Meeting held during November 2022?	<p><b>Response:</b> I am aware that the former Conservative Leader suggested that scrutiny may be undertaken, I cannot understand why the then Cabinet did not bring it forward for scrutiny, however I do not answer for the former Cabinet.</p> <p>I have been the Cabinet Member responsible for Taxi Licensing since May 2023. I have been keen to see changes to the 2022 policy due to the various economic and operational changes that have arisen since policy implementation in May 2022. Before making a recommendation to Council for change I ensured that a consultation was undertaken on new proposals.</p> <p>I have very much welcomed the engagement and comments we received from drivers, vehicle proprietors and operators as part of that consultation, and look forward to the debate on the item later in today's meeting.</p>
The following question was submitted by George Wheeler:	
<b>Question:</b> The consultation over replacing the toilets at St Budeaux Square ended on 30th November. There were only three questions in the questionnaire. Why has a conclusion not yet been published and when will a decision on replacement be made, please?	<p><b>Response:</b> The conclusion of the St Budeaux toilets consultation was announced by Cllr Penberthy on 26 January 2024. As announced, the replacement toilets will be installed during the St Budeaux Transport Interchange works.</p>

64. **Announcements**

Councillor Mark Shayer (the Lord Mayor) made the following announcements-



- a. One minute's silence was requested and held for the passing of Freeman David Stark, a well-respected local politician with a long history of serving his community over a period of five decades;
- b. A moments silence was called for Holocaust Memorial Day;
- c. Long service awards were presented, and congratulations issued to Councillor Tudor Evans OBE (currently in his 36<sup>th</sup> year of service) and Councillor Patrick Nicholson (currently in his 29<sup>th</sup> year).

Councillor Tudor Evans OBE (Leader of the Council) made the following announcements-

- d. There had been a large amount of success in the procurement of funding for the city. This included:
- e. £26m from the National Lottery Horizons National Marine Park submission;
- f. £19.9 Million for the City's Levelling Up Round 2 bid;
- g. £25m Freeport seed capital Grant;
- h. £7.5m for business support from Innovate UK for the UK's Maritime and Marine Launchpad;
- i. £10.9m for the creative growth programme;
- j. An "investment pipeline" of around £1 billion had been created;
- k. The Plymouth and Devon Freeport would be securing Sherford Employment land. The Freeport would be funding South Hams to purchase this land from the Housing Consortium and the Council would be looking to work closely with South hams to bring forward various employment schemes;
- l. Langage Green Hydrogen Plant – More than £20m in funding for a green hydrogen hub had been secured by Carlton Power as part of the UK's round one hydrogen allocation round for the Langage Green Hydrogen Plant. It was hoped the plant would be operational by 2026;
- m. The £26m improvement programme at Millbay Docks part funded by the Freeport had started;
- n. £700,000 of the Shared Prosperity Fund had been dispersed to citizens of the city to support green skills, to encourage pathways to employment and to improve digital inclusion.

Councillor Haydon (Cabinet Member for Community Safety, Libraries, Cemeteries & Crematoria) made the following announcements-

- o. Passed on congratulations to Jon Kelly & Mel Walker from the Trading-Standards team. They had won the Outstanding Project Award for the Council's Illicit Tobacco work at the Trading Standards South West awards ceremony.

Councillor Laing (Deputy Leader of the Council & Cabinet Member for Children's Social Care, Culture, Events and Communications) made the following announcements-

- p. Passed on thanks to all contributors of "make Christmas 2023 extra special for care-experienced young people"- a programme supporting young carers in the community over Christmas.

Councillor Aspinall (Cabinet Member for Health and Adult Social Care) made the following announcements-

- q. The incumbent national government had issued a statement on vaping which echoed the current concerns of the Council. Full details were being awaited on. The Councillor issued her thanks to all members of the Council who had worked towards the current vaping targets.

### **Change to the order of business**

*Councillor Evans, seconded by Councillor Rennie, moved to a vote to request item 16.C (Plymouth Airport) be taken as next business, before returning to the scheduled order of proceedings.*

#### For (40)

Councillors Allen, Aspinall, Mrs Beer, Blight, Briars-Delve, Mrs Bridgeman, Coker, Cresswell, Dann, Dingle, Evans OBE, Gilmour, Goslin, Harrison, Haydon, Hendy, Holloway, Hulme, Krizanac, Laing, Mrs. Loveridge, McLay, McNamara, Moore, Murphy, Nicholson, Noble, Partridge, Patel, Penberthy, Penrose, Poyser, Raynsford, Reilly, Rennie, Sproston, Stephens, Stevens, Tippetts, Tuffin and Tuohy.

#### Abstentions (10)

Councillors Bingley, Carlyle, Darcy, Lugger, Dr Mahony, Patel, Smith, Tofan, Wakeham and Ms. Watkin.

#### Against (0)

#### Absent/Did not vote (2)

Councillors Ricketts and Salmon.

## **65. Plymouth City Airport**

*This motion was proposed by Councillor Andy Lugger (Leader of the Opposition) and seconded by Councillor Bill Wakeham (Deputy Leader of the Opposition).*

After contributions from Councillors Patel and Evans (OBE), Councillor Rennie, Seconded by Councillor Stevens, moved to the end of debate of this item with a closure vote.

For (31)

Councillors Allen, Aspinall, Blight, Briars-Delve, Coker, Cresswell, Dann, Dingle, Evans OBE, Gilmour, Goslin, Haydon, Hendy, Holloway, Krizanac, Laing, McNamara, Moore, Murphy, Noble, Penberthy, Penrose, Raynsford, Reilly, Rennie, Sproston, Stephens, Stevens, Tippetts, Tuffin and Tuohy.

Abstentions (0)

Against (20)

Mrs Bridgeman, Bingley, Mrs Beer, Carlyle, Darcy, Harrison, Hulme, Mrs. Loveridge, Lugger, McLay, Nicholson, Patel, Partridge, Poyser, Ricketts, Salmon, Smith, Tofan, Wakeham and Ms Watkin.

Absent/Did Not Vote (1)

Dr Mahony.

After summation by Cllr Lugger, the Council agreed to-

- I. Recommend to the Leader to instruct officers to immediately serve a 'Notice of Forfeiture' against the leaseholder of Plymouth City Airport.

For (51)

Councillors Allen, Aspinall, Mrs Beer, Bingley, Blight, Briars-Delve, Mrs Bridgeman, Carlyle, Coker, Cresswell, Dann, Darcy, Dingle, Evans OBE, Gilmour, Goslin, Harrison, Haydon, Hendy, Holloway, Hulme, Krizanac, Laing, Mrs. Loveridge, Lugger, Dr Mahony, McLay, McNamara, Moore, Murphy, Nicholson, Noble, Partridge, Patel, Penberthy, Penrose, Poyser, Raynsford, Reilly, Rennie, Ricketts, Salmon, Smith, Sproston, Stephens, Stevens, Tippetts, Tofan, Tuffin, Tuohy, Wakeham. And Ms. Watkin.

Abstentions (0)

Against (0)

Absent/Did Not Vote (1)

Dr Mahony.

*Councillor Mahony left the room, as per declaration of interest, at the commencement of Motion 16.c (14:30) and returned at 15:06 during item 9.*

*Councillor Tofan left the meeting at the conclusion of item 16c.*

66. **Council Tax Base Setting 2024/25 and Council Tax Support Scheme 2024/25**

The motion was introduced by Councillor Penberthy (Cabinet Member for Housing, Cooperative Development and Communities) and seconded by Councillor Evans OBE (Leader of the Council).

The Council agreed to-

1. The Council Tax Base for 2024/25 of 75,389 equivalent Band D dwellings as set out in the report.
2. The continuation of the current Council Tax Support scheme and Exceptional Hardship Scheme for 2024/25 with the amendments as set out in Paragraph 4.

For (48)

Councillors Allen, Aspinall, Mrs Beer, Bingley, Blight, Briars-Delve, Mrs Bridgeman, Carlyle, Coker, Cresswell, Dann, Dingle, Evans OBE, Gilmour, Goslin, Harrison, Haydon, Hendy, Holloway, Hulme, Krizanac, Laing, Loveridge, Luggier, McLay, McNamara, Moore, Murphy, Nicholson, Noble, Partridge, Patel, Penberthy, Penrose, Poyser, Raynsford, Reilly, Rennie, Salmon, Smith, Sproston, Stephens, Stevens, Tippetts, Tuffin, Tuohy, Wakeham and Ms. Watkin.

Abstentions (0)

Against (0)

Absent/Did Not Vote (3)

Councillors Darcy, Dr Mahony, Ricketts.

*Councillor Darcy and Ricketts had temporarily exited the chamber at 14:52 during the commencement of this item.*

67. **Council Tax Discounts and Premiums (To Follow)**

The motion was introduced by Councillor Penberthy (Cabinet Member for Housing, Cooperative Development and Communities) and seconded by Councillor Evans OBE (Leader of the Council).

Following contributions from Councillor Mrs Bridgeman and Penberthy, the Council agreed to-

1. From 1 April 2024 the current 100% premium for dwellings which are unoccupied and substantially unfurnished will be levied after a period of one year;
2. From 1 April 2025 a premium of 100% will be levied on all dwellings which are unoccupied and substantially furnished (second homes).

For (49)

Councillors Allen, Aspinall, Mrs Beer, Blight, Briars-Delve, Mrs Bridgeman, Carlyle, Coker, Cresswell, Dann, Darcy, Dingle, Evans OBE, Gilmour, Goslin, Harrison, Haydon, Hendy, Holloway, Hulme, Krizanac, Laing, Loveridge, Lugger, McLay, McNamara, Moore, Murphy, Nicholson, Noble, Partridge, Patel, Penberthy, Penrose, Poyser, Raynsford, Reilly, Rennie, Ricketts, Salmon, Smith, Sproston, Stephens, Stevens, Tippetts, Tuffin, Tuohy, Wakeham and Ms. Watkin.

Abstentions (1)

Councillor Bingley.

Against (0)

Absent/Did Not Vote (1)

Councillor Dr Mahony.

68. **Proposed amendments to the Hackney Carriage and Private Hire Licensing Policy 2022 in relation to Livery and Topographical Knowledge of Plymouth test**

The motion was introduced by Councillor Haydon (Cabinet Member for Community Safety, Libraries, Cemeteries & Crematoria) and seconded by Councillor Tippetts (Chair of Taxi Licensing Committee).

Following contributions from Councillors Lugger, Moore and Partridge the Council agreed to the proposed amendments to the Taxi Policy to-

1. Remove livery requirements for vehicles;
2. The removal of requirements for the Knowledge of Plymouth test for private hire drivers.

For (45)

Councillors Allen, Aspinall, Mrs Beer, Bingley, Blight, Briars-Delve, Mrs Bridgeman, Carlyle, Coker, Cresswell, Dann, Darcy, Dingle, Evans OBE, Gilmour, Goslin, Haydon, Hendy, Holloway, Hulme, Krizanac, Laing, Dr Mahony, McLay, McNamara, Moore, Murphy, Nicholson, Noble, Partridge, Patel, Penberthy, Penrose, Poyser, Raynsford, Reilly, Rennie, Smith, Sproston, Stephens, Stevens, Tippetts, Tuffin, Tuohy, and Ms. Watkin

Abstentions (3)

Councillors Loveridge, Salmon and Wakeham.

Against (2)

Councillors Lugger and Ricketts.

Absent/Did Not Vote (1)

Councillor Harrison.

*Councillor Harrison left the chambers at the conclusion of item 8 and returned at the commencement of item 10 as per declaration of interest.*

69. **Licensing Act 2003 – Statement of Licensing Policy 2024 - 2029**

The motion was introduced by Councillor Haydon (Cabinet Member for Community Safety, Libraries, Cemeteries & Crematoria) and seconded by Councillor Rennie (Chair of Licensing Committee).

The Council agreed to-

- I. Adopt the Licensing Statement of Policy contained in Appendix A with effect from 31 March 2024.

For (49)

Councillors Allen, Aspinall, Mrs Beer, Bingley, Blight, Briars-Delve, Mrs Bridgeman, Carlyle, Cresswell, Dann, Darcy, Dingle, Evans OBE, Gilmour, Goslin, Harrison, Haydon, Hendy, Holloway, Hulme, Krizanac, Laing, Loveridge, Dr Mahony, McLay, McNamara, Moore, Murphy, Nicholson, Noble, Partridge, Patel, Penberthy, Penrose, Poyser, Raynsford, Reilly, Rennie, Ricketts, Salmon, Smith, Sproston, Stephens, Stevens, Tippetts, Tuffin, Tuohy Wakeham and Ms. Watkin.

Abstentions (0)

Against (0)

Absent/Did Not Vote (2)

Councillors Coker and Luggier.

*Councillors Coker and Luggier had exited the chamber as per declarations of interest, returning at the conclusion of item 10.*

70. **Stage Two - Constitutional Changes**

The motion was introduced by Councillor Allen (Chair of Audit and Governance Committee) and seconded by Councillor Stevens (Chair of the Planning Committee).

Following contributions from Councillors Nicholson, McLay, Stevens, Poyser and Krizanac, Allen the Council agreed to approve-

- I. Amended Part E and Petition Scheme/Guidance;
2. Standards Committee terms of reference.

For (43)

Councillors Allen, Aspinall, Bingley, Blight, Briars-Delve, Carlyle, Coker, Cresswell, Dann, Darcy, Dingle, Evans OBE, Gilmour, Goslin, Harrison, Haydon, Hendy, Holloway, Krizanac, Laing, Lugger, Dr Mahony, McNamara, Moore, Murphy, Noble, Patel, Penberthy, Penrose, Raynsford, Reilly, Rennie, Ricketts, Salmon, Smith, Sproston, Stephens, Stevens, Tippetts, Tofan, Tuffin, Tuohy and Wakeham.

Abstentions (2)

Councillors Loveridge, Partridge

Against (6)

Councillors Mrs Beer, Nicholson, Mrs Bridgeman, Hulme, Poyser and McLay.

Absent/Did Not Vote (0)

71. **Electoral Cycle Consultation**

The motion was introduced by Councillor Allen (Chair of Audit and Governance Committee) and seconded by Councillor Stevens (Chair of the Planning Committee).

Following contributions from Councillors Lugger, Nicholson, Mahony, Stevens the Council agreed-

1. That a consultation exercise on the Council's electoral cycle is undertaken to run concurrently with Local Government Boundary Commission for England proposals for revised ward names, numbers and boundaries between July and September 2024.
2. Confirms the consultation questions agreed by the Audit and Governance Committee of 20 March 2023

For (33)

Councillors Allen, Aspinall, Blight, Briars-Delve, Coker, Cresswell, Dann, Dingle, Evans OBE, Gilmour, Goslin, Haydon, Hendy, Holloway, Krizanac, Laing, McLay, McNamara, Moore, Murphy, Noble, Penberthy, Penrose, Poyser, Raynsford, Reilly, Rennie, Sproston, Stephens, Stevens, Tippetts, Tuffin and Tuohy.

Abstentions (2)

Councillors Mrs Bridgeman and Ricketts.

Against (15)

Councillors Mrs Beer, Bingley, Darcy, Harrison, Hulme, Dr Mahony, Nicholson, Partridge, Patel, Smith, Mrs. Loveridge, Lugger, Salmon, Ms. Watkin and Wakeham.

Absent/Did Not Vote (1)

Councillor Carlyle.

*Councillor Carlyle had temporarily exited the chambers during this item, returning after the vote.*

*Councillor Bingley departed the sitting of Council at the conclusion of this item.*

72. **Appointment of Statutory Officers (Monitoring Officer and s151 Officer)**

The motion was introduced by Councillor Dann (Cabinet Member for Customer Services, Sport, Leisure & HR, and OD) and seconded by Councillor Laing (Deputy Leader of the Council & Cabinet Member for Children's Social Care, Culture, Events and Communications). Tracey Lee (Chief Executive) provided a brief summary of the motion.

Following contributions from Councillors, the Council agreed to-

1. The designation of Elizabeth Bryant, Head of Legal Services as the Monitoring Officer in accordance with section 5 of the Local Government and Housing Act 1989 from the first day of service with the Council.
2. Approve the extension of the designation of David Northey as the Service Director for Finance (Section 151 Officer) to 31 March 2025.

For (49)

Councillors Allen, Aspinall, Mrs Beer, Blight, Briars-Delve, Mrs Bridgeman, Carlyle, Coker, Cresswell, Dann, Darcy, Dingle, Evans OBE, Gilmour, Goslin, Haydon, Hendy, Holloway, Hulme, Krizanac, Laing, Mrs. Loveridge, Luggier, Dr Mahony, McLay, McNamara, Moore, Murphy, Nicholson, Noble, Partridge, Patel, Penberthy, Penrose, Poyser, Raynsford, Reilly, Rennie, Ricketts, Salmon, Smith, Sproston, Stephens, Stevens, Tippetts, Tuffin, Tuohy Wakeham and Ms. Watkin.

Abstentions (0)

Against (0)

Absent/Did Not Vote (1)

Councillor Harrison.

73. **Pay Policy Statement 2024/25**

The motion was introduced by Councillor Dann (Cabinet Member for Customer Services, Sport, Leisure & HR, and OD) and seconded by Councillor Evans OBE (The Leader of the Council).

Following contributions from Councillors, the Council agreed to-



I. Approve the Pay Policy Statement for 2024/25

For (49)

Councillors Allen, Aspinall, Mrs Beer, Blight, Briars-Delve, Mrs Bridgeman, Carlyle, Coker, Cresswell, Dann, Darcy, Dingle, Evans OBE, Goslin, Harrison, Haydon, Hendy, Holloway, Hulme, Krizanac, Laing, Mrs. Loveridge, Luggar, Dr Mahony, McLay, McNamara, Moore, Murphy, Nicholson, Noble, Partridge, Patel, Penberthy, Penrose, Poyser, Raynsford, Reilly, Rennie, Ricketts, Salmon, Smith, Sproston, Stephens, Stevens, Tippetts, Tuffin, Tuohy Wakeham and Ms. Watkin.

Abstentions (0)

Against (0)

Absent/Did Not Vote (1)

Councillor Gilmour.

74. **Committee Calendar** (To Follow)

This item was introduced by Councillor Aspinall (Cabinet Member for Health and Adult Social Care) and seconded by Councillor Laing (Deputy Leader of the Council & Cabinet Member for Children's Social Care, Culture, Events and Communications).

The Council agreed to note the indicative dates for meetings to be held in 2024 and 2025.

75. **Motions on notice**

76. **Local Democratic Access**

This motion was proposed by Councillor Alison Raynsford (Ward Councillor for St. Peter & the Waterfront) and seconded by Councillor Sarah Allen (Chair of Audit and Governance Committee).

After summation by Councillor Allen, the Council agreed to-

- I. Write to the Electoral Commission and the Speakers Committee on the Electoral Commission with copies to the Minister responsible asking that this 21st Century democratic deficit is investigated and that rules are put in place, or legislation amended, to ensure that candidates are able to reach out in local elections in person without incurring postal costs which would be prohibitive for smaller parties and independent candidates and that councils are enabled and supported in attempts to register hard to reach voters.

For (39)

Councillors Allen, Aspinall, Mrs Beer, Blight, Briars-Delve, Mrs Bridgeman, Coker, Cresswell, Dann, Dingle, Evans OBE, Goslin, Gilmour, Haydon, Hendy, Holloway, Hulme, Krizanac, Laing, Mrs. Loveridge, McLay, McNamara, Moore, Murphy, Nicholson, Noble, Partridge,

Penberthy, Poyser, Raynsford, Reilly, Rennie, Ricketts, Sproston, Stephens, Stevens, Tippetts, Tuffin, Tuohy

Abstain (3)

Councillors Dr Mahony, Salmon and Harrison.

Against (7)

Councillors Carlyle, Darcy, Lugger, Patel, Smith, Wakeham, Ms. Watkin

Absent/Did Not Vote (1)

Councillor Penrose.

*An adjournment of 30 minutes was called at the end of this item. 16:05-16:35.*

*Councillor Hulme departed the sitting of Council at this point.*

**77. Excess Profits by Private Companies Providing Children's Social Care**

This motion was introduced by Councillor Jemima Laing (Deputy Leader of the Council & Cabinet Member for Children's Social Care, Culture, Events and Communications) and seconded by Councillor Sally Cresswell (Cabinet Member for Education, Skills and Apprenticeships).

After contributions from Councillors Reilly, Harrison, Smith and Krizanac the Council agreed to-

- I. Write to the Parliamentary Under-Secretary of State (Minister for Children, Families and Wellbeing) David Johnston OBE MP (with a copy to the Chair of the Education Select Committee) to make him aware of the situation and its potential impact on our children and young people in care and on the overall budget impacts on Plymouth City Council.

For (48)

Councillors Allen, Aspinall, Mrs Beer, Blight, Briars-Delve, Mrs Bridgeman, Carlyle, Coker, Cresswell, Dann, Darcy, Dingle, Evans OBE, Goslin, Gilmour, Harrison, Haydon, Holloway, Krizanac, Laing, Mrs. Loveridge, Lugger, Dr Mahony, McLay, McNamara, Moore, Murphy, Nicholson, Noble, Partridge, Patel, Penberthy, Penrose, Poyser, Raynsford, Reilly, Rennie, Ricketts, Salmon, Smith, Sproston, Stephens, Stevens, Tippetts, Tuffin, Tuohy, Wakeham, and Ms. Watkin.

Abstentions (0)

Against (0)

Absent/Did Not Vote (1)

Councillor Hendy.

*Councillor Hendy had exited the chamber as per declarations of interest, returning at the conclusion of item 16b.*

78. **Unauthorised Encampments**

This motion was introduced by Councillor Patrick Nicholson (Leader of the Independent Group) and seconded by Councillor Mrs Terri Beer (War Councillor for Plympton Erle).

Councillor Penberthy proposed a move to the vote, seconded by Councillor Haydon, which was passed.

For (35)

Councillors Allen, Aspinall, Blight, Briars-Delve, Coker, Cresswell, Dann, Darcy, Dingle, Evans OBE, Goslin, Gilmour, Hendy, Haydon, Holloway, Krizanac, Laing, Lugger, McNamara, Moore, Murphy, Noble, Partridge, Patel, Penberthy, Raynsford, Reilly, Rennie, Sproston, Stephens, Stevens, Tippetts, Tuffin, Tuohy and Wakeham

Abstentions (1)

Councillor Smith.

Against (5)

Mrs Beer, Nicholson, Mrs Bridgeman, Poyser, McLay,

Absent/Did Not Vote (8)

Carlyle, Mrs. Loveridge, Dr Mahony, Salmon, Ms. Watkin, Harrison, Penrose, Ricketts,

After summation by Councillor Nicholson, the Council agreed to-

1. To request the Cabinet Member for Finance to consider providing a dedicated budget, in the forthcoming 2024/25 Council Budget, to account for costs associated with dealing with unauthorised encampments in Plymouth;
2. To request the Cabinet Member for Housing, Co-operative Development and Community, to review the Council's policy for Unauthorised Encampments, learning from experiences in 2023 and sharing with Members of the City Council in due course, the Council's approach to mitigating the impact of unauthorised encampments in 2024.

For (48)

Councillors Allen, Aspinall, Mrs Beer, Blight, Briars-Delve, Mrs Bridgeman, Carlyle, Coker, Cresswell, Dann, Darcy, Dingle, Evans OBE, Goslin, Gilmour, Harrison, Hendy, Holloway, Krizanac, Laing, Mrs. Loveridge, Lugger, Dr Mahony, McLay, McNamara, Moore, Murphy,

Nicholson, Noble, Partridge, Patel, Penberthy, Penrose, Poyser, Raynsford, Reilly, Rennie, Ricketts, Salmon, Smith, Sproston, Stephens, Stevens, Tippetts, Tuffin, Tuohy, Wakeham and Ms. Watkin.

Abstain (0)

Against (0)

Absent/Did Not Vote (1)

Councillor Haydon.

*Councillor Darcy left the sitting at the conclusion of item 16d.*

79. **In lieu of loos**

This motion was introduced by Councillor Lauren McLay (Ward Councillor for Plympton Chaddlewood) and seconded by Councillor Ian Poyser (Leader of the Green Group).

Councillor Christopher Penberthy proposed an amendment to the motion, seconded by Councillor Stevens.

After contributions speaking to the amendment from Councillors Haydon, Beer and Smith, the amendment was passed.

For (42)

Councillors Allen, Aspinall, Blight, Briars-Delve, Carlyle, Coker, Cresswell, Dann, Dingle, Evans OBE, Goslin, Gilmour, Harrison, Haydon, Hendy, Holloway, Krizanac, Laing, Lugger, Dr Mahony, McLay, McNamara, Moore, Murphy, Noble, Patel, Penberthy, Penrose, Poyser, Raynsford, Reilly, Rennie, Salmon, Smith, Sproston, Stephens, Stevens, Tippetts, Tuffin, Tuohy, Wakeham and Ms. Watkin.

Abstain (6)

Councillors Mrs Beer, Mrs Bridgeman, Mrs. Loveridge, Nicholson, Partridge and Ricketts.

Against (0)

Absent/Did Not Vote (0)

The Council agreed to the amended motion-

- I. To request the Cabinet Member for Housing, Co-operative Development and Communities to review the current public toilets strategy within the budget envelope available in order to maximise the impact of our public toilet provision and learn from best practice elsewhere; identify opportunities for additional external investment, both revenue and capital, and partnership opportunities to enhance Plymouth's offer; and to take the results of this review to the appropriate scrutiny panel for consideration within 12 months.

For (44)

Councillors Allen, Aspinall, Blight, Briars-Delve, Mrs Bridgeman, Carlyle, Coker, Cresswell, Dann, Dingle, Evans OBE, Goslin, Gilmour, Harrison, Haydon, Hendy, Holloway, Krizanac, Laing, Luggier, Dr Mahony, McLay, McNamara, Moore, Murphy, Noble, Partridge, Patel, Penberthy, Penrose, Poyser, Raynsford, Reilly, Rennie, Ricketts, Salmon, Smith, Sproston, Stephens, Stevens, Tippetts, Tuffin, Tuohy, Wakeham and Ms. Watkin.

Abstain (4)

Mrs Beer, Mrs Bridgeman, Mrs. Loveridge and Nicholson

Against (0)Absent/Did Not Vote (0)80. **Questions by Councillors**

#	From	To	Subject:
1	Cllr Poyser	Cllr Coker	There had been a new 'Bus Shelter contract' signed. Would it be possible to inform the city of the process with a public statement of some form?
			Response: These contracts had been inherited by the current administration. This would be difficult to implement without some form of review against performance targets which would be taking place in the near future. T
			Supplementary: Will it be issued as a public statement online?
			Response: It would be shared with members and then decided upon.
#	From	To	Subject
2	Cllr Mahony	Cllr Haydon	During the 18 <sup>th</sup> of December there were numerous Lighting faults in the town centre, especially New George Street. These were reported on this evening and once again on the 9 <sup>th</sup> of January. To Today the lights were not fixed. Is this satisfactory?
			Response: This would not be deemed acceptable and the administration were looking to find why the faults started.
			Supplementary: Many further lights had failed. Only 12 out of 32 were working in New George Street and Old Town Street. When would they be repaired?
			Response: Councillor Haydon would speak to Councillor Lowry for clarity.
#	From	To	Subject
3	Cllr Harrison	Cllr Briars-Delve	There have been issues with grass cutting in the previous season, including slopes causing issues for robot mowers. How long should councillors and residents wait? Does grass that has been cut in January constitute an 'end of season cut'?
			Response: There have been issues. The new season was set to begin in spring.
			Supplementary: Is the end of January acceptable? Areas around Plympton had still not been cut by the date of this meeting. Was there a deadline or timescale?

Response: It was necessary for a degree of flexibility to be implemented, there was no 'set time'; staffing levels fluctuate. An additional £300,000 pounds had been invested into the grass cutting teams which would ameliorate the position of the team.
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*Please note that questions, answers, supplementary questions and supplementary answers have been summarised.*

# City Council



Date of meeting:	08 March 2024
Title of Report:	<b>Tamar Bridge and Torpoint Ferry Future Financing and 2024-2025 Revenue and Capital Programme</b>
Lead Member:	Councillor Mark Coker (Cabinet Member Strategic Planning and Transport)
Lead Strategic Director:	Anthony Payne (Strategic Director for Place)
Author:	Adrian Trim, Lead Officer Tamar Crossings
Contact Email:	Adrian.trim@plymouth.gov.uk
Your Reference:	
Key Decision:	No
Confidentiality:	Part I - Official

## Purpose of Report

The Tamar Bridge and Torpoint Ferry (TBTF) 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 had been reduced by the effect of Covid-19 and traffic levels have still not recovered to pre pandemic levels and are now operating at circa 90% of that previously. Recently the hike in inflation and rise in fuel and energy costs has required a proposed toll revision to address a predicted deficit in 2025/26 and to enable the Councils to set a balanced budget for the undertaking.

The global economy is experiencing changes in consumer patterns, with inflation, energy and fuel costs, recently seen at unprecedented levels. The consequence of the economic situation impacts both the income and the expenditure of the Joint Undertaking. The assumptions used to calculate the revenue estimates and proposed capital programme are based on information available to officers at the time of report preparation. However, it is hoped that the proposed toll revision outlined in the TBTF Future Financing report, if agreed, will stabilise finances over the 4 year period, to those seen in more recent years.

At its meeting on 8 December 2023, the Tamar Bridge and Torpoint Ferry Joint Committee (TBTFJC) was presented with several options to address the forecast financial position.

This report recommends to the Council the preferred option for a toll increase as agreed by TBTFJC at its meeting on 8 December 2023, to address the forecast deficits.

This report also sets out for consideration and approval, the proposed revenue estimates (budget) for Plymouth City Council (PCC) and Cornwall Council (CC) Cabinet and Full Council for 2024/25 and indicative figures for the subsequent three years 2025/26, 2026/27 and 2027/28, together with the proposed capital programme.

The full report, with appendices, agreed by the TBTF Joint Committee on the 12 January 2024, is attached for reference.

A parallel governance process has been followed by Cornwall Council but note the amendments to the original recommendation from the TBTFJC made by Cornwall Council, see section 2 of report.

## Recommendations and Reasons

### Cabinet recommends that Council:

1. That, having considered the contents of the report, including the responses from the public consultation, set out in Appendix I to the report, an application for a toll revision based on £3.00 cash and £1.50 TAG, **be made 55 days hence** to the Secretary of State in accordance with the applicable legislation. **Where the application is successful but prior to the toll revision being implemented the Government provide funding to the Tamar Bridge which can be used to offset expenditure, then the proposed toll increase will either not be implemented or will be decreased in line with that funding.**
2. Approves the 2024/25 revenue budget and capital programme and the draft 2024-25 Business plan, as set out in the appendices to the TBTF Joint Committee Report of 12 January 2024; and
3. Notes the longer-term forecast to 2027/28.

### Reasons

Without an approved budget, agreed by the parent authorities, PCC and CC, bridge and ferry operations would be unable to operate. An agreed, approved budget is a requirement of the existing governance arrangements of the parent authorities. Amendments approved by Cornwall Council are indicated in red.

### Alternative options considered and rejected

In reference to Future Financing Six options were provided to the TBTFJC five of which were rejected after discussion and debate.

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

In relation to the Revenue and Capital Budget not to approve the Budget as presented was rejected on the basis that Bridge and Ferry operations need to provide safe crossings seven days a week 365 days per year, connecting communities, supporting the local and national economy and providing access to healthcare and leisure.

The do-nothing option was also rejected as it would result in the parent authorities not delivering safe crossings or meeting their responsibilities regarding a duty of care.

### 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 contribute 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 recommendations address the financial, safety and operational requirements thus reducing 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 report addresses the requirement to continue with BAU for these important crossings.

**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 8 December 2023 – Future Financing							
C	Minutes of TBTFJC 8 December 2023							
D	Briefing Report - Tamar Bridge and Torpoint Ferry 2024/25 Revenue and Capital Programme							
E	TBTFJC Report 12 January 2024 – 2024/25 Revenue and Capital Programme							
F	Decision Sheet TBTFJC Meeting, 12 January 2024							
F	TBTF Business Plan and Revenue and Capital Budget.							

Background papers:

Title of any background paper(s)	Exemption Paragraph Number (if applicable)						
	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.						
	1	2	3	4	5	6	7

Sign off:

Fin	<b>CH 01.02 .24 1427</b>	Leg	LS/00 0022 68/1/ AC/2 9/2/2 4	Mon Off	Click here to enter text.	HR	Click here to enter text.	Asset s	Click here to enter text.	Strat Proc	Click here to enter text.
Originating Senior Leadership Team member: Anthony Payne (Strategic Director for Place)											
Please confirm the Strategic Director(s) has agreed the report? Yes Date agreed: 29/02/2024											
Cabinet Member approval: Councillor Mark Coker (Cabinet Member for Strategic Planning and Infrastructure) Date approved: 29/02/2024											

## **Appendix A**

### **Briefing Report -**

### **Tamar Bridge and Torpoint Ferry Future Financing**

#### **Introduction**

- I.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.
- I.2 The impact of the high inflation, fuel and energy costs has been profound, increasing operational costs and interest payment rates for Capital loans related to maintenance, improvements and replacement of key infrastructure.
- I.3 Workshops have been held since the beginning of 2023 to consider means of addressing forecast shortfalls, and the issue has been considered at TBTFJC meetings since December 2022. 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 but the scope has been limited by service delivery requirements and critical maintenance of assets.
- I.4 The recent toll increase that was implemented in January 2023 was intended to deliver a degree of financial stability for a number of years, unfortunately within the period of application to the SoS and due process, that can take between 10 months to a year in total, circumstances had changed significantly due to the war in Ukraine and associated cost increases – fuel, energy and inflation.
- I.5 Traffic levels have remained 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 to address fuel, energy and inflation increases the crossings finances would be in a deficit position from 2025/26 onwards.
- I.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.
- I.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.
- I.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.

- 1.9 At its meeting on 8 December 2023 TBTFJC Members were presented with six toll revision options to address the forecast financial position, officers recommended a cash toll increase for cars of £3.20 cash and £1.60 TAG.:
- 1.10 Following detailed discussion four options were discounted as Members did not consider they met the requirements of the Joint Committee.
- 1.11 Two of the options were subsequently taken to a vote, the Officer recommendation in para 1.9 was **not** supported by Members who opted for the minimal increase of £3.00 cash and £1.50 Tag with a pro rata increase for other users. TBTFJC resolved to recommend the preferred toll revision option 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.
- 1.11 The options are set out in detail in the report presented to the TBTFJC meeting on 8 December 2023 as Agenda Item 7 which is attached at Appendix B and can be found in the published Agenda Pack at;

[\(Public Pack\)Agenda Document for Tamar Bridge and Torpoint Ferry Joint Committee. 08/12/2023 10:00 \(cornwall.gov.uk\)](#)

- 1.12 TBTFJC's resolution can be found in the minutes of the TBTFJC meeting on 8 December 2023 which are attached at Appendix C and can be found at

#### [Minutes](#)

## 2.0 Updated recommendation from Cornwall Council

- 2.1 Following debate at Cornwall Council on the 20 February 2024, an amendment to the recommendation made by TBTFJC and approved by Cabinet on 12 February 2024 was made, considering a recent letter from Sheryll Murray MP to the Minister for Transport. In that letter a request was made to the Minister, that financial support for maintenance and improvement be given to the bridge from Roads Investment Strategy round 3 and Major Road Network round 2 grants.
- 2.2 Recommendation 1. recognises the request to the Minister and provides an opportunity for a Ministerial response and in the event that funding is forthcoming, that such funding could offset or remove the need to implement the toll increase, if it was granted by the Secretary of State.

As the TBTF is a joint undertaking of both Plymouth City Council and Cornwall Council both parties need to agree any proposals for a toll increase. In the event of any disagreement then the matter will be referred to arbitration.

Therefore it is proposed to put forward for Council's consideration the revised recommendation in line with that agreed by Cornwall Council to enable an application to be made to the Secretary of State for the toll increase.

The level of toll increase is the same as that proposed by the TBTFJC and accepted by Cabinet on 12 February 2024.



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**Appendix B**

Report to:	<b>Tamar Bridge &amp; Torpoint Ferry Joint Committee</b>	
Date:	<b>8 December 2023</b>	
Title:	<b>Future Financing</b>	
Portfolio Area:	<b>Cornwall Council: Transport</b> <b>Plymouth City Council Transport</b>	
Divisions Affected:	<b>All</b>	
Local Member(s) briefed:	<b>N/A</b>	
Relevant Scrutiny Committee: <b>Cornwall Council: Economic Growth and Development</b> <b>Plymouth City Council Growth &amp; Infrastructure</b>		
Authors, Roles and Contact Details:	<b>Vicky Fraser, Service Director, Environment and Connectivity, Cornwall Council, <a href="mailto:vicky.fraser@cornwall.gov.uk">vicky.fraser@cornwall.gov.uk</a></b>  <b>Philip Robinson, Service Director for Street Services, Plymouth City Council 01752 361577</b>  <b>Andrew Vallance, Governance and Finance Manager, 01752 361577, <a href="mailto:andrew.vallance@tamarcrossings.org.uk">andrew.vallance@tamarcrossings.org.uk</a></b>	
Approval and clearance obtained:	<b>Y</b>	
<b>For Cabinet and delegated executive decisions only</b>		
Key decision? (≥£500k in value or significant effect on communities in two or more electoral divisions)	<b>N</b>	
Published in advance on Cabinet Work Programme?	<b>Y</b>	
Urgency Procedure(s) used if 'N' to Work Programme?	<b>N</b>	
Date next steps can be taken	<b>12 January 2024</b>	

**Recommendations to the Full Council of each parent authority via the Cabinet of each parent authority:**

1. That having considered the contents of the report, including the responses from the public consultation an application for a toll revision, based on £3.20 cash

and £1.60 tag, be made to the Secretary of State in accordance with the applicable legislation. **Recommendation to the Joint Committee:**

2. That, having considered the Motion that was presented to Cornwall Council's Full Council on 28 November 2023, the Joint Committee will continue to lobby Government to provide funding for the bridge and the ferry, such lobbying to include a request for a review of the current legislation including the ability to apply RPI to tolls.
3. That officers incorporate the impact of the Joint Committee's above recommendations into the revenue estimates and capital programme for 2024-25 to be presented at an extraordinary meeting of the Joint Committee on 12 January 2024.
4. That the Tamar 2050 programme of activity be endorsed.

## 1. Executive Summary

- 1.1 This report provides an update on the undertaking's financial position and recommends that the Joint Committee determines a preferred option for toll revision from the options set out in the public consultation exercise undertaken 9 – 31 October 2023 and taking into consideration the budgetary positions of the parent authorities, advice from the Authorities' section 151 Officers, earlier observations made by Auditors and recommendations made by the commissioned consultants Local Partnerships in relation to stabilising the undertaking's finances.
- 1.2 Moving forward, it is proposed that, building on the work undertaken by Local Partnerships a Tamar 2050 programme is developed which is a comprehensive programme of transformation and one which will target resource and initiative in the short, medium and long term, developed in lock step with our community and the businesses who rely on them.
- 1.3 Tamar 2050 will be an important step towards delivering a modern, efficient and stable future, however it will not resolve the current lack of appropriate financial reserves nor prevent forecast deficits. Tolls need to be revised and the long lead times associated with a toll revision application leaves the Joint Committee with a very limited window to avoid a deficit reserve position and moderate the risks associated with the ongoing failure to hold adequate reserve. A decision at this meeting on a toll revision option is required to allow officers to bring forward proposed budgets (revenue estimates and capital programme) to an extraordinary meeting on 12 January 2024.
- 1.4 Feedback from the consultation exercise reflects the public's concern about any price increase and there are some shifts in opinion from earlier exercises, for example in relation to charging more at the ferry. However, the feedback from users and stakeholders that tolls should follow an alternative structure is not considered to be strong enough to require that the structure of charges is changed. Officers therefore recommend that an application for toll increase is made using an option that applies an increase to current cash and discount tolls pro-rata. The two such options consulted upon were an increase of car tolls to £3.00 cash/£1.50 tag and £3.20 cash, £1.60 tag with other classes increasing pro rata. These options provide differing levels of assurance to stabilise finances, rebuild adequate reserves and provide adequate funding for future modernisation of governance and operations, and officers recommend that the more robust option of increasing car class tolls to £3.20 cash/£1.60 tag (applied pro rata to other charges) is taken forward.



## **2. Purpose of Report and Key Information Background**

- 2.1 At its meeting on 3 December 2021 the Joint Committee resolved to recommend a 30% toll increase to Councils via Cabinets, subject to consideration of feedback from a public consultation exercise and implemented in stages:
- tag tolls increased in May 2022 and,
  - cash tolls increased in January 2023, following approval from the Secretary of State for Transport.
- 2.2 The proposal was anticipated to rebuild and maintain a reserve over the medium term of up to £3.3m, moderately above the £2.0m that was historically considered the minimum prudent position.
- 2.3 Public consultation was undertaken in January 2022 on the above proposed increase and the Joint Committee considered the feedback from the consultation at its meeting of 18 March 2022 and confirmed its preferred option to increase tolls.
- 2.4 The application for an increase in cash tolls was made in early April 2022 and TamarTag discount rates modified as scheduled on 1 May 2022. The application to increase cash rates was approved by the Secretary of State in November 2022 and came into effect on 1 January 2023.
- 2.5 The application made several assumptions that in December 2021 had been considered prudent. Included in those assumptions were:
- cost inflation of 3.5% during financial year 2022/23, reducing to 3% in the short-term before returning to the 2% level targeted by the Bank of England in the long-term
  - interest rates on borrowing would not exceed 3.38% over the medium term financial planning period
  - salary budgets would increase at no more than 0.5% more than assumed cost inflation
  - traffic levels would increase to 90% of pre-Covid levels during 2022 and, revert to 100% of pre-Covid volumes by April 2025.
- 2.6 All four of these external assumptions have proven inaccurate for various geo-political, economic and business reasons.
- 2.7 These factors resulted in an increasing awareness that prior to its implementation, the toll revision implemented on 1 January 2023 would not build reserve funds back to prudent levels and for an initial deficit position now forecast for financial year 2025/2026 and deteriorating thereafter.
- 2.8 In response to the changes in the external operating environment, workshops took place on 10 February 2023 and 5 June 2023 which provided Members with greater detail of the financial position and the options available to stabilise the organisation's finances. The discussions covered:
- commentary on the financial position of the undertaking and the difficulty the parent authorities would have in funding a deficit position should it arise - it was clearly stated that the parent authorities expect the joint undertaking to have exhausted all options available to it, before requiring revenue support from them

- financial models at that time anticipating full depletion of reserves during 2024/25 without intervention
  - the potential for increasing income from secondary sources and asset lease-back
  - review of expenditure and the related impact on service provision of significant cost reductions
  - finance officers' view that various pressures should be reflected in an increase in the level of prudent minimum reserve rising from the £2m set in 2012 to between £2.5m and £3m
  - the ongoing discussions with the Department for Transport (DfT)
  - feedback on the business review consultancy from Local Partnerships
  - potential decarbonisation of ferry drive systems
  - the likely timeline to gain authority to index tolls and the limited impact that indexation would make to the current financial position
  - toll revision options
- 2.9 The workshops provided a clear consensus, from Members, that current service levels should be maintained and that there should be no compromise in maintenance standards.
- 2.10 The workshops supported the ongoing pursuit of funding from DfT and confirmed the continued desire to progress a legislative route to index future tolls.
- 2.11 There was no indication of a single preferred or consensus approach towards addressing the forecast deficit position, but at the September 2023 meeting, Members resolved to consult on four toll revision options and a “no change” option.
- 2.12 Throughout this period of uncertainty, following the pandemic, much has been achieved to examine future opportunities and to consider where further efficiencies could be made (taking on board the recommendations arising from the two independent reviews of the crossings undertaken in 2018 by the Local Government Association and in 2023 by Local Partnerships). These have included:
- Moving to contactless payments at both crossings
  - Value engineering for the bridge rockers replacement project – leading to large savings
  - Traffic Data Monitoring – Leading to improved/data informed decision-making
  - Energy contract negotiation & reduced energy consumption
  - Marketing/Commercialisation of the Visitor Centre
- 2.13 Financial models have been updated for this meeting and based on some of the more recent savings/efficiencies referred to above. Nevertheless the forecast position remains one where unless there is action, to increase revenue through toll revision, annual deficits are anticipated from 2025/26 with reserves reducing until there is an overall deficit position.

### **Indexation of Tolls**

- 2.14 As a result of the effects of the Covid pandemic on the income received by the crossings, the Joint Committee gave the officers a mandate to liaise with central government to seek implementation of a mechanism to permit the crossings to apply RPI to tolls. This has been discussed at several Joint Committee workshops and officers have held meetings with DfT colleagues.

- 2.15 To ensure that the issue of applying RPI to tolls was progressed with the wider holistic position of the crossings in mind (for example, ongoing conversations with central government on providing funding to the crossings, the consideration of alternative business models for the crossings) it was preferred that the outcome of the Local Partnerships report was known before deciding on the most appropriate course of action. The report concluded amongst other recommended actions that a toll revision application should be made as soon as practicable and that indexation to tolls should be pursued.
- 2.16 The Joint Committee Chairs drafted a letter to central government on pursuing the ability to apply RPI to tolls and, at the request of DfT, sought local MP support for the letter prior to sending. That support was considered essential to securing appropriate engagement from central government for the request.
- 2.17 Following written feedback from Local MPs, Joint Chairs, Portfolio Holders and officers met Sheryll Murray MP, Johnny Mercer MP and Luke Pollard MP on 24 November to discuss concerns expressed about the Crossings' debt levels and financial management and the proposed letter to central government regarding the ability to apply RPI to tolls.
- 2.18 A consensus between MPs and the parent authorities on support for legislative change to permit the indexation of tolls has not yet been reached. However, as there is no obvious current Bill or legislative process to which our requirements might be appended, this provides further time to work with DfT and local MPs to seek a consensus approach on this issue.
- 2.19 Financial models used in this report have assumed that the parent authorities will not now be able to secure the ability to index tolls prior to April 2027. A later date of 1 April 2027 for base indexing has been assumed in updated models. The models continue to arbitrarily assume that inflation rates mirror those used in expenditure modelling and that the Authorities choose to apply increased rates as soon as indexation allows for an incremental 10p increase in class 2 (car) tolls.
- 2.20 Given the extended schedule for possible indexation, versions of the preferred options without indexation (see 1.4 above) have been added to appendices.

### **Income and Expenditure Modelling**

- 2.21 Since the beginning of the pandemic officers have been closely monitoring traffic levels and income and have been maintaining a contemporary budget forecasting model. The model was used to assess the impact of inflationary pressures following the Ukraine invasion and now predicts that without intervention there will be a limited reserve at the end of the current financial year and increasing accumulating deficits in future years.
- 2.22 The change in the core model over the course of the year is the result of well documented inflationary pressures, namely:
- double digit general inflation
  - extreme increases in energy and fuel costs
  - supply chain difficulties
  - higher national local government pay awards
  - higher interest rates affecting ourselves and suppliers

which were reflected in the budgets endorsed at the Joint Committee meeting of 2 December 2022.

- 2.23 The increase in the RPI inflation index to date is particularly stark when compared to the rates used in the forecasts supporting the December 2021 decision to pursue the last toll increase. The index covering the period December 2021 to October 2023 has increased by 18.9% compared to an increase of approximately 7% that was anticipated within the December 2021 forecast.
- 2.24 Income levels from 2025 were also adjusted at the 2 December 2022 meeting to reflect the revised view that traffic would not gradually return to post-Covid levels over the course of 2-3 years. The revised officer's view is that there are significant and generally accepted factors affecting traffic volumes including home working, internet shopping and a reduced night economy which will continue to have a suppressing effect on traffic levels. Officers' view that overall traffic across the two crossings will remain at around 90% of pre-Covid levels for the foreseeable future is supported by volumes of 90.2% for the comparison of the current rolling 12 months with that of the latest pre-Covid rolling 12 months.
- 2.25 The core expenditure model has been updated to reflect the current drafts of budgets being prepared for a subsequent extraordinary meeting of the Joint Committee. Changes in both revenue and capital budgets have been marginally favourable, notably:
- a reduction in provisions for energy and fuel costs as tariffs have not risen as far as expected; and,
  - reductions in capital financing as project starts have been delayed and new approaches have significantly reduced the scope and cost of projects.
- 2.26 The estimates for inflation being used in the latest budget drafts are those being adopted within Cornwall Council – CPI at 3.3% for 2024/25 and 2.2% for 2025/26 and 1.5% thereafter. The more recent experience of RPI inflation being 1.5% higher than CPI (rather than the historic average of 0.9% higher) has been partly incorporated.
- 2.27 Although indices for the current year have slightly eased during 2023, the level of inflation remains at a higher level than has been assumed in previous models and there is risk that the misalignment will continue. The National pay award for the current year was some 3% above the 4.5% provided in the model adopted in December 2022, and given ongoing pressures on recruitment and inflation, there is some risk that agreements in the coming year and beyond will again exceed the provision for 2024/2025 of 4.5%, 3% in 2025/2026 and 2% thereafter.
- 2.28 The updated models illustrate the sensitivity of those models to external variances that will be outside the undertaking's control. Examples of the impact of such variances on the financial position include:
- each 1% variance in traffic flow from the forecast 90% would result in income changing by approximately £0.160m per annum at current toll levels
  - each 1 month delay in getting a toll order (estimated in all options as 1 November 2024) to raise cash tolls would result in the loss of approximately £0.200m based on 15% increases and £0.268m based on 20% increases
  - there is a negative effect of around £55,000 per annum for every 1% above provision that national pay agreements are agreed
  - additional inflationary cost pressures on non-employee related revenue budgets of 1% above rates used would add £75,000 to 2024/25 costs
  - there is some uncertainty that new borrowing will be at the 3.38% rate provided for updated model, however the effect would be restricted to new borrowing and with rates 1% higher than modelled, £10,000 annually would be added for every £1.0m of new debt.

## Reserves Position

- 2.29 The table below records the latest reserves forecasts without intervention and assumes no ongoing support payments from the parent authorities. The forecast should be considered in the context of advice that a minimum positive balance of £2.5m-£3.0m should be held against contingency and that at the end of the current financial year the position will be £1.32m below that which is considered prudent. The position is also documented in graphical form at Appendix 1a.

	end of year reserves position (£m)				
	2023/24	2024/25	2025/26	2026/27	2027/28
<b>do nothing</b>	<b>+1.677</b>	<b>+0.511</b>	<b>-1.105</b>	<b>-3.091</b>	<b>-5,195</b>

\* Assumes authority given in 2025 to index tolls

- 2.30 The long term forecast at Appendix 1b incorporates RPI increases when the index rises sufficiently to increase rates by 10p. Although in line with approved strategy, it relies on gaining a consensus to achieve the legislative authority to do so.
- 2.31 Although the latest forecasts represent an improvement in the position compared to that reported at the 7 September 2023 meeting, a very significant cumulative deficit still accumulates, even with indexation. The position continues to demonstrate the need to ensure that a viable toll rate is applied prior to any indexation. It remains the case that indexation alone will not place the crossings in a viable financial position and the anticipated delay in gaining such authority reinforces the need for suitable contingency reserves.
- 2.32 The forecast assumes that cash and tag rates are indexed at the same time, as do each of the options for toll revision detailed below.

## Toll Revision and Public Consultation

### Current Position

- 2.33 The lead time to implement revised cash tolls is long and it is assumed that new rates could not be implemented prior to November 2024. That schedule is only capable of being met if the Joint Committee confirm the preferred revision option at this meeting and subsequently agree budgets that are consistent with that decision at an extraordinary meeting on 12 January 2024. Postponing a decision to a future scheduled meeting will not only mean that the anticipated deficit reserves position cannot be corrected by the established route of toll revision, but that some uncertainty is created in relation to the budget available in the coming financial year. Although the insertion of an extraordinary meeting into the calendar has allowed some adjustment of the programmes presented at the meeting of 7 September 2023, a decision at this meeting is very definitely now on the critical path to achieve a November 2024 increase and avoid future deficit reserve positions.
- 2.34 From previous reports and workshops Members are aware:
- that forecast reserve positions are below the prudent minimum level;

- that the position is forecast to further deteriorate, that a deficit reserve will occur in future years without intervention; and,
- that the position is forecast to continue to deteriorate further.

Members are also aware that any end of year deficits revert by default to the parent authorities, and both have given further clear messages that there is no budget provision to cover any deficit arising from the undertaking and that the crossings should look towards existing mechanisms to ensure that the services remain self-financing.

- 2.35 In addition, the position set out by Baroness Vere was very clear and that remains the documented position of central government. Despite the additional lobbying and subsequent late-Summer media statements, there is no evidence that the position will change.
- 2.36 The workshops and previous meetings have not generated any consensus or majority view on any viable alternative approach other than increasing tolls, nor have the workshops generated a consensus view on a proposed change of toll rates. At its June 2023 workshop, Committee Members provided feedback on a number of potential increase options that they wished to consider at its next formal meeting in September 2023. At that later meeting, Members requested that consultation take place on all options, including “no change”. The options expressed in terms of the class 2 (car) toll are provided in a table at Appendix 2.
- 2.37 Officers remain of the opinion that there is no viable alternative to intervention in the form of toll revision and this position is supported by the external consultants – Local Partnerships, the observation made by Internal Audit and feedback from the constituent authorities’ Chief Finance Officers.
- 2.38 The potential approaches which evolved at Member workshops on which consultation took place are described in sections below, with updates of accompanying graphic illustrations of each option provided in appendices.
- 2.39 To assist continued discussion, each option’s impact on toll rates is expressed in terms of the effect on a class 2 toll which is that charged for cars and vans, representing more than 90% of traffic.
- 2.40 For all options other than “no increase/do nothing”, it is proposed that tolls for other classes of vehicle, save the motorcycle toll at the ferry, are increased pro-rata to that of class 2. Each model reflects that proposal as well as the effect on tolls for other classes is provided in detail within the table at Appendix 3.
- 2.41 The exception to the “across the board” application of increases is the assumption that motorcycle tolls at Torpoint increase to £1.00 whichever revision option is selected. The reasons for this proposal were detailed in reports made to the 7 September meeting. Public consultation generated only one comment on the proposal, noting the disproportionate impact.
- 2.42 The modelling incorporates a revision to the timing of indexed increases, moving from the base date for indexation of 1 April 2025 to 1 April 2027, two years later. Increases are applied within models on subsequent 1 April dates following a rate of RPI increase that allows the cash toll for class 2 (cars and vans) to increase by a 10p increment and discount tolls to increase pro rata on the same date. The change in assumed timetables reflects the reality that there is no suitable legislative vehicle for change likely to be brought forward in the current Parliament. The revised view on timescales for the

legislative process presents a significant risk. Failure to progress could result in the need to undertake further toll revisions following the current process.

- 2.43 Whilst in all options the percentage increases in toll rates is significant, the rate should be seen in the context of recent high levels of inflation which is likely to remain noticeably above those seen over the previous two decades. Also, any increase is not anticipated before November 2024, when it will be 22 months since the last increase in cash tolls and 29 months since discount rates were increased.

#### Public Consultation

- 2.44 At its September 2023 meeting the Joint Committee agreed to undertake public consultation regarding potential increases to tolls. Unlike previous consultations, there was no preferred option presented to consultees, instead four alternatives were provided, along with a “do nothing” no increase option.
- 2.45 A public information and consultation exercise was undertaken during the period 7 October to 31 October 2023. A total of approximately 31,000 users were actively approached at both crossings on Saturday 7 October and Tuesday 10 October to participate in the exercise. This established methodology provided feedback from a representative sample of those using the crossings. Responses were received from 3,173 of those directly contacted equating to a 10% response rate. A further 4,003 responses were received via the online survey available to the general public. Together the 7,179 provide a statistically reliable sample.
- 2.46 Additional exercises took place during the period to sample pedestrian and cyclist users and to invite feedback from key stakeholders, including significant business users, MPs, transport authorities, user groups, local parish and town Councils. motoring and business interest groups. The questionnaire was made available at offices and links to the online version of the questionnaire were provided on the Crossings’ website.
- 2.47 The overall number of responses at 7,179, was more than double that of the previous exercise in 2022. Analysis of originating postcodes indicates that higher percentages of respondents listed a Saltash (PL12) or Torpoint (PL11) postcode compared to 2022 but there were lower percentages participating from postcodes associated with the city of Plymouth City less across than was the case in the earlier exercise. The key areas generating responses were:

City of Plymouth	1,272 (20.3%)
Cornwall inc Caradon	4,509 (72.1%)
Caradon inc areas below	3,970 (63.5%)
Torpoint/Rame	649 (10.4%)
Saltash	1,980 (31.7%)

- 2.48 There were high profile concerns expressed and comments made about the format of the consultation whilst the exercise was still active. Most expressed concern that answers to questions asking for feedback on the structure of tolls (more/less discount, differential charging by time of day or crossing used), would be regarded as expressing support for increases. This feedback was despite there being a separate question on the options for increases which included the “do nothing”/no increase option and the ability to add additional comments. Responses made clear the questions on structure would be used to inform Members whether there was support or otherwise for the current toll structure and not presented as support for an increase in tolls. Only 3% of those making verbatim comments mentioned this issue.

2.49 The report on the consultation is attached at Appendix 4a. The key headlines from the report are as follows:

- 57% of respondents wanted no change in tolls, although the percentage of tag users making that choice dropped to 42% (ie a majority of tag users recognised that some increase was required). 19% indicated they wanted to increase bridge tolls for cars to £3.00 cash and £1.50 tag and ferry tolls to £4.00 cash and £2.00 tag with corresponding increases for other tolls. 14% opted for a £3.00 cash and £1.50 tag option without supplements at the ferry. 6% opted for the £3.20 cash/£1.60 tag option and the remaining 4% for the option with a reduced discount percentage.
- more respondents (44%) were in favour of increasing the TamarTag discount than favoured keeping the current 50% rate (42% of respondents). This is a shift in view from 2022 when the largest percentage (47%) favoured current arrangements.
- A majority (56%) wanted charges to be higher at the ferry than the bridge. This reflects an ongoing shift, and a 6% shift since 2022.
- A majority (53%) were in favour of keeping the existing differentials between cars and larger vehicles which is a change from 2022 when the majority (56%) were in favour of increasing the differential.
- 63% of respondents were not in favour of differential tolls at different times of the day or week which is 1% more than was the case in 2022.
- the majority view (75%) was against lowering charges for low emissions vehicles, a slightly higher figure than in 2022.
- 20% of users indicated that their travel patterns would permanently change in the near future. Of that group, 57% indicated that the change would be linked to fewer crossings.

2.50 56% of respondents offered comments, the most common categories being:

- no price increase/price decrease
- pursue central government for support
- lower charges for locals, higher charges for visitors
- abolish tolls

Commentary received was at the same level as 2022 and raised similar themes. The number of email comments received was lower than those seen in previous exercises, but comments made reflected those made via questionnaires.

2.51 Additional feedback from key stakeholders was received from eight of the respondents contacted which has been appended where permission to do so has been obtained as Appendix 5.

### Toll Review

2.52 It is recognised that without funding support from other sources, there is no viable alternative to progressing authority to increase tolls. The extended process to do so provides some opportunity to modify or withdraw proposals if such support is provided.



- 2.53 The option selected should provide a robust solution to current needs and ensure that the Crossings can operate current levels of service sustainably, safely and reliably, fund necessary maintenance and improvement projects, and meet historical obligations. Given recent experience, the selected option should ensure that there is sufficient contingency to cope with external pressures impacting adversely on income and costs, as well as reflecting specific risks within the assumptions made in forecasts and the timeline associated with indexation.
- 2.54 Whilst there has been some shift in the public view expressed through consultation, it remains the case that there is no decisive view to change the current structure of tolls, whether that be in relation to the weight of charges by class, payment type or whether crossing at the bridge or ferry. Officers' recommendations reflect this element of feedback.
- 2.55 The latest forecast modelling indicates that increasing the cash toll for cars by 40p to £3.00 and tag car tolls by 20p to £1.50 (recorded as Option B in previous reports and the consultation) provides income which in the final financial year of the four-year medium term financial planning timescale achieves a prudent level of reserves. With indexation achieved in the revised timescale, such adequate provision continues through the 2030s. The forecasts of annual deficit and accumulated reserves are provided in table form below and in graphical form at Appendix 6a.

annual deficit/surplus £m					
2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
-0.336	+0.489	-0.120	+0.895	+0.524	+0.407

end of year reserves position £m					
2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
+1.188	+1.677	+1.577	+2.452	+2.976	+3,383

- 2.56 The medium term figures assume no indexation which following the revised assumption of a 2027 baseline would only apply after 2029 (see Appendix 6b). Without that additional income, the Crossings' annual surplus would be on a reducing path from financial year 2031/32 and reserves would then fall into deficit by the middle of the decade (see Appendix 6c).
- 2.57 Given the risks associated with achieving indexation so far into future and that sensitivity of the financial model (see 2.28), officers recommend that Members adopt a more cautious approach, by applying for maximum car tolls of £3.20 cash and £1.60 tag. If outturn figures are more positive than is forecast adjustments can be made, for example to lower tolls, increase discounts or to fund capital expenditure directly from revenue.

annual deficit/surplus £m					
2022/23	2023/24	2024/25	2025/26	2026/27	2027/28

<b>-0.336</b>	<b>+0.489</b>	<b>+0.403</b>	<b>+2.150</b>	<b>+1.779</b>	<b>+1.663</b>
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<b>end of year reserves position £m</b>					
<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
<b>+1.188</b>	<b>+1.677</b>	<b>+2.080</b>	<b>+4.230</b>	<b>+6.009</b>	<b>+7.672</b>

2.58 The tables demonstrate that the additional 20p/10p per crossings of this model compared to the £3.00/£1.50 model provides significantly more financial buffer, providing contingency for delayed or no progress on RPI and some potential for a capital works “sinking fund”. Without RPI this latter option retains some level of reserve until the final year of the model, 2039/40. The medium term model for this option is shown at Appendix 7a, with long terms versions at Appendix 7b (with indexation) and Appendix 7c (no indexation).

### **Tamar 2050**

- 2.59 The recent discussions have suggested that progressing RPI should not be done in isolation but should be part of a wider strategic programme of short, medium and long term interventions to transform the Crossings for the future. The individual actions themselves are not new but together they provide a comprehensive commitment of a way forward to an efficient and sustainable future. Some of the narrative below is repeated elsewhere in the report but it is important that the journey of the Crossings and context for why we need a different way forward is viewed in one place.
- 2.60 Since 2020, the consequences of unprecedented global, national and regional shocks have brought sharply into focus the financial challenges of maintaining two crossing across the Tamar River. In particular, a reduction in post-COVID traffic levels and global energy inflation have eaten into our reserves.
- 2.61 Nevertheless, the Joint Committee remain fully committed to protecting the safety and integrity of these vital links for all who depend on them, particularly the local community as well as securing the long-term future and resilience of these economically critical national and regional crossings.
- 2.62 Throughout this period of uncertainty, much has been achieved to examine future opportunities and to consider where further efficiencies could be made. Moreover, two independent reviews were undertaken to provide objective recommendations. These have included:
- Moving to contactless payments.
  - Value engineering for Rockers replacement review – leading to large savings
  - Traffic Data Monitoring – Leading to improved/data informed decision-making
  - Energy contract negotiation & reduced energy consumption
  - Marketing/Commercialisation of the Visitor Centre

**This has resulted in significant reductions in forecast expenditure (for capital and revenue) in the region of £10million and improvements to customer experience and efficiencies in operation.**

- 2.63 Whilst every conceivable option to increase income and reduce operating costs continues to be scrutinised, currently the only credible solution to maintain this critical regional asset is to increase tolls **whilst retaining the 50% TAG discount for our regular users**
- 2.64 In making these recommendations, the Joint Committee acknowledge that the existing operational and governance model is likely to risk further cycles of toll rises - increasingly hard for our residents and businesses and a reactive position that does not support the long term sustained strategic leadership to ensure the crossings are modernised and sustainable well into the future.
- 2.65 Therefore, in order to develop a modern and resilient operating environment, a new strategic approach is essential, and the current model requires an overhaul. If we are to provide users of the crossings a more stable and certain future where they can plan with a degree of confidence, see and experience visible improvements to the operation beyond the critical safety works and operational necessity.
- 2.66 National traffic forecasts demonstrate that road traffic is likely to continue to increase as EVs become more affordable. Journey time reliability will continue to be a key metric for investment and sustainable economic growth and travel choice beyond reliance on the private car will be critical.
- 2.67 Therefore, a comprehensive programme of transformation **Tamar 2050** is proposed. One which will target resource and initiative in the short, medium and long term to develop a strategic delivery programme of activities that will be developed in lock step with our community and the businesses who rely on them and engage in conversations that are much more than budget and toll raises but are focused on a truly exciting and resilient future. Local Partnerships were commissioned in October 2022 to undertake an initial strategic view and much of the key actions below are based on taking this work further alongside additional activities.
- 2.68 **Tamar 2050** will modernise these regional assets and local landmarks making them sustainable well into the future. The programme will improve what we do, how we do it and develop a more collaborative relationship with our stakeholders. We propose nine commitments to start this process and progress will be measured by the delivery of these commitments (projects) and the benefits and improvements they bring. Officers will update the Committee regularly and report annually on progress. Members will understand that some of our commitments rely on a partnership with central government (with some that will follow the General Election 2024) to help fund and deliver the outcomes and officers will work closely with Government to bring these benefits for the local community and region.

<b>Tamar 2050 – A programme of Transformation and Modernisation</b>			
	<b>Project/ Commitment</b>	<b>Overview</b>	<b>Timeframe</b>

1.	A transformed and efficient operation	<p>There have been significant efficiencies delivered to date. However, we won't stop reviewing further opportunities that could continue to minimise the cost of the operation of the crossings. Transformational efficiency programmes have been delivered across both Parent Authorities and it is expected that there could be some replication/support of these to the Crossings.</p> <p>We will commit to reviewing how the crossings function, including the Governance and Acts under which the crossings operate, with a view of looking at the best fit for service delivery both at a local and national level in the future.</p>	Identify opportunities by March 24
2.	Optimising Income	<p>Our crossings are an incredible and iconic asset and investment in the ancillary buildings mean that we have exceptional commercial space with which to advertise and host events. We will put a marketing plan together to explore and maximise all of these potential opportunities over the coming years.</p>	Identify opportunities by March 24
3.	Growing and investing in local talent and celebrating Science, Technology, Engineering, Mathematics and Medicine (STEMM)	<p>The crossings are a major local employer, providing crucial services to the local community and region. We will commit to continuing to provide apprenticeships for local people, expand our innovative programmes and ensure that we build on our women in STEMM events. Growing local talent is important to the community and the economy of the region.</p>	2024 >
4.	Technology to improve effective toll operation	<p>Introducing contactless payments in 2020 at the Bridge and 2023 at the Ferry was an important step forward in improving efficiencies of the toll operation. We will now commit to investigate whether 'card only' booths could operate with the appropriate forward signage and without the need for manual intervention.</p>	Decision 2024
5.	Political, Business and Local engagement – improving our connections with stakeholders.	<p>We will commit to producing a new communications and engagement plan to encompass the range of users and ensure key stakeholders have a voice and opportunity be involved with the crossing. We will commit to a resident/haulier focus group and engage with our local MPs to ensure that we have a voice nationally.</p>	March 2024
6.	Keeping toll prices low and providing Toll price certainty	<p>RPI is the key to smoothing the price rises out and providing a degree of certainty for regular users of the crossing. Price rises don't have to happen every year and we will be open and transparent about needs of the crossings to operate that will in turn be important for individual and business planning.</p> <p>We will commit to continue our liaison with Government regarding the crossings and seek</p>	2024 - 2050

		financial support regarding our investment strategy. Tolling is currently the only means to finance the crossings and our 'user pays' policy, will be focused to ensure the crossings remain one of the cheapest tolled crossings in the country.	
7.	Free-flow tolling	We are committed to investigating the opportunity introduce free flow tolling on the bridge, that will hopefully bring capacity and journey time improvements. This investment will hopefully take the crossing to a new level for ease of use and future proof operations for a new era of travel.	March 2024
8.	Carbon neutral ferry operations	Decarbonisation is a policy of both parent authorities and is very much in their interest as a means of helping to address the Climate Emergency we face. We will commit to seek external opportunities for funding streams and review our new ferry procurement programme to progress options.	2030
9.	Improved Tamar connectivity and access – the bigger picture	The Tamar River - a wonderful environment, habitat for wildlife, the crossings play a key role in the newly formed Tamar Valley National Landscape, Mount Edgcumbe House & Country Park and the Plymouth Sound National Marine Park providing links and gateways regarding development and economic integration. We are fortunate to have such an asset and will commit to see if there are more opportunities for water crossings or wider transport integration and sustainability Recognising the stunning tourist opportunity of the Tamar but more importantly the critical travel to work and health role they play for our SE Cornwall and Plymouth communities. In addition, the Crossings need to be central to discussions about improving our connectivity, particularly the GWR, bus and ferry links.	2024 - 2030

### 3 Benefits for Customers/Residents

- 3.1 Appropriate management of finances and budget monitoring ensures that appropriate resource is available for the operation, maintenance and improvement of the crossings which form key elements of the local transport network which is essential to the sustainable economic and social development of the region for the benefit of residents.
- 3.2 The retention of the self-funding principle of the crossings removes the potential negative impact on the general budgets of the parent authorities and the consequential impact on other services provided to residents.

- 3.3 The Tamar 2050 proposal, a commitment to a single programme of various and previously agreed interventions will give future certainty and improved Crossings for our users.

#### **4 Relevant Previous Decisions**

- 4.1 On 3.12.21 the Joint Committee resolved to recommend 30% toll increases to the parent authorities. [Agenda for Tamar Bridge and Torpoint Ferry Joint Committee on Friday, 3rd December 2021, 10.00 am - Cornwall Council](#)
- 4.2 On 24.1.22 Plymouth City Council approved the Joint Committee's recommended toll increases. [Agenda for Plymouth City Council on Monday, 24th January 2022 – Plymouth City Council](#)
- 4.3 On 22.2.22 Cornwall Council approved the Joint Committee's recommended toll increases. [Agenda for Cornwall Council on Tuesday, 22nd February 2022 – Cornwall Council](#)
- 4.4 On 7.9.23 Tamar Bridge and Torpoint Ferry Joint Committee resolved to undertake public consultation on toll revision options. [Draft minutes for Tamar Bridge and Torpoint Ferry Joint Committee, 7 September 2023](#)
- 4.5 On 28.11.23 A Motion relating to the future funding of the crossings was tabled at Cornwall Council's Full Council. The motion was deferred to this meeting of the Joint Committee. [Agenda for Cornwall Council on Tuesday, 28th November, 2023, 10.30 am - Cornwall Council](#)

#### **5 Consultation and Engagement**

- 5.1 The feedback from the public and key stakeholder consultation on this subject are reported above and within appendices to this report.
- 5.2 The issues set out in this report have been discussed at Member/officer workshops on 10 February 2023 and 5 June 2023, and at the Joint Committee meetings held on 2 December 2022, 3 March 2023, 23 June 2023 and 7 September 2023.
- 5.3 As set out above, no budget has been allocated to cover the forecast reserve deficit and there is an expectation that the position will be remedied by the toll revision process. This position has been detailed in related workshop presentations, reports to the Joint Committee meetings listed above and within public consultation documentation.
- 5.4 The parent authorities have approached central government for support funding and further correspondence with Ministers has been undertaken. Officers have engaged with DfT officials to pursue long-term support and to provide further clarification on potential funding models and Ministers have provided central government's position on support.
- 5.5 Local MPs have met with Ministers, and Joint Chairmen and Portfolio Holders are continuing to lobby MPs and Ministers for central government support. Joint Chairmen, Portfolio Holders and officers met with the MPs for South East Cornwall, Moor View and Plymouth Sutton on 24 November 2024.
- 5.6 Portfolio Holders have raised the issue of the crossings' funding at the Peninsula Transport Board meeting on 5 July 2023.

## 6 Financial implications of the proposed course of action/decision

- 6.1 Previously, the course of action has been to revise tolls to a level which generates adequate income to support the delivery of the service and provides a basic level of resilience against the risks inherent in forecasting, thereby reducing the risk of a deficit reserves position.
- 6.2 The financial implications of the recommended revision option and the cumulative reserve position is shown in section 2.57 above. This option follows the historic approach of providing suitable levels of resilience, establishing contingency against delayed (or no progress) on indexation of tolls or alternative financial management options if progress is timely.
- 6.3 The alternative approach of a slightly lower increase, detailed in section 2.55 above, is forecast to provide basic levels of financial resilience, but should there be a delay in achieving the ability to apply indexation to tolls then there would be very little reserve available to smooth the annual revenue position or manage any unforeseen issue.
- 6.4 If no revision option is selected (but indexation is achieved on schedule), the cumulative reserve position is shown in the table below, along with the annual deficit and respective required parent authority revenue contribution:

Option A – Do nothing	end of year position £m					
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Cumulative reserve position	+1.188	+1.677	+0.511	-1.105	-3.091	-5,195
Annual deficit	-0.336	+0.489	-1.166	-1.616	-1.986	-2.103
Parent Authority contribution (50:50)	0	0	0	0.808	0.993	1.052

- 6.5 Central government has stated that it would not agree to National Highways (formerly Highways England) contributing to the cost of maintenance of the Bridge. Neither Parent Authority currently has any budgetary provision identified in the event that the reserve is in deficit at the end of a financial year. These funds would need to be identified, and it is possible that this could impact the delivery of other Council services or the service delivery of the Crossings.
- 6.6 Our transformation programme 'Tamar 2050', has not yet been developed sufficiently to identify any savings or costs which introduces some further potential uncertainty into forecasts.
- 6.7 Members have a duty to facilitate the setting of a balanced budget. Without the toll revision application being made to the Secretary of State, the budget of the crossings will fall into a deficit reserve during financial year 2025/26. A deficit reserve position must be rectified by the parent authorities; therefore it would have adverse implications for the parent authorities overall budgetary position.
- 6.8 From a financial perspective, there is no viable alternative option to address the financial position other than using the provisions of the current tolling framework. The officers'

recommendation is to increase car tolls to £3.20 cash / £1.60 tag and other classes pro rata.

## **7 Legal/Governance Implications of the proposed course of action/decision**

- 7.1 The Joint Committee must give conscientious consideration to the responses of the public consultation and any impacts on the protected characteristics as defined in the Equality Act 2010. These impacts have been analysed as part of the Cornwall Development and Decision Wheel (see section 9 and related appendix).
- 7.2 Recommendations made by this Joint Committee in respect of the toll revision will be made to the full Council of each parent authority via the respective Cabinets. This is because of the impact the toll revision recommendations have on the budget of the crossings and thus the budget of each parent authority.
- 7.3 In respect of the cash toll, an application for a toll revision order is made to the Secretary of State under section 6 of the Transport Charges &c. (Miscellaneous Provisions) Act 1954 (the Act). The process requires the parent authorities to provide public notice of the application being made and the Act provides for an objection and public inquiry process to take place prior to any Order being made.
- 7.4 In respect of any reductions in the TAG, this does not necessitate an application to the Secretary of State and can be implemented by the parent authorities.
- 7.5 The Joint Committee must also consider the motion that has been referred to it by Cornwall Council's Full Council and decide, after considering the Motion (link attached in section 4 and also included as an appendix to this report), what decision to make in respect of its future lobbying of central government. An officer recommendation in this respect is set out in the recommendations section of this report.

## **8.0 Risk Implications of the proposed course of action/decision**

- 8.1 Risk implications remain largely unchanged from those reported to meetings which considered previous proposals to increase tolls. However, the indicative schedule for toll revision has a number of potential internal and external "pinch points". The table below summarises the risks associated with the recommended course of action and also repeats the risk of the 'do nothing' option:



<b>Risk</b>	<b>Consequence</b>	<b>Mitigation</b>
no intervention action is taken to correct the anticipated deficit	the parent authorities are liable to make any deficit budget right. A deficit budget presented at an extraordinary January 2024 Meeting could be rejected by Cabinets/Councils	possible pre-emptive intervention by the Authorities. eg Tag discount greatly reduced or removed until a toll order is approved
income estimates are too optimistic (inc lower traffic volumes, further lockdowns, delay in getting toll order approved, failure to get toll order approved)	financial resilience reduced and threat of deficit position for parent authorities	continuous monitoring and stress testing through modelling lower income – if necessary, reduce or remove tag discount, lobbying government
income estimates are too pessimistic	higher reserve levels than necessary, appropriate or essential	continuous monitoring and stress testing through modelling higher income – if appropriate moderate authorised increases
additional funding is provided by central government (inc DfT/NH)	higher reserves levels than necessary or essential	if appropriate moderate authorised increases
Members select a “new” revision structure on which there has been no consultation and may be challenged	the application is successfully challenged and rejected	Sufficient advice is provided prior to considering alternatives
Members select a “new” revision structure which has not been tested and modelled	the structure does not provide sufficient financial resilience	A decision is only taken with appropriate forecasts
ability to index tolls is not progressed on time or is denied	future deficit position is possible	option chosen has adequate resilience to allow sufficient time for further toll revision
unforeseen revenue or capital expenditure - inc inflation higher than modelled	financial resilience reduced and threat of deficit position for parent authorities	continuous monitoring and stress testing through modelling – amend proposal, reduce or remove tag discount, lobbying government
Cabinets/Full Councils reject TBTFJC proposals or the Authorities take opposing views	no resolution of the current reserve deficit and/or arbitration is required	Portfolio Holders’ membership of TBTF Joint Committee and incorporation of anticipated approval criteria in proposal – if necessary amend proposal

## 9 Cornwall Development and Decision Wheel

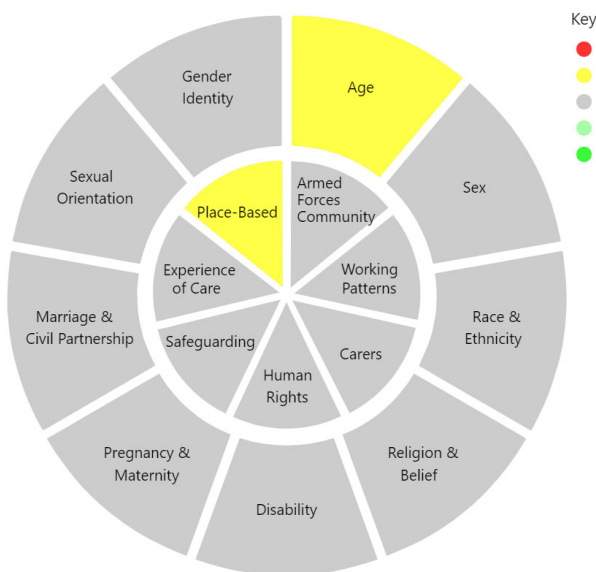
- 9.1 The Tamar Bridge and Torpoint Ferry have historically been operated together as a single undertaking on a ‘user-pays’ principle funded almost entirely from toll income. The need to address a financial deficit legacy from the Covid pandemic required that cash toll levels were increased following government authority to do so in January 2023 with the discounted TamarTag rate adjusted earlier by the Councils in May 2022. Traffic levels are significantly below pre-Covid levels - currently running at

approximately 90% at both crossings – and are now expected to remain so for at least the next few years. When applying for the increase in early 2022, it was anticipated that a further intervention to adjust toll levels would not be required for a number of years. However the war in Ukraine, a considerable hike in fuel and energy costs and inflation exceeding 10% has eroded income to an extent that was not foreseen at the time of that application in 2022. The impact on finances is that without intervention significant annual deficits are forecast for 2025/26 and subsequent years, increasing year on year. To address this situation The Tamar Bridge and Torpoint Ferry Joint Committee recommends that Members decide on the level of financial resilience the crossings need by implementing a 23% increase on tolls to meet inflationary and related pressures and to ensure the financial sustainability of the Tamar crossings in the future.




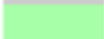

## 9.2 Environmental and Social Wheel



## Equality and Inclusion Wheel



## Legend

	Long lasting or severe negative impact
	Short term or limited negative impact
	No or neutral impact
	Short term or limited positive impact
	Long lasting or extensive positive impact

## 10 Options

- 10.1 The preferred option is set out at sections 2.57- 2.58 above with an alternative at sections 2.55 – 2.56. Other alternative options consulted upon are reviewed below:

### **Do Nothing/No toll increase**

- 10.2 This option is noted but not considered further as the reserves position remains below the prudent minimum in current and following financial year before moving into a growing cumulative deficit in subsequent years.
- 10.3 A deficit position must be made good by the parent authorities. Neither parent authority has made provision in their budgets for such a situation. Following the meeting of 7 September 2023, the expectation that the crossings will remedy the position through the normal toll revision process has been further emphasised by senior officers within both parent authorities. The parent authorities have a duty to set a balanced budget every year and members have a fiduciary duty to facilitate and not frustrate this process.
- 10.4 Increases are not welcomed and understandably, public consultation responses strongly favoured this approach (57%).
- 10.5 The full effect of cumulative deficit using updated forecasts is shown in Appendix 1a/1b.

### **Hybrid Increase Option – cash tolls increase by 15% & discount reduced to 40% (£3.00 cash/£1.80 tag)**

- 10.6 This option retains the lower increase in cash rates of the preferred option but increases resilience by slightly reducing the level of discount give to TamarTag account holders. Modelling of this option is shown in graphical form at Appendix 8.
- 10.7 The option of a £3.00/1.50 cash/tag toll above has been modified using the 15% increase in cash tolls but reduces the TamarTag discount from 50% to 40%, increasing tag rates for a car from the current £1.30 to £1.80. This option offers an increased level of resilience, achieving an adequate and prudent level of reserve by the end of financial year 2025/26.
- 10.8 After 2025/26, the assumed indexation of tolls provides a level of reserve which could allow funding of some capital projects from reserve or the assignment of reserve to a “sinking fund”. Without indexation, the model is obviously less robust but remains reasonably resilient if indexation was achieved at a later date.

- 10.9 Alternatively, the option provides some flexibility for indexed increases to the toll after 2025 such that they may be postponed or the discount rate increased as long as adequate reserves would be maintained following such decisions.
- 10.10 Some 4% of consultation respondents advised a preference for a reduced level of discount.

**Uniform Increase Option with Supplementary increase for ferry crossings (£3.20 cash/£1.60 tag with £1/50p ferry supplement)**

- 10.11 This option was produced to allow Members to consider and debate whether to reflect the significantly higher cost of vehicle crossings at the Ferry or to retain the existing parity.
- 10.12 As Appendix 9 illustrates, an additional £1 supplement on ferry cash tolls (50p supplement for the ferry's TamarTag customers), has a relatively modest additional effect on reserves.
- 10.13 At the levels illustrated, a decision to increase ferry cash tolls by £1 more than those at the bridge has very limited effect, even without any switch in use from the ferry. Creating a more significant differential by increasing ferry tolls more substantially would likely have a significant effect on demand and not result in a linear increase in revenue. The complexity of the potential effect would have to be carefully modelled and may require that a separate and extended consultation process is completed prior to any application to the Department of Transport.
- 10.14 19% of consultation respondents selected this option and in response to the general question of the principle of differential pricing 56% felt that there should be a higher charge for using the ferry than that charged at the bridge. This feedback is in the context of a ratio of crossings that favours bridge use at a ratio of 7:1 and whilst it indicates a degree of preference for this option over others, the view does not provide overwhelming support for the option.

**Other Options**

- 10.15 A number of consultation respondents including some key stakeholders suggested further options, increasing discounts either generally or "for locals". The legislative position on concessionary tolling applying to all users is clear and would prevent such a position being taken. The majority of TAG users are local in any event.
- 10.16 Although alternative approaches options were discussed during Member workshops, adopting an option on which there has been no consultation would be difficult in circumstances where consultation feedback has not provided very clear and unassailable support for such an approach.
- 10.17 Following update of the financial model, officers have reviewed the viability of smaller increases applied pro-rata to the current toll schedule and are able to assure Members that a lower £2.80/£1.40 increase would still result in overall deficit by the end of financial year 2026/2027.

**Resilience Comparison**

10.17 The forecast annual outturn positions and cumulative reserves positions generated by the above alternative models are set out in the tables below together with the 'do nothing' option and the two options recommended for consideration:

option		annual deficit/surplus £m					
		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
A	do nothing	-0.336	+0.489	-1,166	-1,616	-1,986	-2,103
B	£3 cash/ £1.50 tag	-0.336	+0.489	-0.120	+0.895	+0.524	+0.407
D	£3.20 cash/£1.60 tag	-0.336	+0.489	+0.403	+2.150	+1.779	+1.663
C	£3 cash/£1.80 tag	-0.336	+0.489	+0.584	+2.585	+2.214	+2.098
E	£3.20 cash/£1.60 tag & ferry supplement	-0.336	+0.489	+0.671	+2.794	+2.424	+2.307

option		end of year reserves position £m					
		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
A	do nothing	+1.188	+1.677	+0.511	-1.105	-3.091	-5,195
B	£3 cash/ £1.50 tag	+1.188	+1.677	+1.557	+2.451	+2.976	+3.383
D	£3.20 cash/£1.60 tag	+1.188	+1.677	+2.080	+4.230	6.009	+7.672
C	£3 cash/£1.80 tag	+1.188	+1.677	+2.261	+4.846	+7.061	+9.158
E	£3.20 cash/£1.60 tag & ferry supplement	+1.188	+1.677	+2.348	+5.142	+7.566	+9.876

**NOTE – shading indicates reserve below level considered as the prudent minimum of £3m**

## 11 Supporting Information (Appendices)

<u>Appendix 1a-b</u>	Graphs current position and “do nothing” option
<u>Appendix 2</u>	Key features of toll revision options presented for consultation (updated)
<u>Appendix 3</u>	Revision options – All Classes
<u>Appendix 4</u>	Consultation report

<u>Appendix 5</u>	Key stakeholder feedback (to follow)
<u>Appendix 6a/b/c</u>	Graphs – Recommended revision option (consultation Opt B, £3.00 cash/£1.50 tag): Medium Term Forecast and Long Term Forecasts with and without indexation
<u>Appendix 7a/b/c</u>	Graphs – Alternative “prudent” Recommended option (consultation Opt D, £3.20 cash/£1.60 tag): Medium Term Forecast and Long Term Forecasts with and without indexation
<u>Appendix 8</u>	Graphs – updated modelling for option c £3.00 cash/£1.80 tag: Medium term and long term forecasts
<u>Appendix 9</u>	Graphs – updated modelling for option E £3.00 cash/£1.50 tag at Bridge and £4.00 cash/£2.00 tag at ferry: Medium term and long term forecasts

## 12 Background Papers

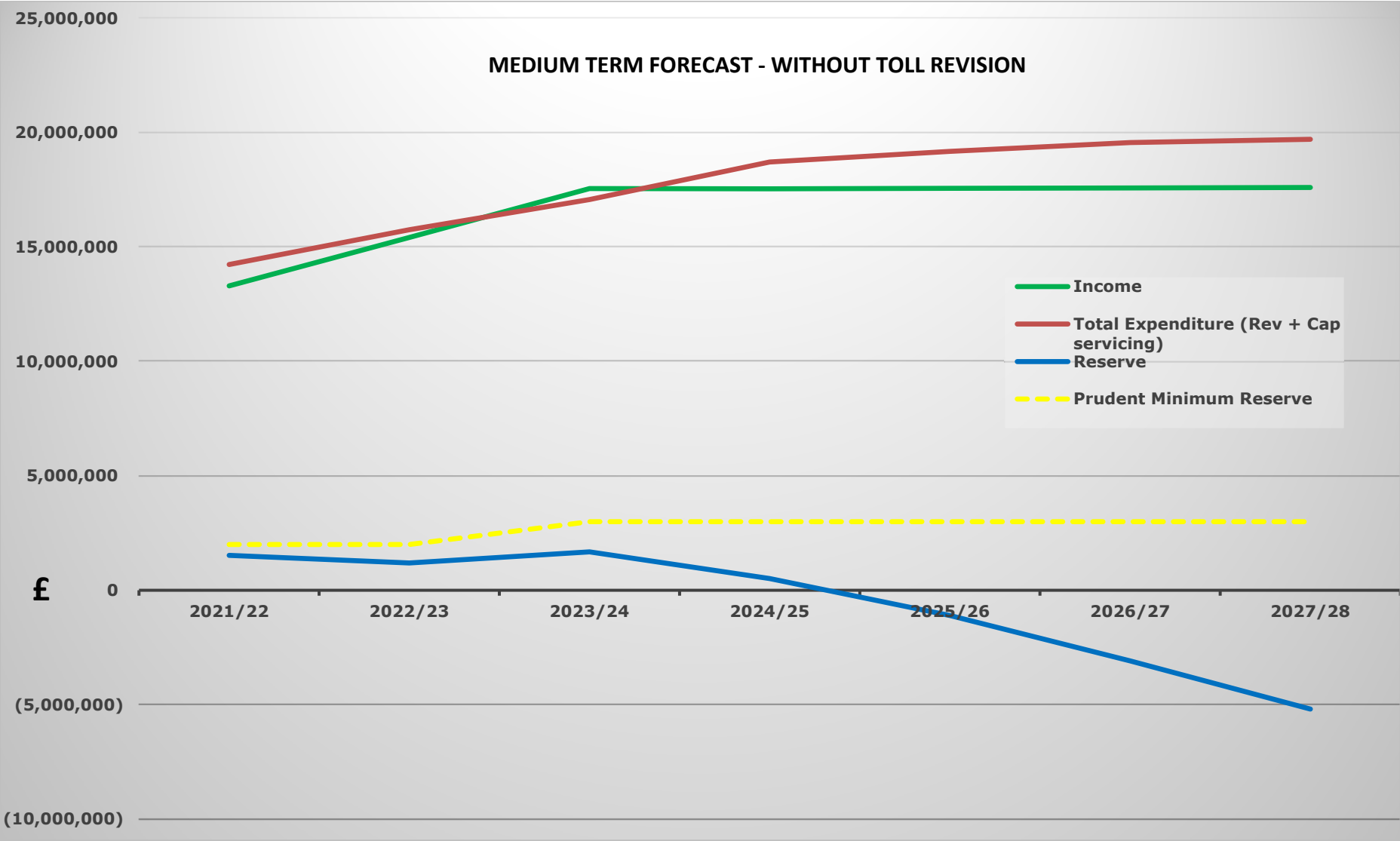
None

## 13 Approval and clearance

All reports:

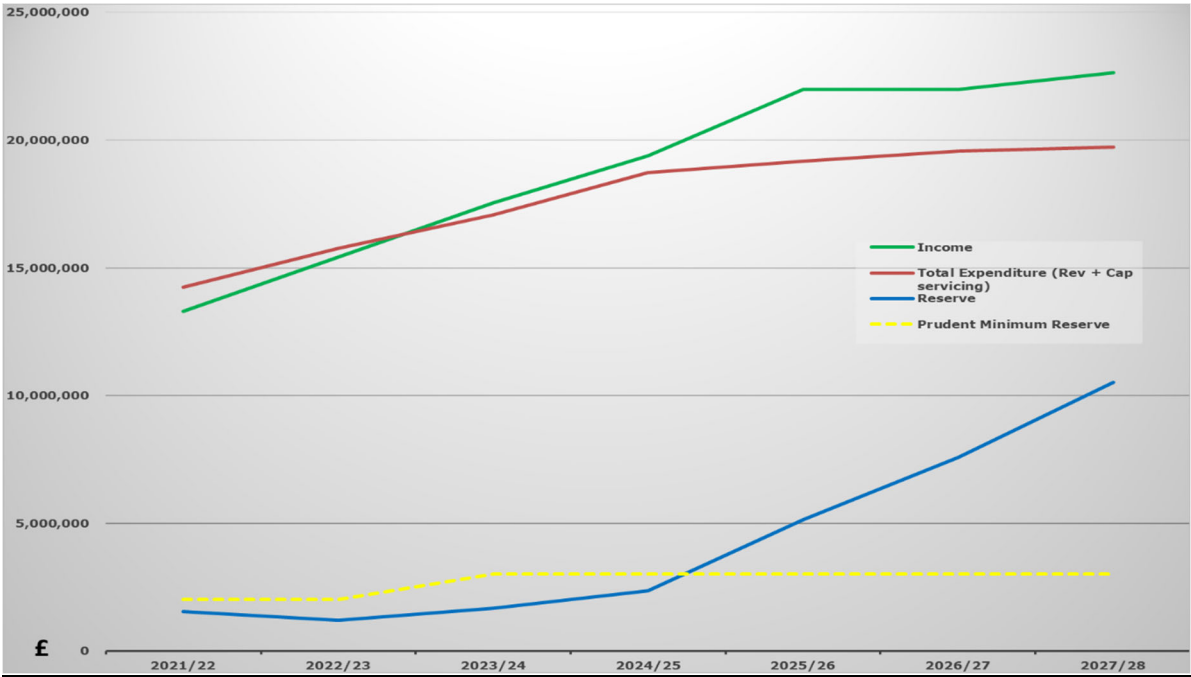
Final report sign offs	This report has been cleared by (or mark not required if appropriate)	Date
Governance/Legal (required for <b>all</b> reports)	Lia Musto-Shinton	30/11/2023
Finance (required for <b>all</b> reports)	Geraldine Baker, Senior Business Analyst	30/11/2023
Equality and Diversity (if required)		
Service Director (required for <b>all</b> reports)	Vicky Fraser, Service Director Environment and Connectivity	30/11/2023
Strategic Director (If required)		

APPENDIX 1A – CURRENT POSITION

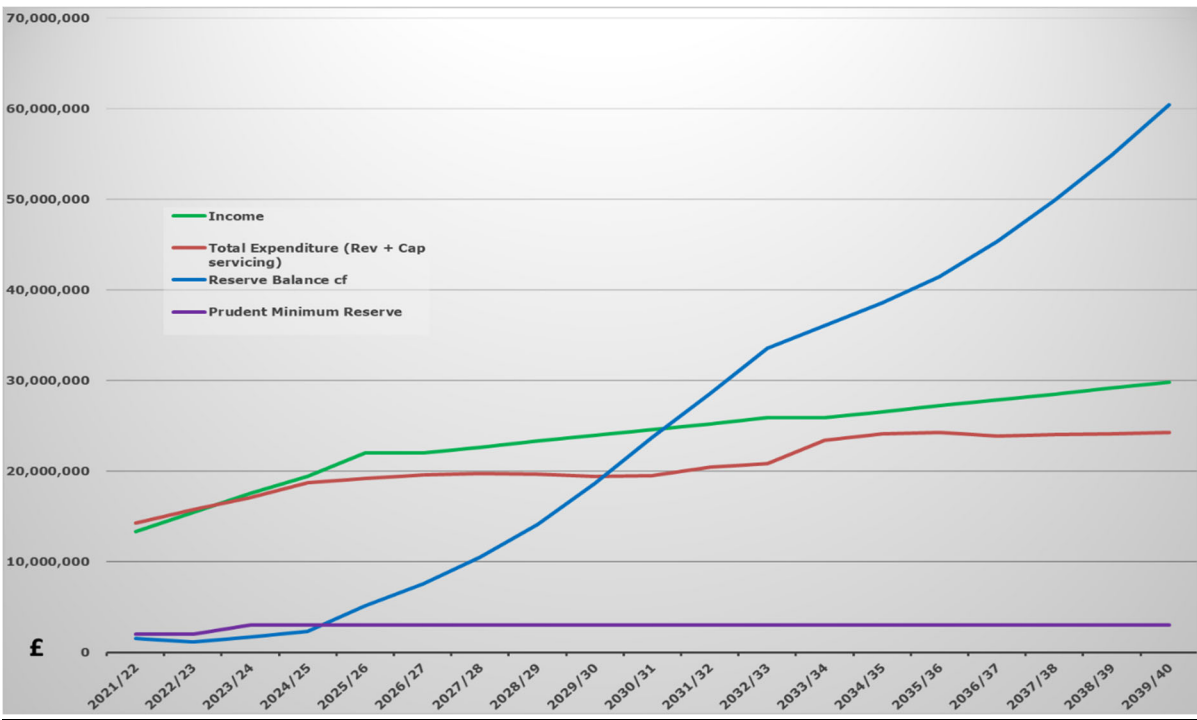


APPENDIX 9 – UPDATED MODEL FOR OPTION £3.00/£1.50 WITH ADDITIONAL FERRY CHARGE OF £1.00 CASH/50p TAG

SHORT TERM

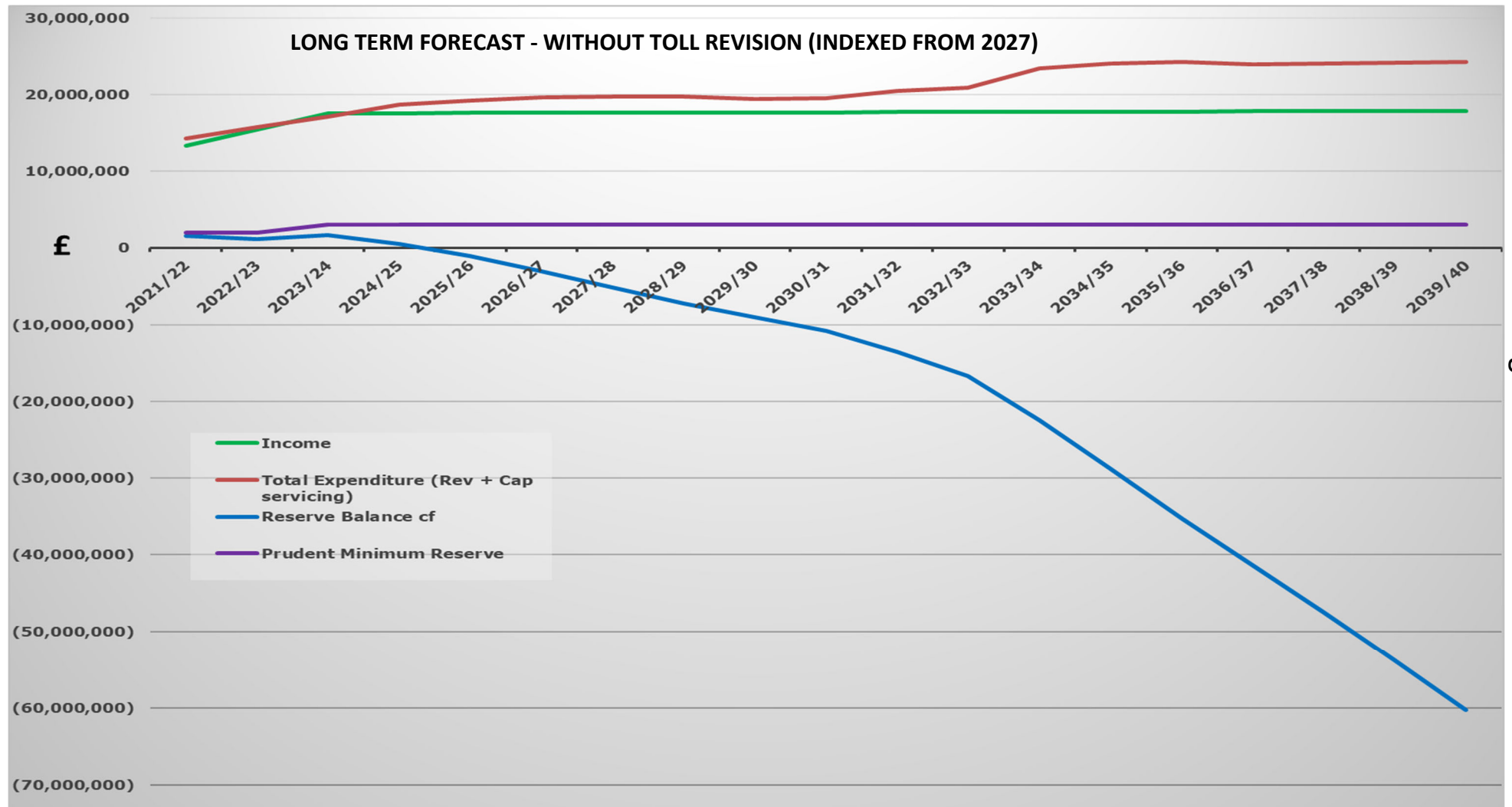


LONG TERM





## APPENDIX 1B – MODELLED LONG TERM POSITION WITH NO ACTION



## APPENDIX 2

### KEY FEATURES OF TOLL REVISION OPTIONS PRESENTED FOR CONSULTATION (UPDATED)

OPTION		CASH TOLL November 2024		DISCOUNT TOLL November 2024		FINANCIAL YEAR CURRENT PRUDENT MIN ACHIEVED & Reserve		CASH TOLL Apr 2030		DISCOUNT TOLL Apr 2030		RESERVE POSITION Mar 2030
		B	F	B	F			B	F	B	F	
A	do nothing	£2.60	£2.60	£1.30	£1.30	NOT ACHIEVED		£2.70	£2.70	£1.35	£1.35	-£9.05m
B	£3 cash/ £1.50 tag	£3.00	£3.00	£1.50	£1.50	2027/28	£3.38m	£3.20	£3.20	£1.60	£1.60	£7.14m
C	£3 cash/£1.80 tag	£3.00	£3.00	£1.80	£1.80	2025/26	£4.85m	£3.20	£3.20	£1.92	£1.92	£14.39m
D	£3.20 cash/£1.60 tag	£3.20	£3.20	£1.60	£1.60	2025/26	£4.23m	£3.30	£3.30	£1.65	£1.65	£11.98m
E	£3.20 cash/£1.60 tag & ferry supplement	£3.20	£4.20	£1.60	£2.10	2025/26	£5.14m	£3.30	£4.30	£1.65	£2.15	£12.22m

Toll rates listed are for class 2 (Car and Van). RPI indexation assumed with April 2027 baseline index

### APPENDIX 3 - Revision options – All Classes

#### Current and “no revision” option A

	Motorcycles	Cars/Vans	2 axle goods (+ 3.5 tonnes)	3 axle vehicles	4 axle vehicles
Bridge Cash		£2.60	£6.30	£10.40	£14.30
Bridge Tag		£1.30	£3.15	£5.20	£7.15
Ferry Cash	£0.50	£2.60	£6.30	£10.40	£14.30
Ferry Tag		£1.30	£3.15	£5.20	£7.15

#### Option B – Car class cash toll £3.00 at bridge and Ferry and 50% tag discount retained

	Motorcycles	Cars/Vans	2 axle goods (+ 3.5 tonnes)	3 axle vehicles	4 axle vehicles
Bridge Cash		£3.00	£7.30	£12.00	£16.50
Bridge Tag		£1.50	£3.65	£6.00	£8.25
Ferry Cash	£1.00	£3.00	£7.30	£12.00	£16.50
Ferry Tag		£1.50	£3.65	£6.00	£8.25

#### Option C – Car class cash toll £3.00 bridge and Ferry. Both locations 40% tag discount

	Motorcycles	Cars/Vans	2 axle goods (+ 3.5 tonnes)	3 axle vehicles	4 axle vehicles
Bridge Cash		£3.00	£7.30	£12.00	£16.50
Bridge Tag		£1.80	£4.40	£7.20	£9.90
Ferry Cash	£1.00	£3.00	£7.30	£12.00	£16.50
Ferry Tag		£1.80	£4.40	£7.20	£9.90

**Notes:** In all options trailers charged as per towing vehicle (ie toll doubled for towing vehicles)

4-axle vehicles only by pre-arrangement at Torpoint/3 axle vehicles only permitted below 17.5T and if GVW above that weight, with lifted axle.

No revision of abnormal load charges proposed in any option

Tolls rounded up to nearest 10p in revision models

### APPENDIX 3 cont - Revision options – All Classes

#### Option D – Car class cash toll £3.20 at bridge and Ferry and 50% tag discount retained

	Motorcycles	Cars/Vans	2 axle goods (+ 3.5 tonnes)	3 axle vehicles	4 axle vehicles
Bridge Cash		£3.20	£7.80	£12.80	£17.60
Bridge Tag		£1.60	£3.90	£6.40	£8.80
Ferry Cash	£1.00	£3.20	£7.80	£12.80	£17.60
Ferry Tag		£1.60	£3.90	£6.40	£8.80

#### Option E – Car class cash toll £3.00 at bridge and £4.00/+ 1/3<sup>rd</sup> at Ferry with 50% tag discount at both locations

	Motorcycles	Cars/Vans	2 axle goods (+ 3.5 tonnes)	3 axle vehicles	4 axle vehicles
Bridge Cash		£3.00	£7.30	£12.00	£16.50
Bridge Tag		£1.50	£3.65	£6.00	£8.25
Ferry Cash	£1.00	£4.00	£9.70	£16.00	£22.00
Ferry Tag		£2.00	£4.85	£8.00	£11.00

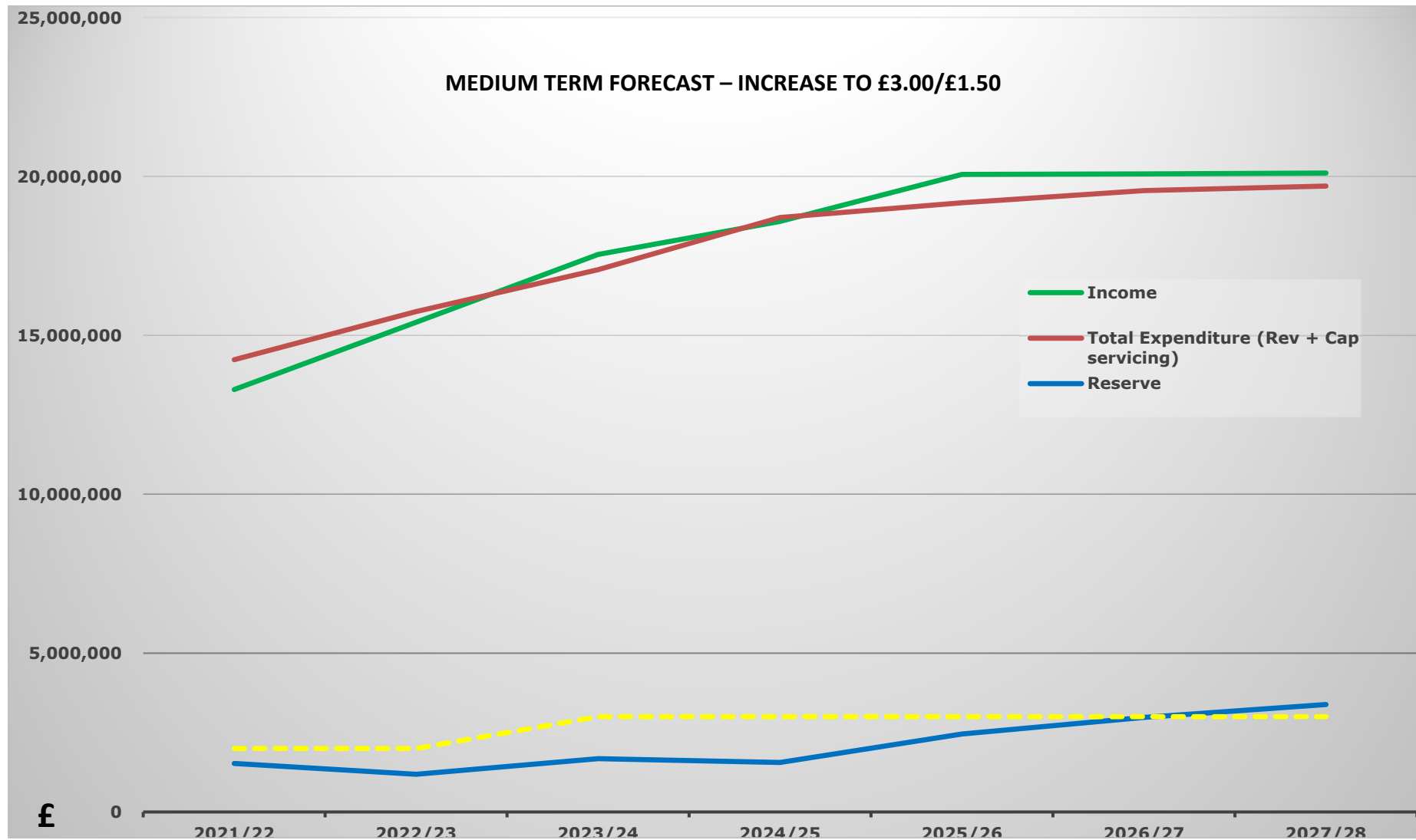
Notes: In all options trailers charged as per towing vehicle (ie toll doubled for towing vehicles)

4-axle vehicles only by pre-arrangement at Torpoint/3 axle vehicles only permitted below 17.5T and if GVW above that weight, with lifted axle.

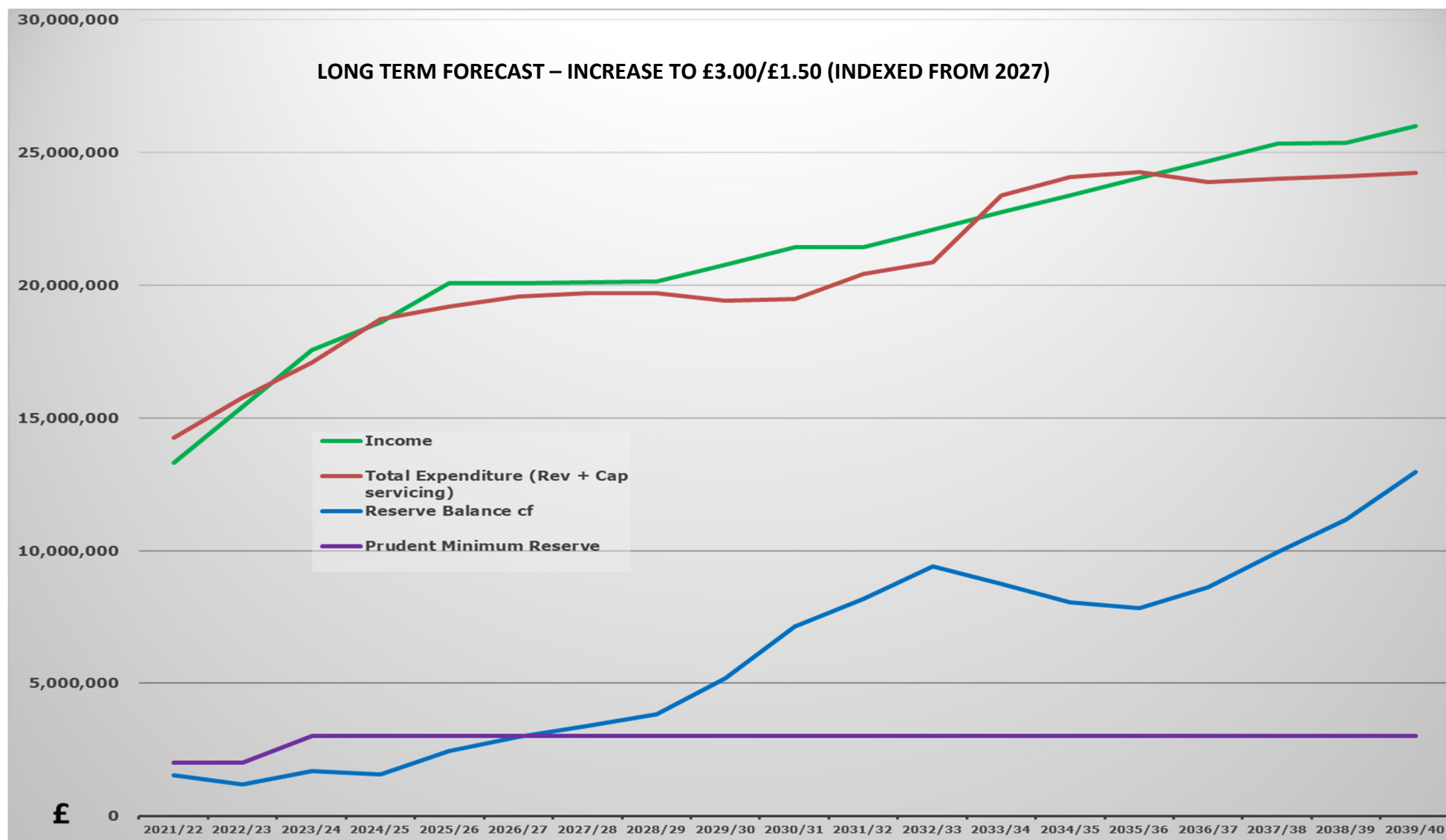
No revision of abnormal load charges proposed in any option

Tolls rounded up to nearest 10p in revision models

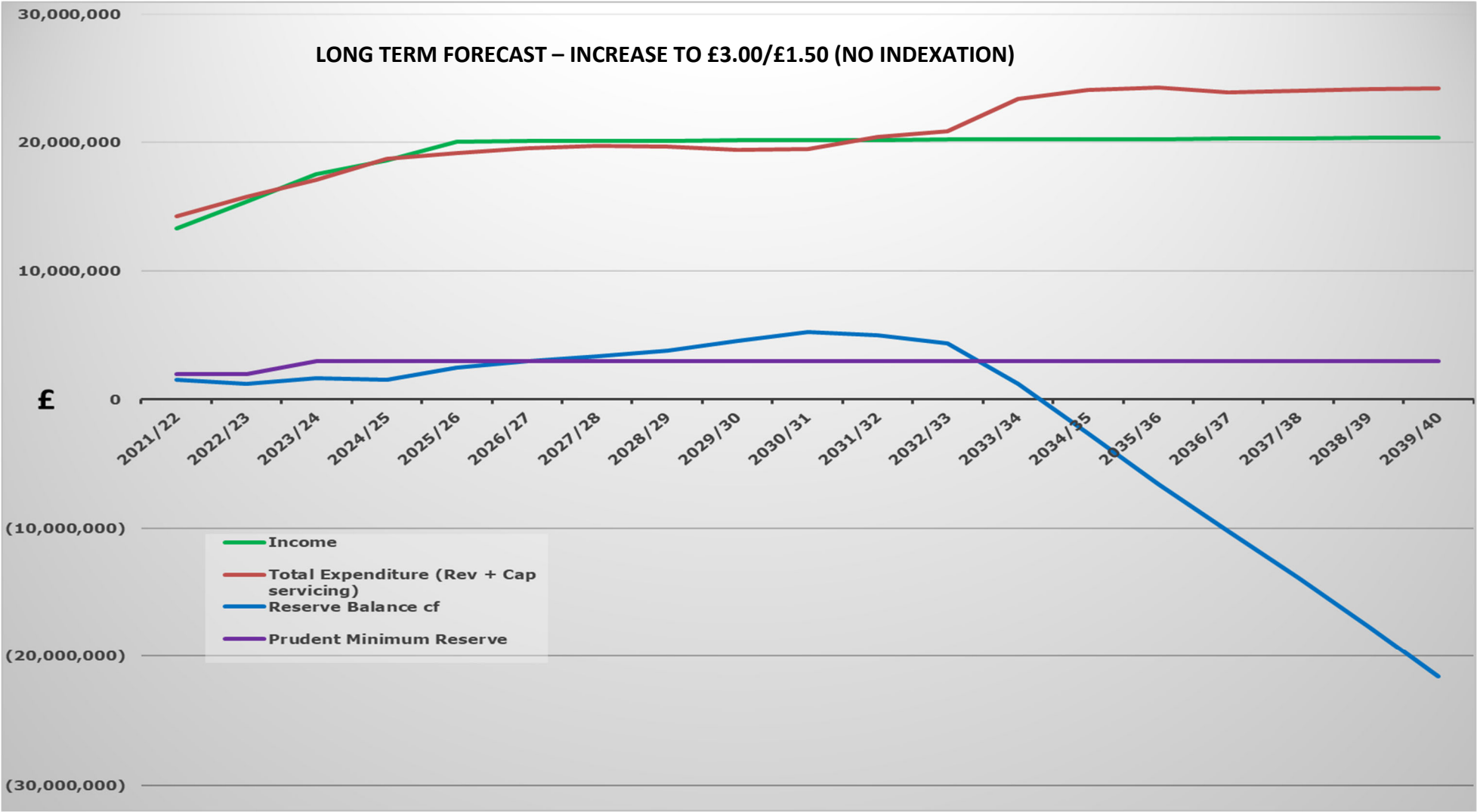
## APPENDIX 6a – OPTION B



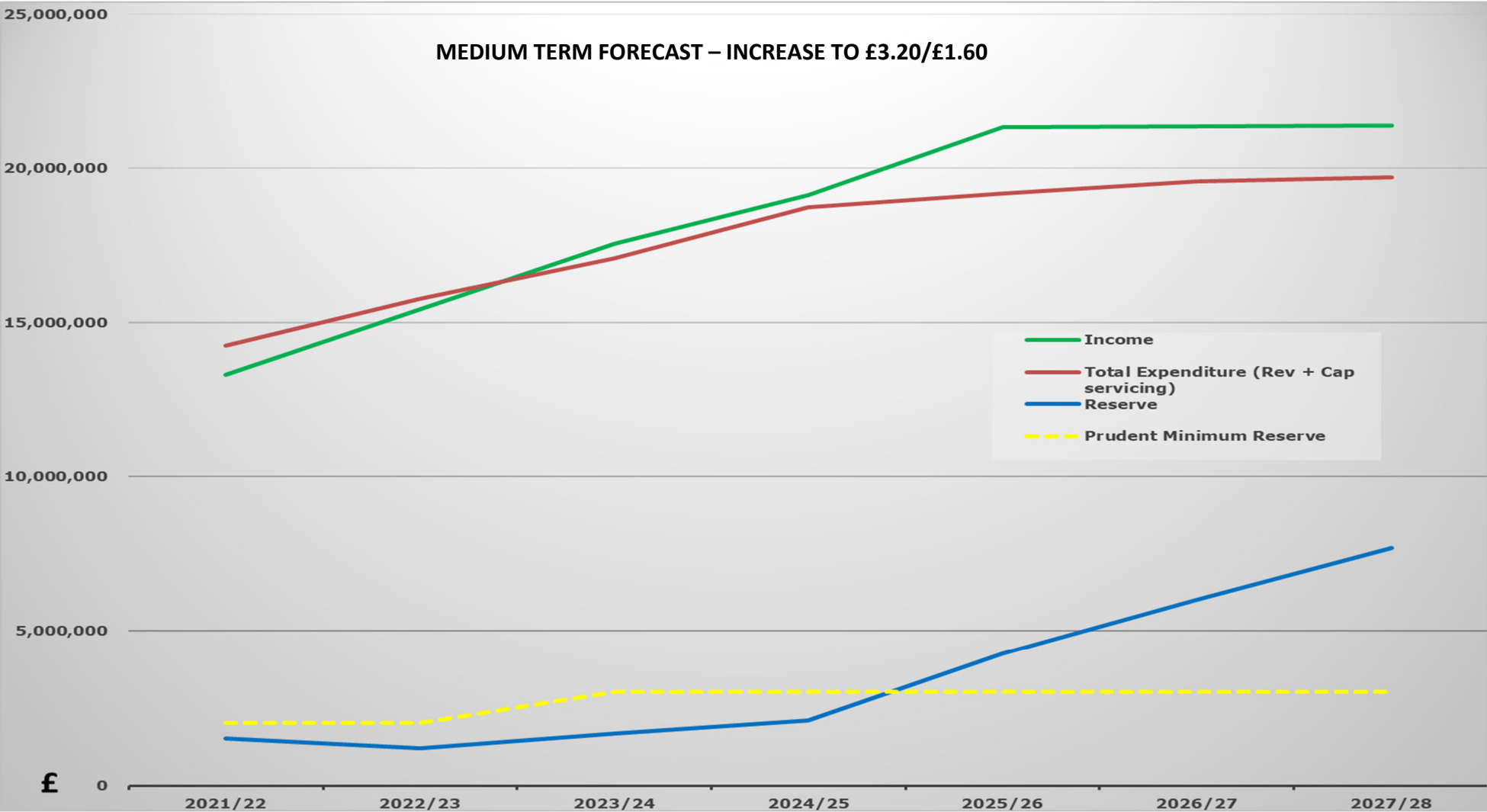
## APPENDIX 6b – OPTION B: LONG TERM MODELLING



APPENDIX 6c – OPTION B (DEMONSTRATION WITHOUT INDEX)

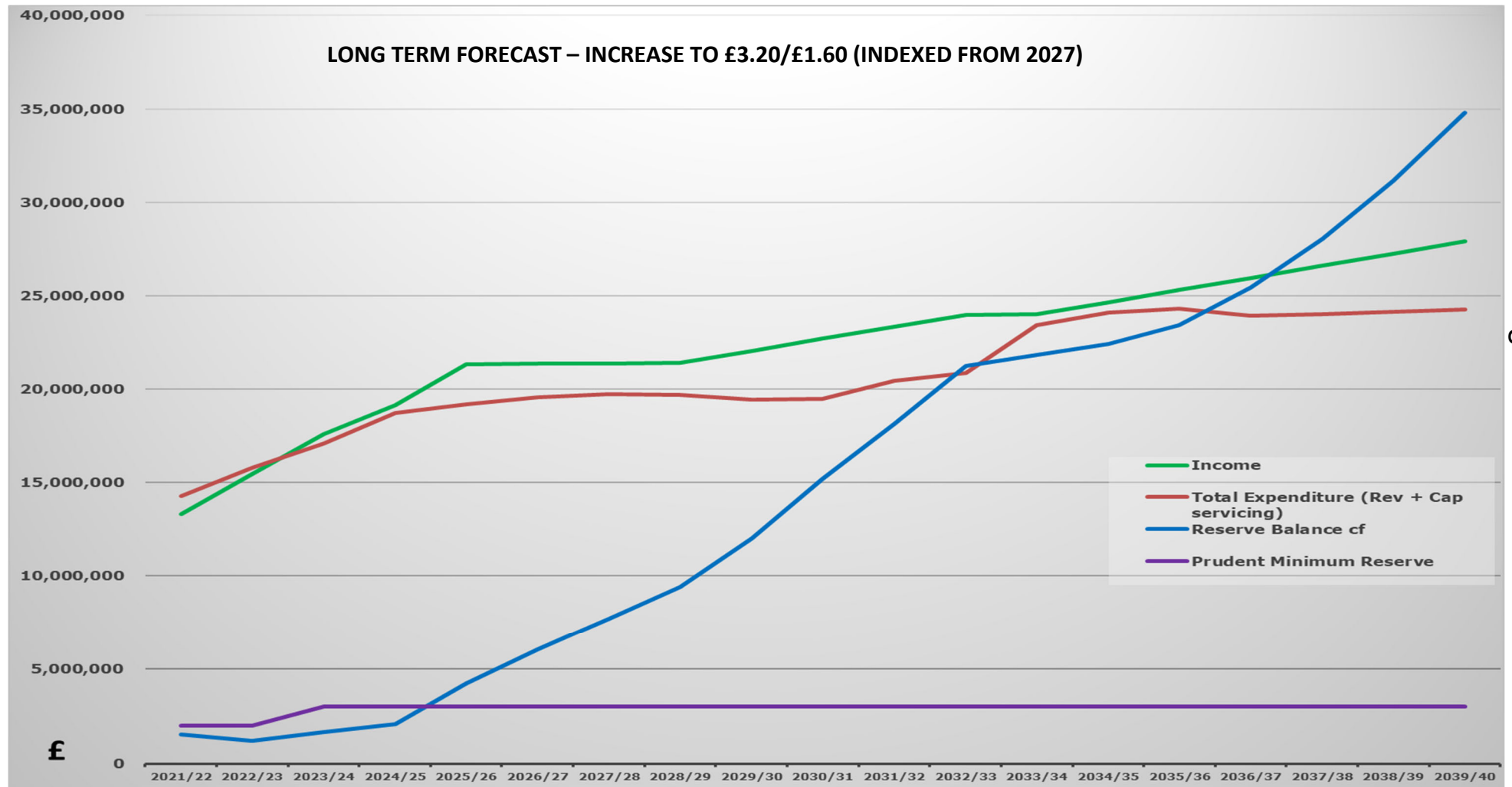


APPENDIX 7a – PREFERRED OPTION D

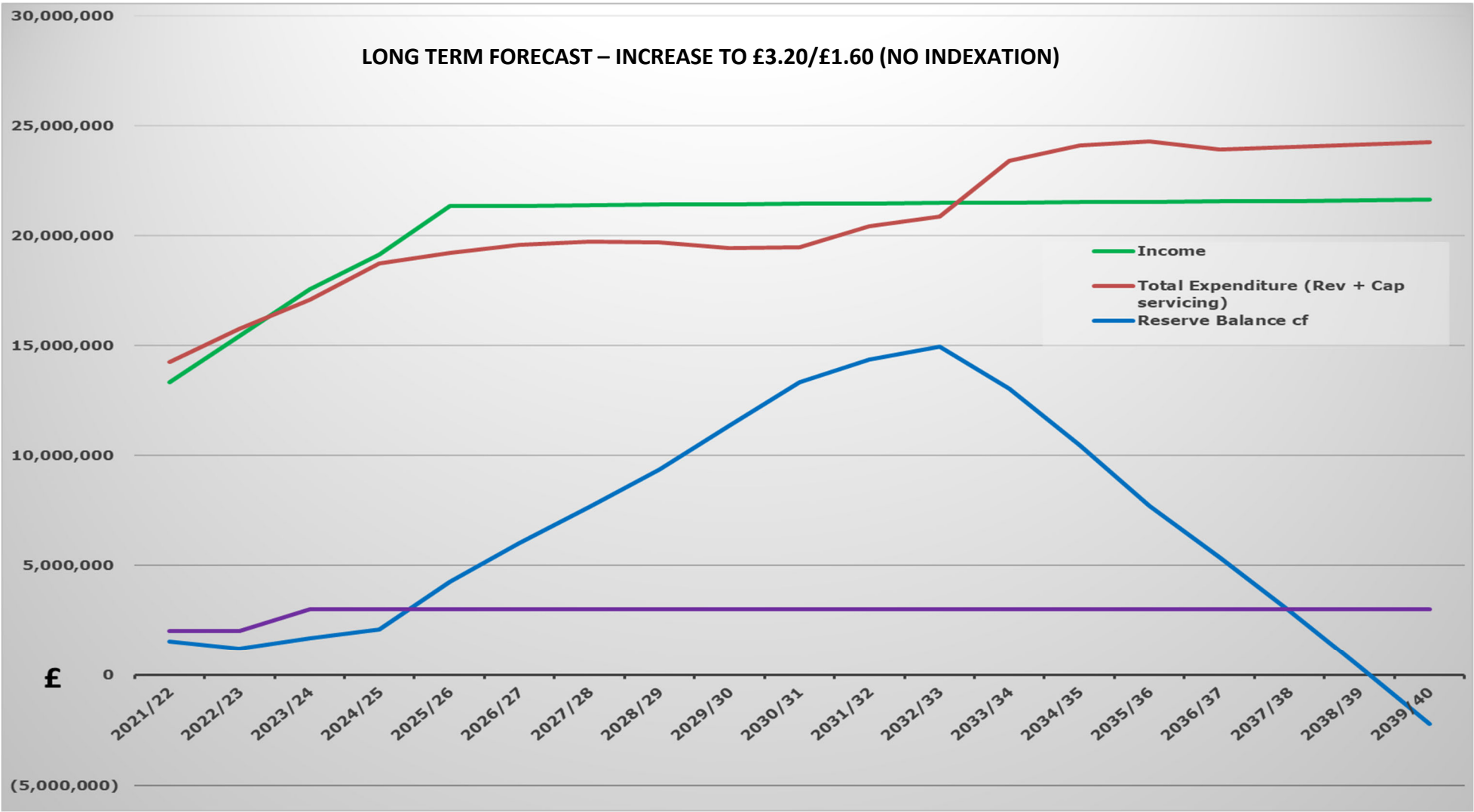




## APPENDIX 7b – PREFERRED OPTION D: LONG TERM MODELLING WITH INDEXATION

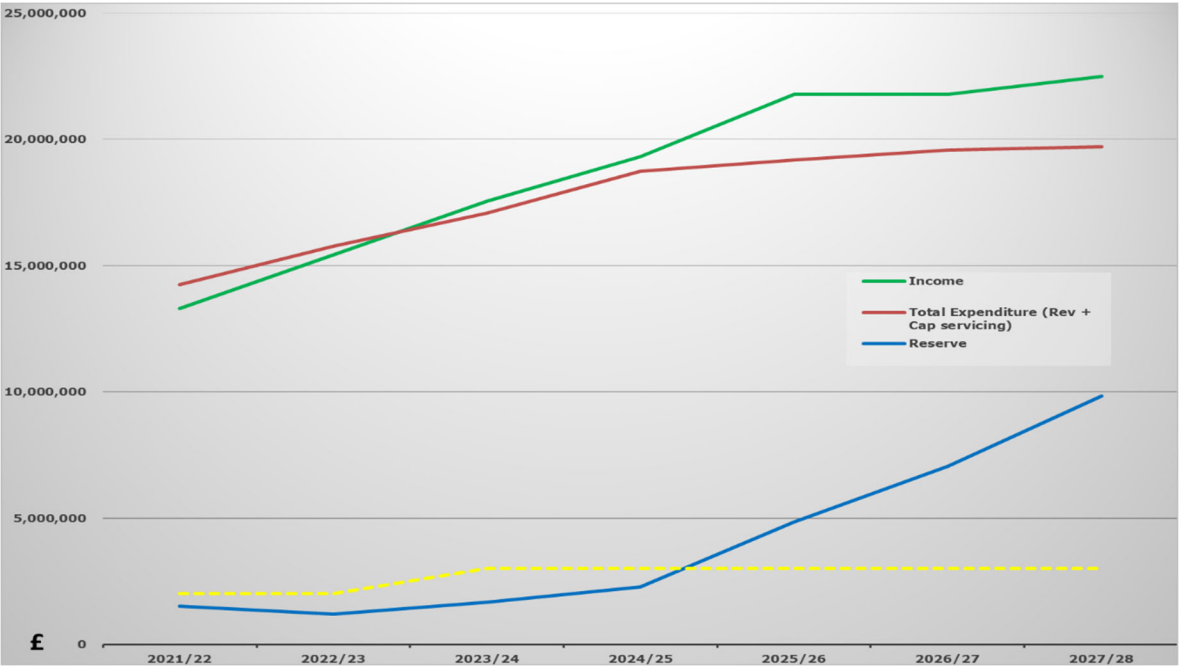


APPENDIX 7c – PREFERRED OPTION D: LONG TERM MODELLING WITHOUT INDEXATION

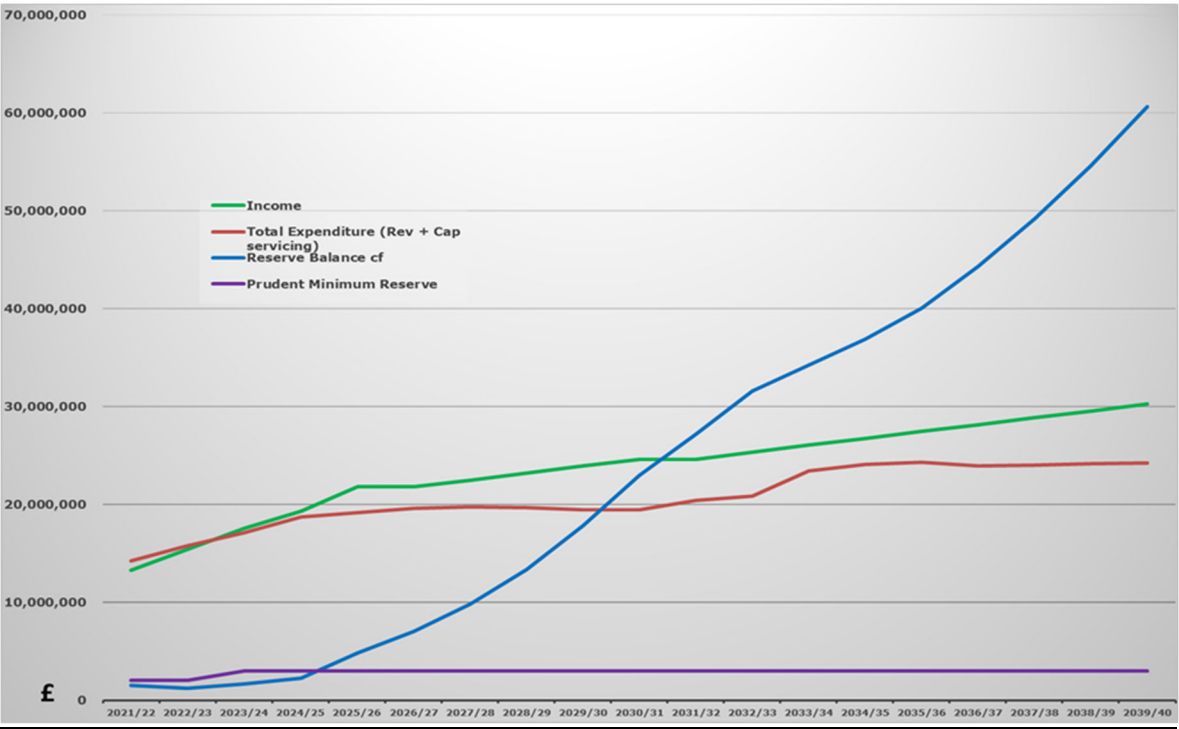


APPENDIX 8 – UPDATED MODEL FOR £3.00/£1.80 OPTION

SHORT TERM



LONG TERM





# Financing the Crossings Consultation

October 2023

Prepared for: The Tamar Bridge & Torpoint Ferry  
Joint Committee

By: Peter Slater  
Senior Consultant

Proposal No: TBTF 011-014

Date: 25.11.23

# Contents

- Behavioural data
- Views on the bridge and ferry price structure
- Future travel behaviour
- Concerns or suggestions on the charging structure or service
- Summary

# Research objectives

- To obtain behavioral data regarding which methods, how often, and for what reasons respondents use the Tamar Bridge and / or the Torpoint Ferry.
- To understand how respondents currently pay to use either the Tamar Bridge and / or the Torpoint Ferry.
- To give an opportunity to provide feedback on the various options available to increase income - to continue to operate safely, maintain the crossings and improve the service to customers.
- To review the users' future travel patterns and determine how they might change and reasons for those changes.
- To record verbatim responses with regards any other concerns or suggestions regarding the charging or service in general of either the Tamar Bridge and / or the Torpoint Ferry services.

# Research methodology (1)

- In total circa 31,000 users had the opportunity to respond, together with members of the general public.
- 3,173 returns were received from users (1,582 postal, 1,591 online). This equated to a response rate of 10%. There were a further 4,003 responses from the general public via the online survey available from the Tamar Crossings website and 3 surveys received directly at Tamar's offices.
- The total sample size of 7,179 allowed analysis at the 95% confidence level with a margin of error of only +/- .93%.
- The user survey was completed over a two day period on Saturday the 7<sup>th</sup> of October and Tuesday the 10<sup>th</sup> of October 2023.
- A four page A4 self-completion questionnaire and supporting information leaflet was administered in four ways to the users crossing on the bridge or ferry on those days:
  - By hand – from booth controllers and ferry staff to travellers and passengers using the ferry and bridge (circa 15,350 travellers)
  - By post to 900 TAG holders for whom postal addresses were held
  - By email to 14,842 TAG holders for whom email addresses were held
  - Online via a “public” survey - accessible from the [www.tamarcrossings.org.uk](http://www.tamarcrossings.org.uk) web site.
- The consultation was open from the 7<sup>th</sup> of October up to and including the 31<sup>st</sup> of October 2023.



# Research methodology (2)

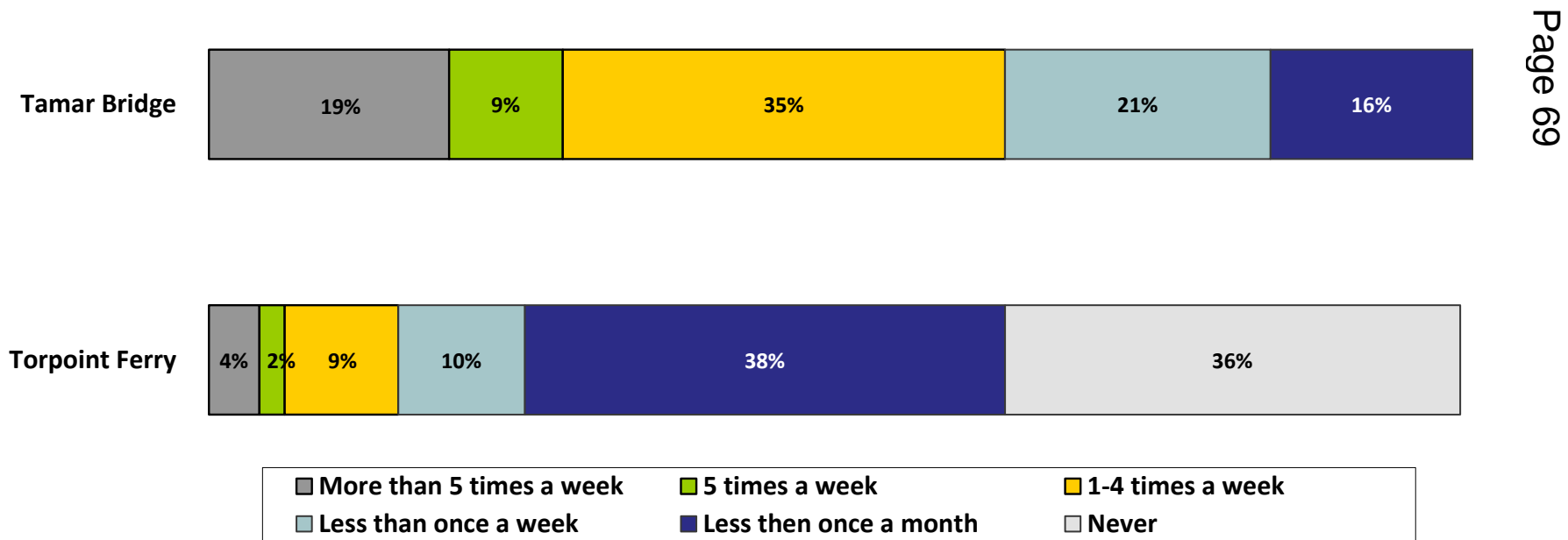
## Reporting

- This report summarises the results from the on-line and postal self-completion surveys which have been combined for analysis purposes.
- Sub analysis has been completed and where there is a significant difference between the total sample and Tag users this has been reported by exception. Where the commentary on the slides refer to all the respondents this relates to the total sample (including Tag users).
- Comparisons have also been made to the 2022 survey which used the same methodology.
- The data used in this report is rounded up or down to one decimal place. It is for this reason that, on occasions, charts or tables may add up to 99% or 101%.
- Where tables or graphs do not match exactly the text in the report, this occurs due to the way figures are rounded up or down when responses are combined.
- Where respondents are able to select more than one option (multi-coded questions) the frequency of selection is shown as a percentage of the total number of responses recorded.
- Where responses have recorded 0% ( i.e.no data recorded or less than 0.4%) the 0% is often omitted from the charts and tables to aid clarity.

# Behavioural data...

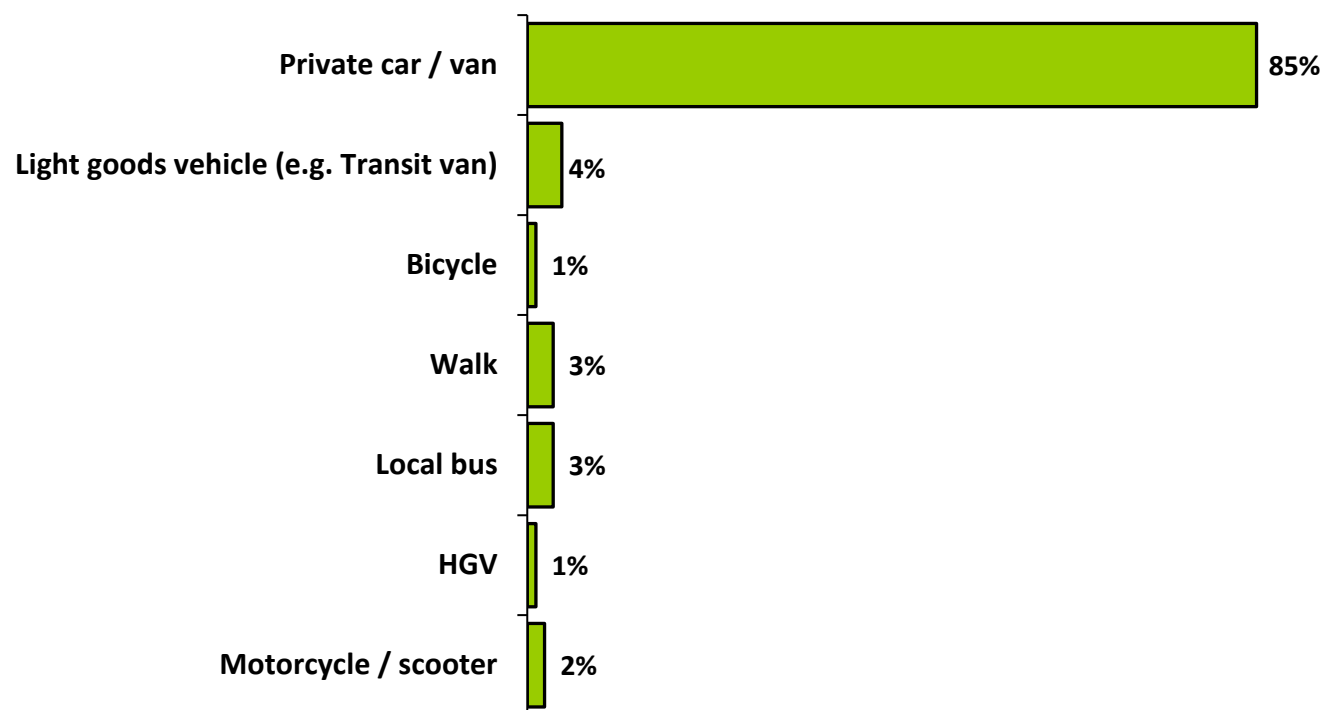
# How often do you use the Bridge and / or Ferry?

- The respondents were more likely to use the Bridge more frequently than the Ferry.
- 38% of Tag users travel across the bridge - more than 5 times a week / 5 times a week, compared to 26% of the total sample.
- 74% of respondents indicated they either never used the Ferry or used it less than once a month.
- Both those using the Bridge more than 5 times a week / 5 times a week had declined by 3% compared to 2022, the remaining results were relatively unchanged from the 2022 survey.



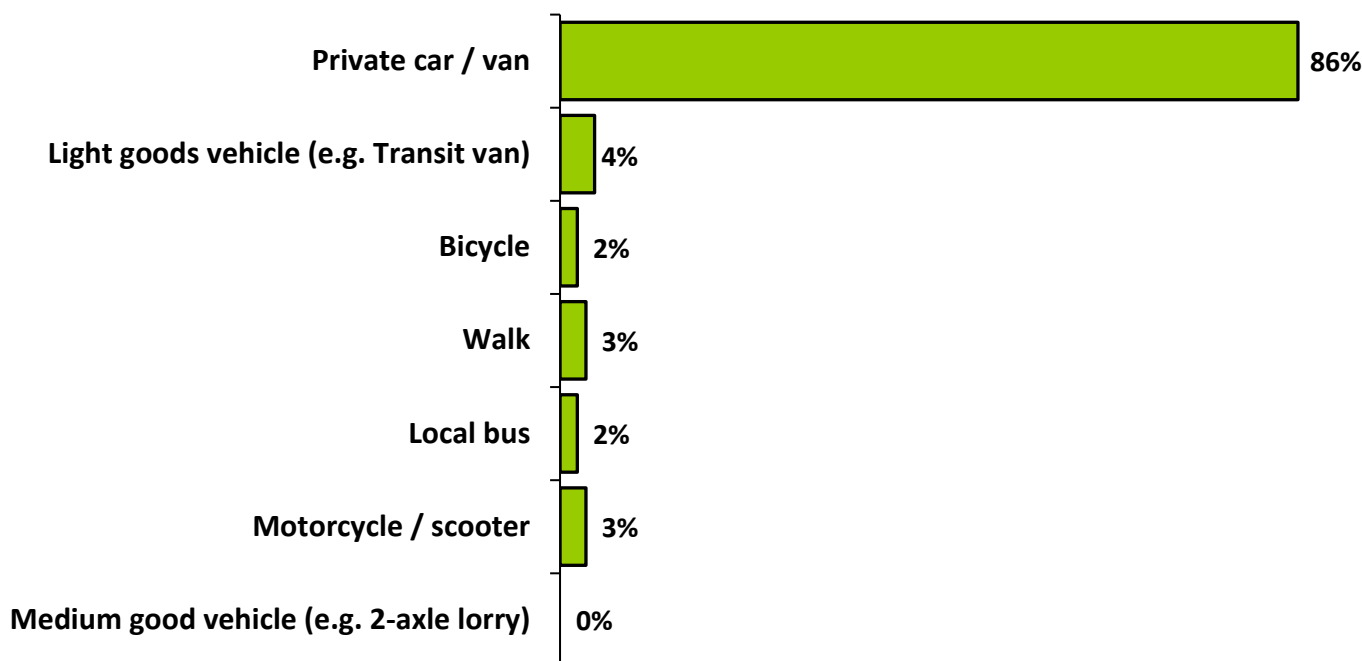
# How do you usually travel across the Bridge?

- The majority of respondents (85%) travelled across the Bridge in a private car or van.
- Traveling by car / van had declined by 3%, while using the local bus increased by 2% compared to 2022. Overall there was little difference from the 2022 results



# How do you usually travel on the Ferry?

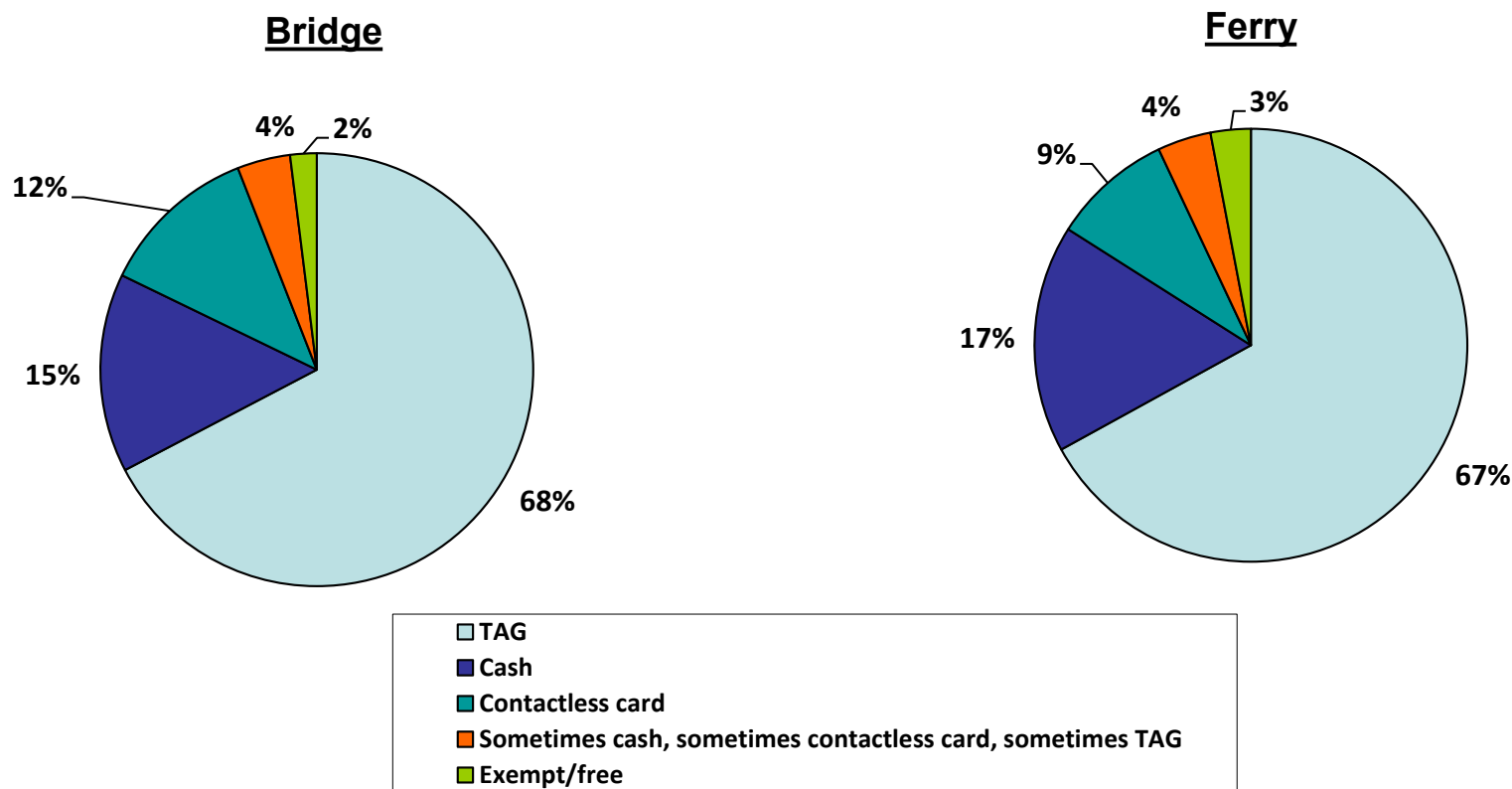
- Again the majority (86%) of respondents used the Ferry in a private car or van.
- Compared to 2022 there was a decrease of 2% in those using a private car or van to cross and an increase of 2% in those using a motorcycle / scooter and 1% in those walking. The remaining results were similar to the 2022 survey results.



OFFICIAL

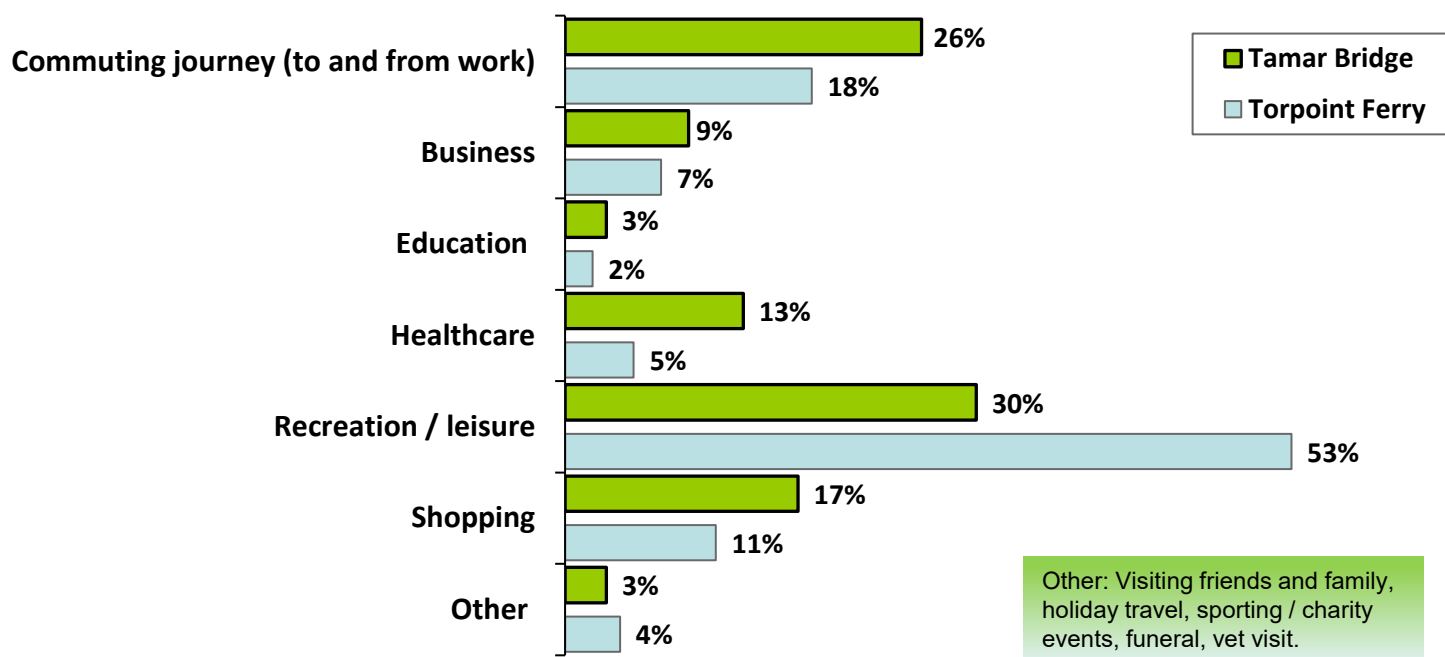
# How do you currently pay to use the Bridge and Ferry?

- On both the Bridge and Ferry just over 2/3rds of the total sample (circa 67%) use the Tamar Tag.
- Of the sample of Tag users, 98% use it to pay for the the Bridge and 95% for the Ferry crossing.
- Since 2022 there has been a 7% decrease in the proportion of respondents using the TamarTag (at both crossings) while the use of contactless has increased (+6% Bridge / +9% Ferry).



# Thinking about your most frequent journey using the Bridge and Ferry - What is your main reason for crossing?

- Just over a quarter of the total sample used the Bridge for commuting, while just under a fifth used the ferry. This had decreased (-6%) for the bridge and slightly (-1%) for the ferry compared to 2022. This figure was higher for Tag users with 38% using the Bridge and 26% using the ferry to commute to work.
- Business use and access to education has remained similar to 2022 for the bridge and the ferry, while journeys to access healthcare have increased (+6%) on the bridge and (+1%) on the ferry.
- Compared to 2022, the ferry saw an increase (+3%) in its usage for recreation and leisure, while use of the bridge for this remained the same at 30%. Bridge & ferry usage for shopping both declined by 3%.

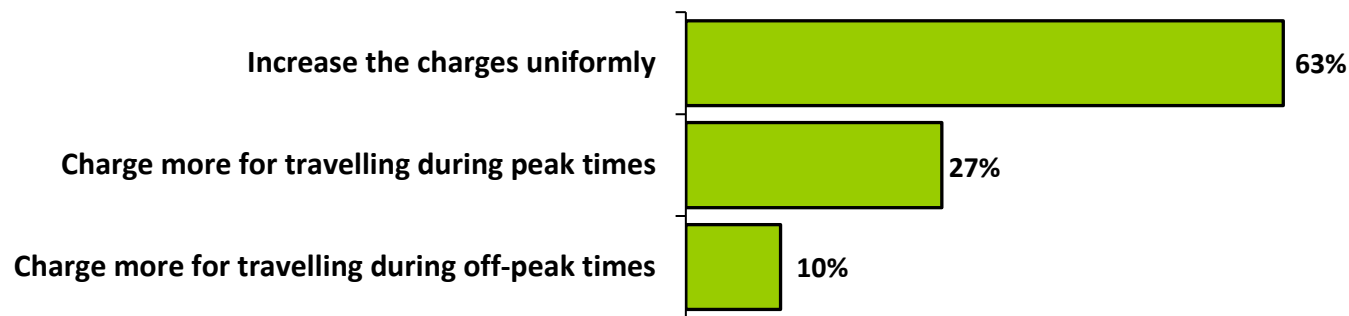


# The Price Structure...



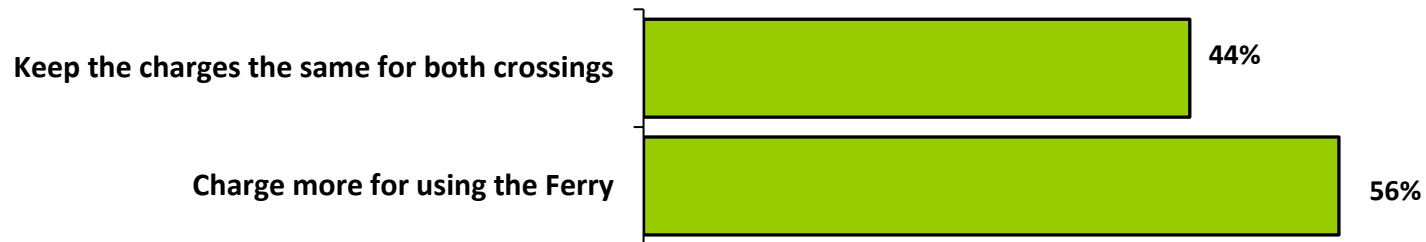
# Should we charge differently by the time of day or day of the week?

- Just under two thirds of the total sample indicated that charges should be “increased uniformly” this rose to 67% among Tag users - suggesting that respondents did not want variable pricing - even if it could be used to help manage traffic flows.
- The results were very similar to the 2022 survey.
- Just over ¼ indicated that users should be charged more for using the crossings during peak times.



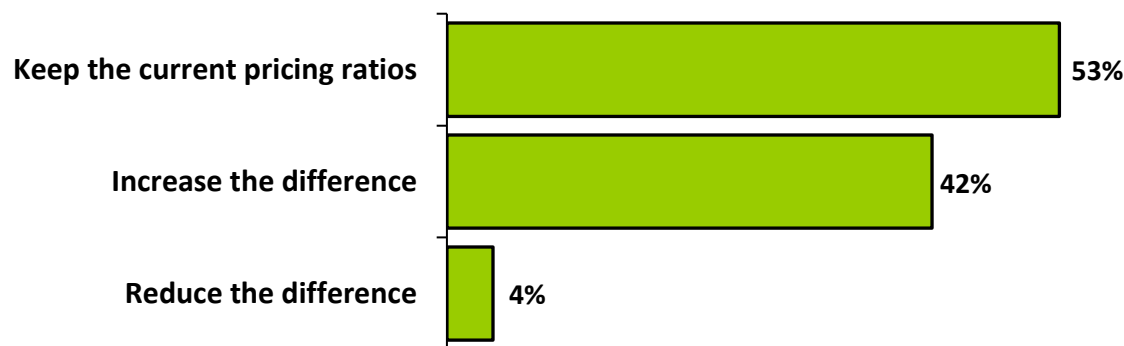
# Should we have different prices at the Bridge and Ferry?

- The support for charging more for the ferry crossing has increased from 42% in 2020 to 50% in 2022, and to 56% of the total sample in this survey.
- 60% of Tag users wanted to charge more for using the ferry.
- 44% of users indicated that they wanted to keep the charges for both crossings the same - down by 6% from the 2022 survey.



# Should we change the pricing ratio between bigger vehicles and cars?

- Just over half (53%) of the total sample indicated that the current pricing ratio should be maintained, this has increased by 9%, from 44% in 2022.
- There was almost a 50/50 split by Tag users – with 48% indicating that the current pricing ratio should be kept, and 50% indicating the difference should be increased.
- Around two fifths want the pricing ration between bigger vehicles and cars to be increased but this has decreased by 14% compared to 56% in 2022.
- The new option to reduce the difference was only indicated by 4% of respondents.



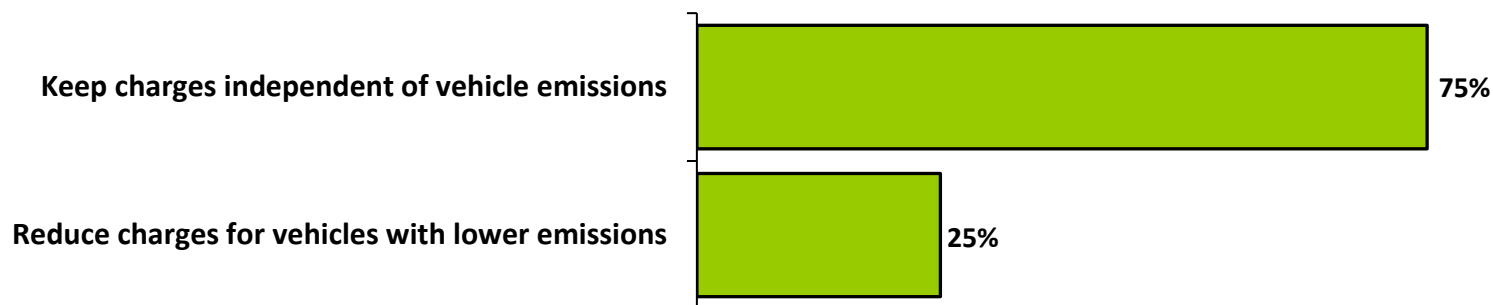
# Should we change the discount we give for pre-payment using a Tamar Tag?

- In 2020, the majority of users (82%) indicated they wanted to keep the existing 50% discount for pre-payment using the Tamar Tag. This decreased to 47% in 2022 and this is now 42% for the total sample.
- 44% would like to increase the percentage discount for Tamar Tag account holders (total sample and Tag users), up 4% from 2022.
- 47% of Tag users would like to keep the existing 50% discount.
- Those that want the percentage discount reduced has remained unchanged at 14% for the total sample but was 10% for Tag users.



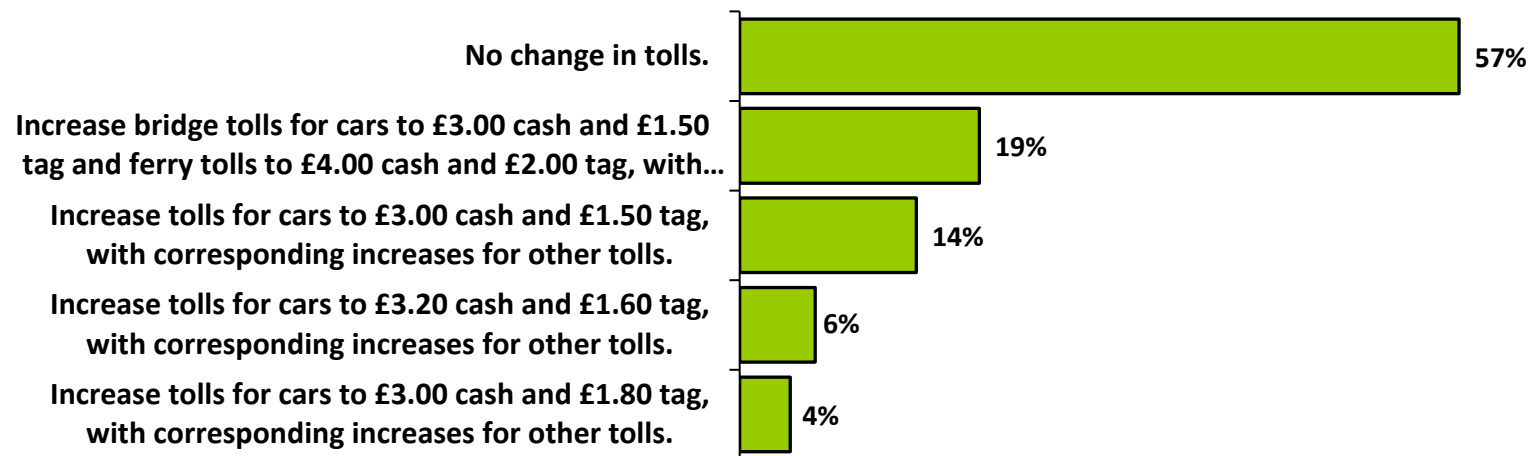
# Vehicle emissions affect the environment – Should we help reduce our impact on the environment by encouraging low emission vehicles?

- 75% of all respondents indicated that crossing charges should be independent of vehicle emissions. This is just slightly less than in 2022 (72%)
- A quarter of respondents agreed that charges should be reduced for vehicles with lower emissions, 3% less than 2022.



# Which do you think is the most appropriate to resolve the financial shortfall?

- Over half (57%) of all respondents indicated that no change in tolls should take place. This position was also supported by comments made in the verbatims recorded later in this survey.
- This percentage dropped to 42% among Tag users.
- However 43% of the total sample indicated that they would consider a different toll structure to help resolve the financial shortfall. This rose to 58% of Tag users.
- Around a fifth felt that increasing the bridge tolls (tag and cash) and increasing ferry crossing tolls (tag and cash) by a higher amount would be the most appropriate choice. This rose to 28% of Tag users
- This was also reflected in the 56% of respondents who also indicated that more should be charged for the ferry crossing to reflect its higher operating cost.



# Future travel behaviour...

# Do you think your travel patterns will change in the near future?

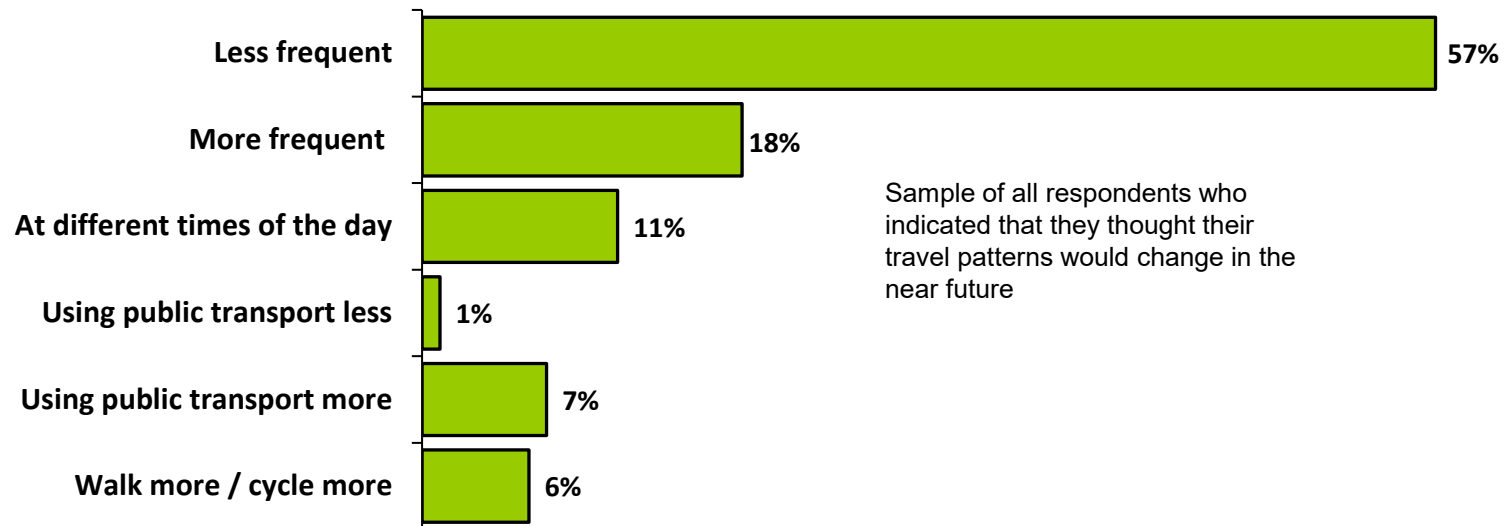
- The majority (80%) of all respondents indicated that they did not think their travel patterns would change in the near future. This rose to 85% among Tag users.





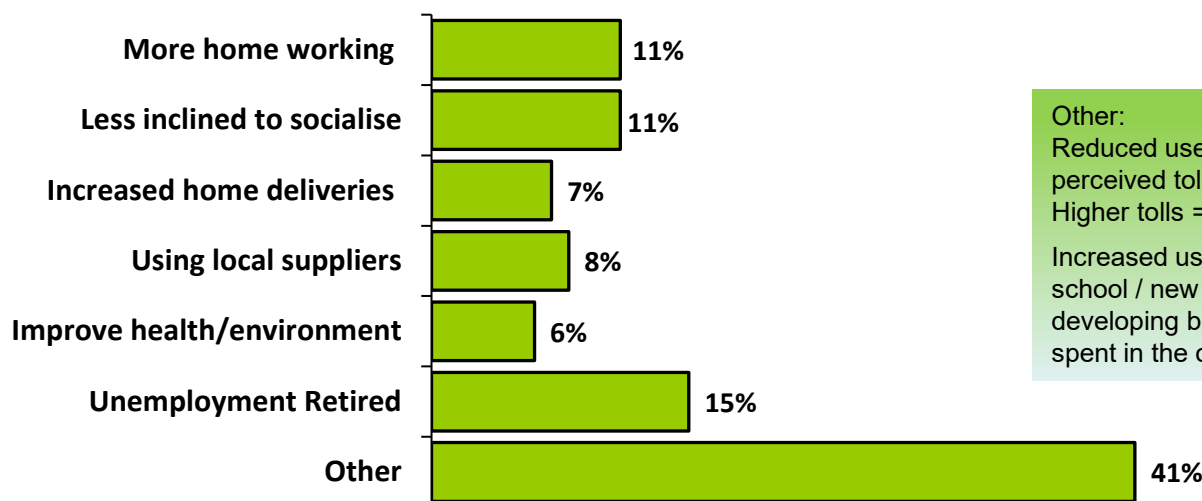
# How do you think your use of the crossings will change?

- Of the 20% of all respondents who indicated that they thought their travel patterns would change, well over half (57%) indicated this would be using the crossings less frequently.
- Among 15% of Tag users who also indicated they would travel differently, 71% indicated they would travel less frequently. A similar number of both the total sample and Tag users indicated they would travel more frequently.
- 11% said they would travel at a different time of the day (up from 7%). The number of those using public transport would increase on balance by 6% and 9% for Tag users.
- 6% of the total sample and 10% of Tag users indicated that they would walk and cycle more (up from 4% from 2022)



# What do you think would cause this change in behaviour?

- “Other reasons” accounted for a significant number of responses and the majority of these were linked to a reduction of usage because of the perceived increases in toll costs in the future.
- There was also a post Covid reduction in the number of all respondents (11%) who indicated that more home working was likely to cause a change in their travel behaviour (down from 38% in 2022) For Tag users this was 14%.
- Those citing unemployment or being retired increased from 4% to 15% (closer to 2020 -11%)
- Being less inclined to socialise was also a diminishing reason at 11% compared to 20% in 2022. Other areas were very similar to the 2022 survey.



Other:  
Reduced use of crossings - result of perceived toll increases in the future.  
Higher tolls = less usage.

Increased use of crossings- change in school / new job/ caring for family/ developing business / more time now spent in the office in Plymouth.

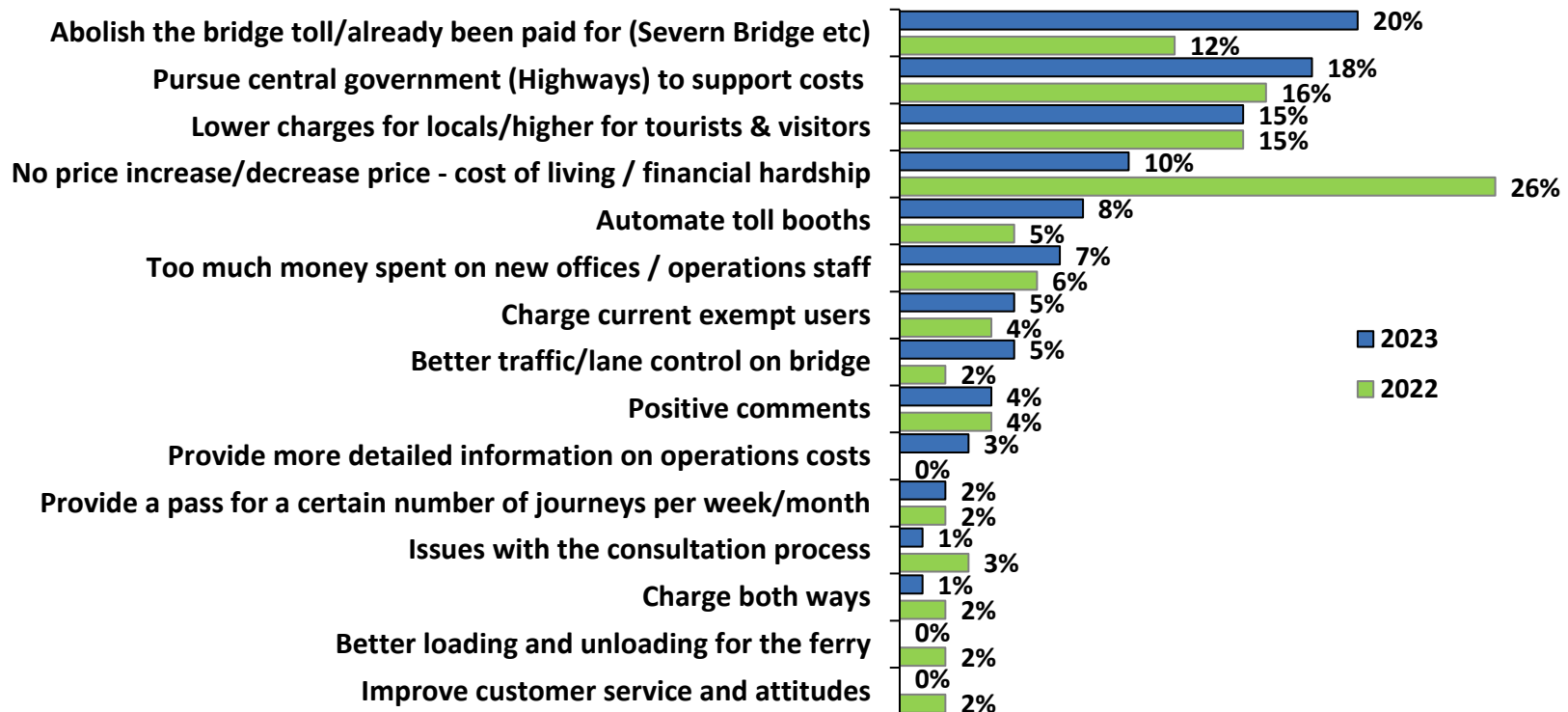
# **Concerns or suggestions on the charging structure or the service in general...**

# Background on comments

- In total circa 31,000 users had the opportunity to respond, together with members of the general public.
- 3,173 returns were received from users (1,582 postal, 1,591 online). There were a further 4,006 responses from the general public, giving a total sample size of 7,179.
- There were a total of 3,742 responses with comments. This equated to 52% of the total sample making a comment.
- Each respondent often made a number of points in their response. Many of the comments made did not relate to the question asked and focused on the perceived social injustice and hardship they felt an increase in the toll would deliver.
- We have categorised the responses under appropriate headings to provide more clarity in the dataset and help summarise the overall attitudes towards the charging structure and service in general.
- We created a total of 15 categories and have reported the percentage of similar responses as a frequency of the total number of responses.
- These categories are also supported with a number of verbatim comments in the following pages, which illustrate the overall attitudes of users to each category title.

# Main concerns or suggestions on the charging structure or the service in general?

- The top four topic categories which attracted the most comments were unchanged from the 2022 survey. These were - abolishing the toll altogether, pursuing central government to support the costs, lowering the charges for locals and having no price increase / decrease in the price of the toll.
- However the sentiment had shifted from comments on no price increase / decrease price, towards abolishing the toll altogether (+8%) and pursuing central government to support the costs (+2%)
- Comments around using automated booths (+3%) also saw an increase.



# Abolish the Bridge toll – already paid for...

## Abolish the Bridge toll – “Its already been paid for” (Severn Bridge etc) (20%)

- *“Tolls on the bridge should now be scrapped - Abolish tolls on the bridge with immediate effect and hand over to highways”*
- *“The bridge should be free. How can bridges such as the Severn be free yet we are charged an astronomical amount for using the Tamar bridge”*
- *We should not have to continue to pay for the crossing, especially residents of Saltash who use the bridge for commuting. We should not have repeated increases in tolls. There have already been increases recently so why again now? Other bridges are maintained free of charge for the users, so why are we paying for this one?”*
- *“Tamar bridge fees should not increase any more, they have only just gone up. This is a major part of the national highways system and should be maintained with money from government. More effort should be put into bringing about this change which is long overdue”*
- *“Get rid of tolls completely. They are too expensive and there collection cause long queues and hold ups”*

# Pursue the government for funding...

## Pursue central government to support costs (18%)

- *“Please put pressure on MPs to press for government funding of the bridge. It is one of only 2 major routes into Cornwall and it would seem to be more equitable if the govt funded the A38 as it funds the A30”*
- *“Continue to strongly lobby Government, especially with an election year ahead. It is unacceptable that other important crossings across the UK are free but that users have to pay for the Tamar Crossings”*
- *“There have been too many increases in tolls. The crossings should be taken on by the government”*
- *“The bridge needs to be handed back to the Highways and booths removed”*
- *“Both the bridge and ferry should be paid for by the government. It is ridiculous that in other parts of the country, tolls are being cancelled and here they are increasing. it is indicative of how no one in government cares about the south west. There is no "levelling up" or "powerhouse" here and I fail to see why we subsidise other transport links around the country when we have a pitiful service here”*

# Lower charges for locals...

## Lower charges for locals – higher for tourists / visitors (15%)

- *“Tourists could be charged more. Locals are struggling especially with work and commuting - as well as wanting to enjoy both sides of the bridge”*
- *“You should consider making it cheaper to cross for locals as we have to use it every day - maybe charge visitors to the area more”*
- *“Tamar Bridge should be free for residents of Saltash who rely on daily travel to work”*
- *“There should be free use for local users - I’m only going to work and it’s costing me a lot of money. I shouldn’t be penalised as a resident of Saltash”*
- *It is ridiculous to still be charged such high rates! The tolls should be reduced not increased. Residents of Saltash should also get exemptions for having to put up with the constant traffic and disruption due to the hideous queues”*
- *“Local residents that work in the public sector like doctors, nurses, police, public servants etc. should not have to pay to cross the bridge to perform work duties”*



# No price increase...

## No price increase / decrease price - Cost of living / financial hardship (10%)

- *“Many people cannot afford the constant rising cost of tolls and some people cannot walk or use the bus due to disabilities”*
- *“It’s getting too expensive to use. As a single mum it’s frustrating having to pay out extra every month just to get to work”*
- *“No more increases should be made to cross the bridge. Should be made free by now”*
- *“Maybe consider locals have lower prices in a geographical area within like 10miles of bridge and everything after that charge more. So tag users that live closer have to pay less in general”*
- *“It’s far too expensive already!!! Locals should not pay!”*
- *“I think people living in Saltash or within a certain area should use the bridge for a significantly discounted price”*
- *“Tamar Tag prices should remain the same for locals”*
- *“Should be free for local residents i.e. in PL12 area as locals need to use the bridge for work and hospital etc.”*

# Charge others / Charge both ways...

## Charge exempt users (4%)

- *"Its about time you charged motorbikes and scooters"*
- *"Start charging pushbikes & pedestrians on ferry who currently receive a service for free"*
- *"Foot Passengers could be charged for using the ferry"*
- *"Remove the exemption for blue badge holders or offer a concessionary rate for them"*

## Charge both ways (1%)

- *"Charging in both directions would help?"*
- *"If the ferry is more expensive why not toll both directions at the same price?"*

# Operational comments on the Bridge...

## Automate the toll booths (8%)

- *“The Bridge needs to be more (effectively) automated which would massively reduce costs (staffing)”*
- *“What about an automated toll booth system. All booths could be open 24 hrs a day...- similar to Europe, with no staffing issues.*
- *“The use of ANPR technology should be adopted as a high priority to ease the almost continuous congestion to the toll booths”*
- *“If a tag doesn't work in a tag only lane, it must be the slowest walk across the booths, there could ever be. The man is not normally very helpful and certainly doesn't rush – leading to more queues and longer hold ups”*

## Better traffic / lane control on the Bridge (5%)

- *“The Tag Only lane on the northern end is often blocked causing tail backs on the northern lane from Saltash”*
- *“If you had a good car management system, we wouldn't need to queue for 20mins to get over the bridge”*
- *“Seems to be getting worse, with constant queueing.. regardless of time of day. Use camera's to register number plates, and send out payments, and get rid of kiosks”*

# General comments on the operation and consultation... (1)

## Too much money spent on new offices / operations (7%)

- *“Why was so much spent on a totally unnecessary over the top building on the St Budeaux side of the bridge as well as on an electronic tag/toll system that constantly fails to work and therefore still incurs staffing costs”*
- *“All systems should be automated there is no need in this day and age to have toll booths and staff in them. The cost savings you need are right there just modernise it's 2023”*

## Issues with the consultation process (1%)

- *“These questions are extremely biased forcing answers in favour of toll increases and are not set out in a fair way”*
- *“The above options favour increase charges and are therefore bias in that regard, there is no option to reduce the tolls”*

# General comments on the operation and consultation... (2)

## Provide a pass for a certain number of journeys (2%)

- *“Maybe buy a ticket say for 10 crossings for those that don’t use it often, and only pay for 8”*
- *“Charges should be a fair price with a choice of single or return ticket with drivers also being charged to enter Cornwall. This could be achieved by advanced on line payment, like other tolls in the rest of the country”*
- *“Wouldn't a day pass ( allowing multiple journeys in one day) be a good way to let locals pass freely over the crossings?”*

# Positive comments...

## Positive comments (4%)

- *"You are doing a good job!"*
- *"Thank you for providing information on the current pressures as well as the opportunity to feedback on this essential service"*
- *"The bridge is well maintained and provides a positive service. I travel a lot overseas (France, a lot of tolls), people shouldn't be afraid to pay for the service rather than feel entitled to it. The tag discounting system protects the locals who are most likely to be impacted, infrequent cash users then tourists etc. can afford the odd extra - maybe make it £3.50 / £1.50 instead? I don't see a reason locals can't all get tags. Just keep doing what you're doing, you all do an amazing job in all weathers."*
- *"On a positive note thank you to the workers who risk their lives making sure that the bridge is safe and to the ladies in customer service who take payment over the phone. Unfailingly polite and helpful"*
- *"Think bridge is managed well by the officers and staff. Please give my thanks to them"*

# Summary

# Summary 1

## Sample size and research methodology

- A statistically robust sample was obtained using a variety of distribution techniques to achieve a representative sample of crossing users.
- The total sample size of 7,179 allowed analysis at the 95% confidence level with a margin of error of only +/- .93%. The survey was completed using a self-completion questionnaire (online and postal).

## Travel frequency, mode and main reason for crossing

- The research indicates considerably more frequent usage of the Tamar Bridge – by private car or van, mostly driven by the difference between ‘most frequent’ journey type – more Bridge users claiming to commute, while the Ferry users claimed higher overall likelihood for recreational and leisure travel.
- Around 86% usually travel across the Bridge or on the Ferry by private car or van.
- 38% of Tag users travel across the bridge - more than 5 times a week / 5 times a week, compared to 26% of the total sample.
- Of the ‘frequent’ users of bridge (More than 5 times a week / 5 times a week) 50% use it for commuting journeys (to and from work).
- Overall over a quarter (26%) used the Bridge for commuting, while just under a fifth used the ferry. This had decreased (-6%) for the bridge and slightly (-1%) for the ferry compared to 2022. This figure was higher for Tag users with 38% using the Bridge and 26% using the ferry to commute to work.
- 74% of respondents indicated they either never used the ferry or used it less than once a month.
- Business use and access to education have remained similar to 2022 for the bridge and the ferry, while journeys to access healthcare have increased (+6%) on the bridge and (+1%) on the ferry.



# Summary 2

## Payment

- On both the Bridge and Ferry just over 2/3rds of the total sample use the Tamar Tag to pay for usage.
- Of the sample of Tag users, 98% use it to pay for the Bridge and 95% for the Ferry crossing.
- Since 2022 there has been a 7% decrease in the proportion of respondents using the Tamar Tag (at both crossings) while the use of contactless has increased (+6% Bridge / +9% Ferry).

## Price structure

- Just under two thirds of the total sample indicated that charges should be “increased uniformly” this rose to 67% among Tag users - suggesting that respondents did not want variable pricing - even if it could be used to help manage traffic flows. The results were very similar to the 2022 survey.
- Just over ¼ indicated that users should be charged more for using the crossings during peak times.
- There was a continued shift in sentiment this year regarding charging more for the ferry. Support for charging more has gradually increased, from 42% in 2020 to 50% in 2022, to 56% of the total sample in this survey. 60% of Tag users wanted to charge more for using the ferry.
- 44% of respondents indicated that they wanted to keep the charges for both crossings the same - down by 6% from the 2022 survey.
- Just over half (53%) of the total sample indicated that the current pricing ratio should be maintained, this has increased by 9%, from 44% in 2022.

# Summary 3

- There was almost a 50/50 split by Tag users – with 48% indicating that the current pricing ratio should be kept, and 50% indicating the difference should be increased.
- Around two fifths (42%) of the total sample want the pricing ration between bigger vehicles and cars to be increased but this decreased by 14% compared to 56% in 2022.
- In 2020, the majority of respondents (82%) indicated they wanted to keep the existing 50% discount for pre-payment using the Tamar Tag. This decreased to 47% in 2022 and is now 42%.
- 44% would like to increase the percentage discount for Tamar Tag account holders (total sample and Tag users), up 4% from 2022.
- 47% of Tag users would like to keep the existing 50% discount.
- Those that want the percentage discount reduced has remained unchanged at 14% for the total sample but was 10% for Tag users.
- 75% of all respondents indicated that crossing charges should be independent of vehicle emissions. This is just slightly less than in 2022 (72%)

## Most appropriate action to resolve the financial shortfall

- Over half (57%) of the respondents indicated that no change in tolls should take place. This position was also supported by some of the verbatim comments made.
- This percentage dropped to 42% among Tag users.
- However 43% indicated that they would consider a different toll structure to help resolve the financial shortfall. This rose to 58% of Tag users.

# Summary 4

- Around a fifth felt that increasing the bridge tolls (tag and cash) and increasing ferry crossing tolls (tag and cash) by a higher amount would be the most appropriate choice. This rose to 28% of Tag users
- This was also reflected in the 56% of respondents who also indicated that more should be charged for the ferry crossing to reflect its higher operating cost.

## Future travel and reasons for change

- The majority (80%) of all respondents indicated that they did not think their travel patterns would change in the near future. This rose to 85% among Tag users.
- Of the 20% of respondents who indicated that they thought their travel patterns would change, well over half indicated this would be using the crossings less frequently.
- Among 15% of Tag users who also indicated they would travel differently, 71% indicated they would travel less frequently. A similar number (18%) of both the total sample and Tag users indicated they would travel more frequently.
- 11% said they would travel at a different time of the day (up from 7%). The number of those using public transport would increase on balance by 6% and 9% for Tag users.
- 6% of the total sample and 10% of Tag users indicated that they would walk and cycle more (up from 4% from 2022)
- When looking at this change in travel behaviour “other reasons” accounted for a significant number of responses (41%) and the majority of these were linked to a reduction of usage because of the perceived increases in toll costs in the future.

# Summary 5

- The cost of living crisis and social hardship were repeatedly mentioned in the verbatims indicating that any cost increase would have a knock on effect and reduce future usage.
- There was also a post Covid reduction in the number of respondents who indicated that more home working (11%) was likely to cause a change in their travel behaviour (down from 38% in 2022) For Tag users this was 14%.
- Those citing unemployment or being retired increased from 4% to 15% (closer to 2020 -11%)
- Being less inclined to socialise was also a diminishing reason at 11% compared to 20% in 2022. Other areas were very similar to the 2022 survey.
- Those indicating that they would use the crossings more frequently (18%) included the following reasons – a change in school / new job/ caring for family/ developing business / more time now spent in the office in Plymouth.

# Summary 6

## Concerns or suggestions on the charging structure or the service in general

- There were a total of 3,742 responses with comments. This equated to 52% of the total sample making a comment.
- Each respondent often made a number of points in their response. Many of the comments made did not relate to the question asked and focused on the perceived social injustice and hardship they felt an increase in the toll would deliver.
- The responses were categorised (15 sub groups) under appropriate headings to provide more clarity in the dataset and help summarise the overall attitudes towards the charging structure and service in general.
- The top four topic categories which attracted the most comments were unchanged from the 2022 survey. These were - abolishing the toll altogether, pursuing central government to support the costs, lowering the charges for locals and having no price increase / decrease in the price of the toll.
- However the overall sentiment had shifted from comments on no price increase / decrease price, towards abolishing the toll altogether (+8%) and pursuing central government to support the costs (+2%)
- Comments around using automated booths (+3%) also saw an increase, largely based on the frustration with queues and associated traffic congestion caused by the toll booth operation.

# Summary 7

## Concerns or suggestions on the charging structure or the service in general

The categories are shown below in descending order of frequency.

- Abolish the bridge toll/already been paid for (Severn Bridge etc.)
- Pursue central government (Highways) to support costs
- Lower charges for locals/higher for tourists & visitors
- No price increase/decrease price
- Automate toll booths
- Too much money spent on new offices / operations staff
- Charge current exempt users
- Better traffic/lane control on bridge
- Positive comments
- Provide more detailed information on operations costs
- Provide a pass for a certain number of journeys per week/month
- Issues with the consultation process
- Charge both ways
- Better loading and unloading for the ferry
- Improve customer service and attitudes



# Further information regarding this survey – or next steps ?

If you'd like any further information regarding this survey or are considering further supporting qualitative or quantitative research we would be happy to discuss this with you.

Key contact regarding this report and further work :



Peter Slater  
Lead Research Consultant

[peter@powermarketing.co.uk](mailto:peter@powermarketing.co.uk)

Tel: 01392 436211

Mobile : 07885 752017



**TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE**

**8 DECEMBER 2023**

**FUTURE FINANCING REPORT**

**APPENDIX 5**

**WRITTEN RESPONSES FROM KEY STAKEHOLDERS**



HOUSE OF COMMONS

LONDON SW1A 0AA

Mr Andrew Vallance  
Governance and Finance Manager  
Tamar Crossings  
Tamar Bridge Office  
Pemros Road  
Plymouth  
PL5 1LP

13 November 2023

Dear Andrew,

**TAMAR CROSSINGS CONSULTATION**

I am writing to submit views to your consultation on changes to the tolls for users of the Torpoint Ferry and Tamar Bridge. As the Member of Parliament for Plymouth Sutton and Devonport, I represent the Plymouth-side of the Torpoint Ferry and thousands of people who use the bridge and the ferry daily.

I appreciate the financial pressures that Tamar Crossings are facing and further understand your need to raise tolls. None of us like paying more but I believe it is important that the bridge and the ferry is adequately resourced to remain safe, operational and future-proof. I am aware that the Torpoint Ferries will need to be replaced in the next few years and there is an ambition to replace them with lower-carbon models. In a cost of living crisis I think all efforts should be made to reduce costs, sweat current assets and limit impact of higher tolls on local people.

I believe there should be cheaper tolls for local people using the bridge and the ferry. Working with Cllr Kate Ewert who represents the Rame Peninsula and Fred Thomas, Labour's candidate in Plymouth Moor View, we have prepared an alternative proposal that I would like you to consider. 'Cheaper tolls for local people' as an approach does not seek to change the required financial envelope for the crossings. Rather our proposal seeks to ensure that the gap between tolls paid by local people using the Tamar Tag and visitors and irregular visitors is grown over time delivering cheaper tolls for local people.

There is already a 50% discount for using the Tamar Tag and our proposal is that over a decade this is increased, year after year, so that there is a considerable benefit for being local or a regular user of the crossings. Importantly, this should not change the overall financial envelope for the crossings.

I would furthermore encourage you to reject proposals to freeze tolls as part of a pre-election gimmick. We need a long-term plan for funding the bridge and to that end can I make two further suggestions. Firstly, given the political importance of the Tamar Crossings and the need for the government of the day to agree to changes to legislation and approve new tolls, I believe you should start holding an annual meeting with Members of Parliament.

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Plymouth: 01752 717255 Westminster: 020 7219 2749

This single briefing is a chance for MPs from Plymouth Sutton and Devonport, South East Cornwall and Plymouth Moor View to understand the crossings' finances, the current challenges and opportunities and work in closer partnership with the Joint Committee, local councillors and the team who run the crossings. I am a fan of cross-party and cross-Tamar working and think there would be real benefit to a regular forum for discussions, questions and planning.

Secondly, I believe that it is now time to look again at the legislation that governs the Tamar Crossings. The various Tamar Bridge Acts date from decades ago and in recent years the framework (legislative and tolls) for other toll bridges in England and Wales have changed significantly. I recognise that Government does not want to take on the bridge and the ferry, nor does it want to contribute to the running costs, but I believe they can assist us in modernising the legislation, helping cut costs and stream-lining the process on inflation-adjusted toll rises. I think there should be movement towards cross-party support for a 21st century Tamar Bridge Act and that we should lobby all the major parties for this ahead of the fast approaching General Election.

On the questions you ask in your consultation document, I look forward to seeing the summaries of the public's responses. However, I do want you to take on board the following views: I do not believe in splitting the fare structure for the ferry and the bridge. This could sink the viability of the ferry and load more traffic onto the bridge. As an advocate of cheaper tolls for local people, I do not believe you should claw back any of the discount between cash fares and tolls using a Tamar Tag – you should increase it but do so explicitly to support local people using Tamar Tags. You asked for views on demand pricing for peak time travel and this may work where there are genuine alternative routes for people to take but I do not believe that peak time pricing would work for travellers across the Tamar at present. It would just penalise regular commuters for work or education.

I would welcome the chance to meet to discuss my proposals and how local MPs can work with Tamar Crossings to modernise operations, secure fairer funding where available and ensure that the bridge and ferry are genuinely financially sustainable now and into the future.

Best wishes,  
Luke

**Luke Pollard MP**  
**Member of Parliament for Plymouth Sutton and Devonport**





**TOWN  
COUNCIL**

**Konsel An Dre Essa**

28 October 2023

To whom it may concern

Saltash Town council are pleased to be asked to give their views on the Tamar Crossing consultation.

Saltash Town Council considers that the Tamar Crossings and in particular the Tamar Road Bridge are key parts of our towns infrastructure, and play a large part in our towns life. Many residents use the bridge on a daily basis to access employment and education, many others use it to access healthcare, leisure and for shopping trips.

At recent Town Council meetings there has been a focus on congestion in and around Saltash caused by delays on the bridge and the knock-on impact of this congestion to the public and businesses just trying to get around our town. Anecdotally, residents have informed us that journey times across the bridge have increased, thus traffic ends up being queued through Saltash, primarily impacting North Road/New Road and Fore Street through the Town Centre. This has significant negative impact on local residents who sometimes feel trapped in their own homes, or have to put up with queues of traffic right outside their door. This is inevitably leading to increased pollution which has well documented impacts on peoples health and wellbeing. Further, this is having a negative impact on businesses trying to take or make deliveries within the town and further afield. At a recent meeting of the Town Council, it was deemed a priority to resolve the congestion by the Saltash Chamber of Commerce.

We ask you to urgently look to resolve whatever is behind the additional delays that appear to be the cause of serious traffic congestion in and around Saltash, and implement mitigation to relieve this congestion which is having financial and health impacts on people's lives.

One suggestion is to automatically open the toll plaza barriers when congestion rises above a certain threshold, thus removing any toll payment time that is contributing to the delays. We suggest you consider this and possibly run a trial to see if it helps to reduce congestion and its impact.

A longer term suggestion is to find a way to remove those tolling related delays, and that could primarily be through utilising Automatic Number Plate Recognition, thus allowing near 'free flow' of traffic, which should reduce delays and therefore congestion.



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[gdpr@saltash.gov.uk](mailto:gdpr@saltash.gov.uk)

In terms of tolling levels, Saltash Town Council would like you to carefully consider the impact of increasing tolls, and keep any increase to an absolute minimum, if at all. We would encourage better management of the organisation and assets through external review of your operating methods, that includes looking at alternative income generation methods to reduce any toll increases.

Saltash Town Council would support an increased differential between those with and without Tamar Tag accounts, and whilst it would mean that visitors to Cornwall or less frequent bridge and ferry users would pay proportionally more, it is felt that this would be more easily absorbed by these infrequent users.

Ultimately you must maintain a safe and efficient pair of crossings, we would support strong negotiations with National Highways in terms of them paying a substantive contribution for operation of the A38 across the bridge and A374 across the ferry, and other efforts to provide a better funding solution for the crossings going forward.

There have been some criticism of your survey, and we are unsure why you haven't informed all account holders in regard to the consultation, as you hold those details. The range of questions and possible options in our opinion is not well designed, which may make some people feel unable to, or are minded not to complete what they consider to be a poor survey.

So, to reiterate, please keep the tolls as low as possible, look seriously at an increased differential, or increased discount level for account holders. Please also keep at the top of your 'to do' list mitigation measures to reduce and eventually eliminate traffic congestion caused by bridge delays, and look at the suggestion to allow 'free flow' when congestion impacts traffic flows through Saltash.

We would welcome further engagement and are always pleased to welcome representatives at our meetings.

Submitted by Councillor Richard Bickford  
Mayor of Saltash 2023 - 2024  
On behalf of Saltash Town Council



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Good morning David

The opportunity for a stakeholder response to the Public Consultation 2023 – Funding the Crossings was considered at the October 2023 council, where it was **resolved** to provide the following feedback: -

**Torpoint Town Council strongly oppose any option which separates the Tamar Bridge and Torpoint Ferry tolls and anticipates a significant unknown impact, socially and economically to human behaviour for Torpoint and the Rame Peninsula. The 24/7 Torpoint Ferry service is an essential life service that should be maintained.**

Kind regards

Milly

**Milly Southworth Cert(HE), BA(Hons), FSLCC**

Town Clerk & RFO Torpoint Town Council

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**a.** 1-3 Buller Road Torpoint Cornwall PL11 2LD







*SheviocK Parish Council*  
The Bill Warren Room, SheviocK Memorial Hall, Craffhole, Torpoint, Cornwall, PL11 3DG  
Clerk: Mrs Nancy Gray. Telephone: 01503 232996 Email: [sheviocKpc@btinternet.com](mailto:sheviocKpc@btinternet.com)

Tamar Crossings

16/10/2023

Dear Sir/Madam,

RE: RESPONSE TO CONSULTATION

SheviocK Parish Council wishes to submit the following points in reference to the Tamar Crossing Consultation:

- Following the bridge and ferry user consultation, on October Saturday 8<sup>th</sup> and Tuesday 10<sup>th</sup> of October, SheviocK Parish Council wishes to note that: The result of the consultation may be biased towards reducing fares for the Tamar bridge by increasing tolls on the ferry (part 2 on the questionnaire/ Option 4 on the leaflet). As there is likely to be more users of the bridge than the ferry, who have been given access to the consultation.
- SheviocK Parish is on a peninsula, with most essential services, employment, businesses and facilities across the Tamar in Devon. In respect of travel costs, it is 7.2 miles one way to drive Torpoint Ferry, 13 miles one way to drive to the Tamar bridge and 41 miles one way if not using the bridge or Ferry travelling via Tavistock. As you will therefore note, there are no other viable cost option, regarding costs and time, for commuters/local businesses or residents. It is already very costly to access facilities across the Tamar, even if using the bridge or ferry. It is an unfair "tax" on the parishioners, and those living on the Cornish side of the Tamar (even with a tag). Furthermore, most suppliers charge parishioners extra as they must factor in the costs for crossing the Tamar from Devon.
- Noting that Cornwall is one of the poorest regions in England and Northern Europe. Any further increase to fares will increase the risk of local businesses failing - unable to meet the additional costs/ or be competitive, thus increasing unemployment. It would discourage investment and prevent growth as well as put an added strain on already below average household incomes.
- If fares rise again, it will discourage the use of the bridge/ferry as people cut back further and business fail, as a result revenue drops causing fares to rise again. Could it be better to encourage more users, by offering businesses and local people incentives/reduce fares. Could this be trialled? There is already anger and concern that tolls have only just risen after Covid by 30% (above inflation).
- Levelling up/HS2 reallocated funding bid. Could Tamar Crossings re-apply for government funding, with the backing of local Town and Parish Councils, Plymouth City Council, Cornwall Council and local MPs? Using the Crossing is an economic and day to

day life necessity with no other option available, noting comparisons to other crossings within Great Britain, which are cheaper and/or subsidised nationally.

Yours sincerely,  
Mrs Nancy Gray, Parish Clerk.

On behalf of  
Sheviocck Parish Council.



Dear David,

Please find attached a completed stakeholder consultation response on behalf of the Tamar Toll Action Group.

With best wishes,

Dr Mel Priston,

Chair, Tamar Toll Action Group

# Tamar Bridge and Torpoint Ferry Funding the Crossings

Page 116

Tamar  
Crossings

## Consultation, October 2023

The accompanying leaflet explains our current and forecast financial position.

**Please read the leaflet before completing this questionnaire.**

Your responses to this consultation will ensure that all relevant factors are taken into account in considering any changes to toll levels.

### Section 1 Your use of the Tamar Bridge and Torpoint Ferry

Please provide answers for both bridge and ferry

#### TAMAR BRIDGE Please tick one box only

##### 1a How often do you usually travel across the bridge?

- 1 ☒ More than 5 times a week
- 2 ☐ 5 times a week
- 3 ☐ 1 – 4 times a week
- 4 ☐ Less than once a week
- 5 ☐ Less than once a month
- 6 ☐ Never

##### 1b How do you usually travel across the bridge?

- 1 ☒ Private car/van
- 2 ☐ Light goods vehicle (eg Transit van)
- 3 ☐ Medium goods vehicle (ie 2-axle lorry)
- 4 ☐ HGV (ie lorry with more than 2 axles)
- 5 ☐ Motorcycle/scooter
- 6 ☐ Bicycle
- 7 ☐ Local bus
- 8 ☐ Walk
- 9 ☐ Do not use the bridge
- 10 ☐ Other \_\_\_\_\_

##### 1c How do you currently pay to use the bridge?

- 1 ☒ TamarTag
- 2 ☐ Cash
- 3 ☐ Contactless card
- 4 ☐ Sometimes cash/contactless, sometimes Tag
- 5 ☐ Exempt/free
- 6 ☐ Do not use the bridge

##### 1d Thinking about your most frequent journey using the bridge, what is the main reason for the crossing?

- 1 ☒ Commuting journeys (to and from work)
- 2 ☐ Business
- 3 ☒ Education
- 4 ☒ Healthcare
- 5 ☒ Recreation/leisure
- 6 ☒ Shopping
- 7 ☐ Do not use the bridge
- 8 ☒ Other CARING FOR FAMILY

#### TORPOINT FERRY Please tick one box only

##### 1a How often do you usually travel on the ferry?

- 1 ☒ More than 5 times a week
- 2 ☐ 5 times a week
- 3 ☐ 1 – 4 times a week
- 4 ☐ Less than once a week
- 5 ☐ Less than once a month
- 6 ☐ Never

##### 1b How do you usually travel across on the ferry?

- 1 ☒ Private car/van
- 2 ☐ Light goods vehicle (eg Transit van)
- 3 ☐ Medium goods vehicle (ie 2-axle lorry)
- 4 ☐ Motorcycle/scooter
- 5 ☐ Bicycle
- 6 ☐ Local bus
- 7 ☐ Walk
- 8 ☐ Do not use the ferry
- 9 ☐ Other \_\_\_\_\_

##### 1c How do you currently pay to use the ferry?

- 1 ☒ TamarTag
- 2 ☐ Cash
- 3 ☐ Contactless card
- 4 ☐ Sometimes cash/contactless, sometimes Tag
- 5 ☐ Exempt/free
- 6 ☐ Do not use the ferry

##### 1d Thinking about your most frequent journey using the ferry, what is the main reason for the crossing?

- 1 ☒ Commuting journeys (to and from work)
- 2 ☐ Business
- 3 ☒ Education
- 4 ☒ Healthcare
- 5 ☒ Recreation/leisure
- 6 ☒ Shopping
- 7 ☐ Do not use the ferry
- 8 ☒ Other CARING FOR FAMILY

## Section 2 Your views on the Bridge and Ferry price structure

Currently our customers pay different amounts depending on what vehicle they drive and whether or not they pre-pay using a TamarTag account. There are potentially different ways in which tolls can be varied, and this section invites your views to inform our decisions.

We also want to know how your travel may change in the future.

- 1 We could charge differently by the time of day or the day of the week to help manage demand. Should we:**

*Please tick one box*

- 1 ☐ Charge more for travelling during peak times  
 2 ☐ Charge more for travelling during off-peak times  
 3 ☐ Increase charges uniformly  
☒ **NONE OF THE ABOVE**

- 2 We could have different prices at the Bridge and Ferry to reflect the higher operating costs at the ferry. Should we:**

*Please tick one box*

- 1 ☐ Charge more for using the Torpoint Ferry  
 2 ☒ Keep the charges the same for both crossings

- 3 We could increase the pricing difference between bigger vehicles and cars to more accurately reflect the wear and tear on the crossings. Should we:**

*Please tick one box*

- 1 ☐ Increase the difference  
 2 ☐ Reduce the difference  
 3 ☒ Keep the current pricing ratios

- 4 We could change the discount we give for pre-payment using a TamarTag. Should we:**

*Please tick one box*

- 1 ☐ Reduce the percentage discount for TamarTag account holders  
 2 ☒ Increase the percentage discount for TamarTag account holders  
 3 ☐ Keep the existing 50% percentage discount

- 5 We are in a climate emergency and we could reduce the impact on the environment if we encourage low emission vehicles by charging them less. Should we:**

*Please tick one box*

- 1 ☐ Reduce charges for vehicles with lower emissions  
 2 ☒ Keep charges independent of vehicle emissions



**6 Do you think that your travel patterns will change in the near future?**

☒ Yes, go to question 7

☐ No, go to question 9

**7 If you have replied yes to question 6, how do you think your use of the crossings will change?**

*Please tick all boxes that apply*

1 ☒ Less frequent

4 ☐ Using public transport less

2 ☐ More frequent

5 ☐ Using public transport more

3 ☐ At different times of day

6 ☐ Walk more/cycle more

**8 What do you think would cause this change in behaviour?**

*Please tick all boxes that apply*

1 ☐ More home working

5 ☐ Using local suppliers

2 ☐ Unemployed/retirement

6 ☐ Increased home deliveries

3 ☐ Socialising less

7 ☒ Other TOLLS TOO EXPENSIVE

4 ☐ Improve health/environment

**9 In order to help us analyse the responses, please provide your postcode:**

*Representing members across  
Devon and Cornwall*

### Section 3 The options to resolve the financial shortfall

The accompanying leaflet details the characteristics of the various options being considered. Of the options which do you think is the most appropriate to resolve the financial shortfall?

**Option details are as follows:**

*Please tick one box*

☐ **1** Increase tolls for cars to £3.00 cash and £1.50 tag, with corresponding increases for other tolls.

☐ **2** Increase tolls for cars to £3.20 cash and £1.60 tag, with corresponding increases for other tolls.

☐ **3** Increase tolls for cars to £3.00 cash and £1.80 tag, with corresponding increases for other tolls.

☐ **4** Increase bridge tolls for cars to £3.00 cash and £1.50 tag and ferry tolls to £4.00 cash and £2.00 tag, with corresponding increases for other tolls.

☒ **5** No change in tolls.

For each option, the proposed toll for other classes of vehicle are available online at our website



# 10 Have you got any other concerns or suggestions on the charging structure or the service in general?

The Tamar Toll Action Group (TTAG) would like to raise a formal complaint about the consultation; on three counts:

Firstly: Only limited numbers of tag account holders were invited to participate in the consultation despite Tamar Crossings having access to all account holders' contact details. This is particularly disappointing after it was acknowledged following the previous 2022 consultation on the 2023 toll increase, that whilst the legal obligations had been met Tamar Crossings should try to do better in the future. For this 2023 consultation TTAG has been informed that 14,800 emails were sent out to tag holders, yet at last advice provided to TTAG, Tamar Crossings have over 54,000 Tag account holders. That is only just over 27% of your customers contacted despite Tamar Crossings receiving an income stream of in excess of £520,000 annually via the £0.80 monthly subscription from Tag Account holders. We consider that this sum should at least buy those account holders a level of customer service, including keeping them informed of proposals for change of this level of importance to users.

Secondly: That the consultation questionnaire has been constructed based around the use of 'forced choice methodology' to obtain Tamar Crossings' desired outcome (i.e. to present an apparent agreement from the public in support of an increase in tolls). TTAG's position is that this appears directly opposed to the Gunning principles for legitimate consultations. A large number of TTAG members (numbering over 3,300) have reported to us that that they wanted to complete the questionnaire, but felt they couldn't, or shouldn't, respond to it as to do so would result in them having to agree to an increase in tolls that they did not support. They further commented that they were concerned that the data they entered would then go on to be used to support that position in the toll increase application to the Secretary of State for Transport.

Thirdly: In the consultation there was no consideration or questions /options relating to cost cutting to address Tamar Crossings' proposed solutions for their predicted deficit. What is Tamar Crossings' contribution going to be to reduce their operating costs and how much longer can they continue to spend money that they don't have? Reliance on the two authorities and general public to bail them out of a situation of their own making is not an appropriate management strategy reflective of the high salaries paid to those running the organisation, this needs to be improved. TTAG does not accept the notion that Tamar Crossings are a business, as described by Cllr. Pears at the last Joint Committee meeting. Instead we consider that both of the Crossings are critical pieces of strategic transport infrastructure that should be provided appropriate funding from the Government. That said, it is necessary for Tamar Crossing to act prudently with their finances and perform as a business would, i.e. tailoring their expenditure to suit their income rather than attempting to force this equation to work in reverse, as appears to be the current practice. The proposed project for replacement of the toll booths with new ones being just one recent example of expenditure that is not affordable.

Based on the above three points, TTAG feels strongly that the results of the consultation should be considered flawed; it follows that the results should be disregarded and a fairer set of options for local users be put forward instead. The 'user pays' principle, though flawed in its concept from the outset, is no longer sustainable, particularly as green travel increases and debt interest payments spiral. It is also TTAG's suspicion that Tamar Crossings' debt and operating costs are borne mostly by local residents and businesses of Plymouth and SE Cornwall (with a high probability that the lion's share of this is from SE Cornwall due to its greater reliance on Plymouth than the reverse scenario) rather than visitors to the area. We look to Councillors representing their constituents to do a better job of advocating for them.

Regarding the charging structure, TTAG continues to lobby hard for our local representatives in Government to fight for central government funding on our behalf. This as the funding needed to support both crossings is fairly inconsequential if funded on a national level (the £15m annual cost to July 2023 is just 0.0015% of the Government's £1 trillion annual budget). At the Conservative Party conference speech in autumn 2023, Mr Sunak referenced using the funding saved on cancellation on HS2 to fund East to West transport links across the country. At multiple points he stated "across the nation". Here in the West Country we have two critical East/West transport links that have no viable alternative and a people that desperately need central support with funding these crossings. Currently in London, the Government and TfL between them are offering to fund two thirds of the £200 million repair bill for Hammersmith Bridge. Hammersmith and Fulham Council are opposed to paying their 1/3 share and have stated that they wish to apply tolls to recoup that third. However, those Councils have also gone on record as saying that those tolls will not apply to people resident in their borough. The disparity here does not escape the Action Group's notice, nor the notice of our supporters, who are rightly angry at the notion of paying increasing costs for the Tamar Crossings whilst their taxes contribute to repair of a far less vital crossing in the capital.

In the interim leading up to any Government support, we would like to see the difference between the cash price and tag price increased to address the burden of the tolls on local users. Also, a geographical limit on who can apply for the current Tag Discount scheme so that it is genuinely for people reliant on the crossings for regular daily use.

**For further information please visit our website at [www.tamarcrossings.org.uk](http://www.tamarcrossings.org.uk)  
Please return using the pre-paid envelope provided by 29 October 2023**

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**CORNWALL COUNCIL**

**TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE**

MINUTES of a Meeting of the Tamar Bridge and Torpoint Ferry Joint Committee held in the Council Chamber, Plymouth City Council, Armada Way, Plymouth, PL1 3AA on Friday 8 December 2023 commencing at 10.00 am.

Present:- Councillors: Worth (Co-Chair) and Hendy (Co-Chair)

Mark Coker, Dingle, Long, Tivnan, Toms and Williams-Pears.

Also in Councillors: (None).

attendance:-

Also in attendance Councillors: Wakeham

(virtual):-

Apologies for Councillors: Stoneman.

absence:-

**DECLARATIONS OF INTEREST**

(Agenda No. 2)

TBTF/44 There were no declarations of interest.

**MINUTES OF THE MEETING HELD ON 7 SEPTEMBER 2023**

(Agenda No. 3)

TBTF/45 It was moved by Councillor Tivnan, seconded by Councillor Hendy, and

**RESOLVED** That the Minutes of the meeting of the Tamar Bridge and Torpoint Ferry Joint Committee held on 7 September 2023 were correctly recorded and that they be signed by the Chairman.

**PUBLIC QUESTIONS**

(Agenda No. 4)

TBTF/46 Eight questions were received from members of the public and responses provided at the meeting.

**GENERAL MANAGER'S QUARTERLY REPORT**

(Agenda No. 5)

TBTF/47 The Committee considered the General Manager's Quarterly Report (previously circulated), presented by the Governance and Finance Manager.

In response to comments and questions from the Joint Committee Members, Officers advised that:

1. The previous plan to replace the truss rocker and pendles, previously required full replacement, however an alternative maintenance plan had been devised with significantly lower impact on usage and cost with work having already started.
2. There was to be an upcoming cable and suspension system fire protection system introduced, with a number of options being considered which would help mitigate risks caused by fires. Two recent fires at other suspension bridges having caused significant damage and closures. Regular fire training was conducted with all staff on the bridge and ferries.
3. It was estimated that any alternatives to methods of tolling such as introducing ANPR tolling was a long term project, based on comparisons with its introduction at similar infrastructure.
4. The proposed toll booth refurbishment was an urgent and necessary piece of maintenance work.
5. Expanded statistics on journey time monitoring will be provided in the next General Manager's Quarterly Report.
6. Following a meeting with consultants, a proposal for a feasibility study of ANPR tolling had been received with feedback expected before the March Joint Committee meeting. National Highways would be engaged with the project as it progressed. There was still uncertainty about the degree of complexity and costs around introducing ANPR tolling, which Members would need to consider at a future meeting.
7. Recent toll increases had been incorporated within budget forecasts.
8. Broadly traffic levels had marginally increased since the recent toll rise. Where traffic levels had dropped, this disproportionately affected cash payments as opposed to tag payments.

It was proposed by Councillor Hendy, seconded by Councillor Williams-Pears and

**RESOLVED** that:-

1. That the report be noted.
2. That an updated report be brought to the next meeting.



3. The recommended approaches for ferry office and toll booth refurbishment as described in appended business cases are approved.

## **BUDGET MONITORING 2022/23**

(Agenda No. 6)

TBTF/48 The Committee considered the Budget Monitoring 2023/24 Report (previously circulated) by the Service Accountant.

In response to comments and questions from Joint Committee Members, Officers confirmed that:-

1. Existing budget forecasts had taken into account toll increases with a projected additional £200,000 in revenue. The impact of increased usage was hard to estimate due to the variety of price points.
2. More favourable financial projections were largely due to reductions in price and volatility of costs such as electricity, with increased traffic levels also playing a part. Estimated traffic flow continued to predict a continuation of overall 90% of pre-Covid levels, with small rises of medium and heavy goods vehicles and small decreases of cars and light vans in the year to date.
3. Forecasts did not provide certainty, with estimations of revenue recently being more accurate than estimations of costs due to a variety of external pressures such as Covid, inflation and energy prices.
4. There had been no noticeable impact from the recent closure of the A30 on traffic levels crossing the bridge.

It was proposed by Councillor Worth, seconded by Councillor Coker and

**RESOLVED** that:-

1. The revenue forecast and capital programme for 2023/24 be noted.

## **FUTURE FINANCING**

(Agenda No. 7)

TBTF/49 The Motion Government Funding of Tamar Crossings and Abolition of the Tamar Tolls (previously circulated) which had been referred to the Joint Committee from the Cornwall Council meeting on 28 November 2023 was presented by Councillor C Martin and Councillor Frank of Cornwall Council.

Councillor C Martin spoke in support of the Motion, emphasising that the issues of toll revision and abolition should not be conflated and calling for the Joint Committee to work with its parent authorities to consider toll abolition with the debate on the Motion being brought back to a future meeting as a separate agenda item.

Councillor Frank also spoke in support of the Motion, emphasising increasing public support for its proposals and their importance to the local economy and environment in the long term.

During the debate a number of issues were raised, including:-

1. It was confirmed that the Motion had been referred to the Joint Committee as its subject matter was an asset jointly owned by Cornwall Council and Plymouth City Council and the Joint Committee was the appropriate location for its consideration.
2. It was confirmed that debate surrounding the Motion did not require a separate agenda item and had been included with the Future Financing Report due to a similarity of issues relating to the two. It was clarified that debating the Motion could be deferred by Members to a future meeting and still be able to report back to Cornwall Council within six months of the date of referral.
3. The view was expressed that it would be more appropriate to have the Motion debated as a separate agenda item to the Future Financing Report at a future meeting of the Joint Committee.
4. The view was expressed that decisions taken relating to the Tamar Crossings had implications for residents of both Cornwall Council and Plymouth City Council and the views of both parent authorities needed to be taken into account.

It was proposed by Councillor Williams-Pears, seconded by Councillor Hendy and

**RESOLVED** that

1. The Motion presented by Councillor Martin and supported by Councillor Frank be deferred to the 1 March 2024 Joint Committee meeting.

The Committee considered the Future Financing Report (previously circulated) presented by the Governance and Finance Manager and the Service Director for Connectivity & Environment, Cornwall Council.

The Head of Financial Planning and Deputy Section 151 Officer of Cornwall Council emphasised the Joint Committee's obligation to maintain a balanced and sustainable financial position, which Option A (as outlined in the report) would fail to achieve. It was not viable for the parent authorities to cover any shortfall, with no provision for this in medium term financial plans. This was supported by Officers from Plymouth City Council.

In response to comments and questions from Joint Committee Members, Officers confirmed that:-

1. The parent authorities had never considered Option A as financially unviable and had only been included as an option in the public consultation at the behest of Members at the previous meeting of the Joint Committee.
2. The view was expressed by some Members that any increase in tolls would unfairly penalise local residents.
3. The Joint Committee was able to approve borrowing for capital projects, but was not able to approve an operational budget deficit.
4. In discussion with Officers the Department for Transport had noted the significant discount given to users paying via tag discount compared with similar infrastructure nationally.
5. Toll increases broadly following inflation over time was considered financially sustainable.
6. It was only possible to apply to the Secretary of State for Transport for one proposed toll revision per year with the response expressed as either approval or refusal, making multiple option toll revision requests unviable.
7. The Portfolio Holder for Strategic Planning and Transport from Plymouth City Council advised that due to wider budgetary constraints and necessary reductions in other areas of spending, Plymouth City Council was not in a position to financially support operational overspend at Tamar Crossings and so no increase in toll levels was not viable from their point of view.
8. The Portfolio Holder for Transport from Cornwall Council advised that due to wider budgetary constraints and reductions in other areas of spending, Cornwall Council was not in a position to financially support operational overspend at Tamar Crossings and so no increase in toll levels was not viable from their point of view.
9. It would not be possible to vote for an increase to cash toll payments but leave the tag discount at its current rate as the financial implication of such a decision were unknown, with figures relating to this to be brought to the next Joint Committee meeting.

10. There was general support amongst Members for the view that there were no easy solutions to ensuring the financial sustainability of Tamar Crossings.
11. The view was expressed by some Members that any increases in tolls should be the smallest possible whilst maintaining the financial sustainability of Tamar Crossings.
12. The proposed increase in tolls would affect cash and tag users simultaneously, although the Joint Committee was able to autonomously adjust the level of tag discount.

It was proposed by Councillor Williams-Pears, seconded by Councillor Coker that

“2. Having considered the contents of the report, including the responses from the public consultation an application for a toll revision, based on £3.20 cash and £1.60 tag, be made to the Secretary of State in accordance with the applicable legislation.”

On a vote the proposal was lost.

It was proposed by Councillor Tivnan and seconded by Councillor Worth and

**RESOLVED** that

2. Having considered the contents of the report, including the responses from the public consultation an application for a toll revision, based on £3.00 cash and £1.50 tag, be made to the Secretary of State in accordance with the applicable legislation.

It was further proposed by Councillor Williams-Pears and seconded by Councillor Tivnan and

**RESOLVED** that

3. Officers incorporate the impact of the Joint Committee's above recommendations into the revenue estimates and capital programme for 2024-25 to be presented at an extraordinary meeting of the Joint Committee on 12 January 2024.

4. The Tamar 2050 programme of activity be endorsed.

5. The Joint Committee will continue to lobby Government to provide funding for the bridge and the ferry, such lobbying to include a request for a review of the current legislation including the ability to apply RPI to tolls.

The meeting ended at 1.30 pm.

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## Appendix D

### Briefing Report -

### Tamar Bridge and Torpoint Ferry 2024/25 Revenue and Capital Programme

#### Introduction

- 1.12 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.
- 1.13 The existing governance requires that both parent authorities agree an annual Budget to facilitate the undertakings as part of the operational delivery remit.
- 1.14 The budget for 2024/25 will meet the requirements of the Councils, in that it is balanced and affordable, even though traffic levels have remained 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.
- 1.15 Appendix 4 of the TBTF Joint Committee (TBTF JC) Report, 2024/25 Revenue and Capital Programme contains the Annual Business Plan.

#### 2. Future Finance issues

- 2.1 Action has been proposed in terms of a proposed 15% toll revision, to ensure the identified deficit in last year's TBTF report to the Cabinet January 2023 has been addressed, as seen in the table below;

	2023/24	2024/25	2025/26	2026/27	2027/28
Forecast reserve balance at 31st March	(£1.677m)	(£1.490m)	(£2.236m)	(£2.730m)	(£3.104m)

- 2.2 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.
- 2.3 A 15% toll increase was proposed by the TBTF JC in December 2023 and requires ratification by both Councils to progress the request to the SoS for Transport, if agreed by the SoS it will be implemented in November 2024.
- 2.4 The Joint Chairmen of TBTFJC and Portfolio Holders of both authorities continued to lobby government to;
- a) Have the ability to apply RPI locally, which will require Primary Legislation and is currently being progressed and

- b) For long-term financial support for the Bridge, although this request has been without success to date.
- c) Introduced Tamar 2050, which provides a more robust agenda to the future aspirations regarding the crossings and may have more traction regarding Government support.

2.5 Resolutions can be found in the draft minutes of the TBTF JC meeting on 12 January 2024 which are attached at Appendix C.



**Appendix E**

Report to:	<b>Tamar Bridge &amp; Torpoint Ferry Joint Committee</b>	
Date:	<b>12<sup>th</sup> January 2024</b>	
Title:	<b>2024/25 Revenue and Capital Programme</b>	
Portfolio Area:	<b>Cornwall Council: Transport</b> <b>Plymouth City Council: Transport</b>	
Divisions Affected:	<b>All</b>	
Local Member(s) briefed:	<b>NA</b>	
Relevant Scrutiny Committee: <b>NA</b>		
Authors, Roles and Contact Details:	<b>Vicky Fraser, Service Director Connectivity &amp; Environment</b> <a href="mailto:Vicky.Fraser@cornwall.gov.uk">Vicky.Fraser@cornwall.gov.uk</a> <b>Philip Robinson, Service Director for Street Services, Plymouth City Council</b> <a href="mailto:Philip.robinson@plymouth.gov.uk">Philip.robinson@plymouth.gov.uk</a> <b>Andrew Vallance, Governance and Finance Manager</b> <a href="mailto:andrew.vallance@tamarcrossings.org.uk">andrew.vallance@tamarcrossings.org.uk</a> <b>Julia Harvey, Service Accountant</b> <a href="mailto:Julia.1.Harvey@cornwall.gov.uk">Julia.1.Harvey@cornwall.gov.uk</a>	
Approval and clearance obtained:		<b>Y / N</b>
Date next steps can be taken		<b>12<sup>th</sup> January 2024</b>
<b>For Cabinet and delegated executive decisions only</b>		
Key decision? (≥£500k in value or significant effect on communities in two or more electoral divisions)		<b>N</b>
Published in advance on Cabinet Work Programme?		<b>N</b>
Urgency Procedure(s) used if 'N' to Work Programme		<b>N</b>

**Recommendation(s) to the Councils of the Parent Authorities via the Cabinet of the Parent Authorities:**

1. That the 2024/25 revenue estimates and capital programme and the draft 2024/25 business plan, as set out in the appendices to this report, be approved; and
2. The longer-term forecast to 2027/28 is noted

## Executive Summary

- 1.1 This report sets out for consideration and approval, the proposed revenue estimates (budget) for the Joint Committee for 2024/25 and indicative figures for the subsequent three years 2025/26, 2026/27 and 2027/28, together with the proposed capital programme.
- 1.2 The forecast reserve position on 31 March 2024 is £1.677m. Indicatively, future years shows that the reserve position reduces to £1.490m by the end of 2024/25 however increases annual there after until by 2027/28 the reserve is forecast to be above £3.000m.

	2023/24	2024/25	2025/26	2026/27	2027/28
Reserve balance on 31st March	(£1.677m)	(£1.490m)	(£2.236m)	(£2.730m)	(£3.104m)

## Purpose of Report and key information

- 1.1 The Tamar Bridge and Torpoint Ferries (TBTF) 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.
- 1.2 In developing the budgets for 2024/25 to 2027/28 set out within appendix 1, the following inflationary and interest assumptions have been used:

Rates	2024/25	2025/26	2026/27	2027/28
Inflation CPI	3.30%	2.20%	1.50%	1.50%
Inflation RPI	4.20%	3.10%	2.40%	2.40%
Pay Inflation	3.00%	2.00%	2.00%	2.00%
Interest (Receivable)	1.00%	1.00%	1.00%	1.00%
Interest (Payable) existing borrowing	4.65%	4.65%	4.65%	4.65%

Interest (Payable) new borrowing	3.38%	3.38%	3.38%	3.38%
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- 1.3 The second interest rate payable line above reflects the new capital loans agreed. It should be noted that the rate will only be fixed when loans are taken out and future rates are subject to movement in the general market. Loans that predate April 2019 will continue to be calculated using Cornwall's consolidated rate of interest at the time the loan was entered into.
- 1.4 The proposed budget is set out in Appendix 1. The variations between the latest 2023/24 forecast and the proposed 2024/25 budget are listed on page 5 of Appendix 1. The 2025/26 to 2027/28 estimates are only indicative.
- 2.4.1 The **Corporate** revenue budget (which includes income and corporate expenditure headings) currently shows a favourable movement of £0.853m. The significant movements from the previous year are:
- Assumed approval of an increased in tolls of 15% by November 2024 and a very slight improved traffic flow assumption has increased the forecast income by £0.983m
  - A cyclical reduction in the volume of tags being purchased allowing reduction of budget by £0.039m.
  - A provision of £0.075m for further consultancy work on free flow tolling.
  - £0.050m has been included in the budget for expert advice on RPI and legislation change.
  - Bank charges has seen an increase of £0.013m arising from additional card processing changes related to the increase in the tolls.
- 2.4.2 The **Bridge's** revenue budget makes provision for the ongoing maintenance and operations of the bridge and its infrastructure in line with current engineering practices. The movement from the previous year shows an adverse movement of £0.232m. The main changes from the previous year are:
- Staffing including agency is showing an increase £0.094m due to forecast national pay awards and the impact on related budgets.
  - R&M Bridge and Infrastructure has increased by £0.158m, reflecting planned maintenance tasks for the year.
  - Bridge and gantry inspections has been reduced by £0.253m to reflect reduced cyclical requirements for 2024-25.

- Office expenses have been increased by £0.121m for inflationary increases and to include the cost of planned replacement of the virtual IT network and incremental improvement of the cyber security environment shared with the ferry cost centre.
- Toll cash handling and collection is showing an increase of £0.027m due to inflation rises.
- Operational expenses have increased by £0.039m due to inflationary increases and a provision of £0.025m for upgrades to CCTV traffic monitoring and security systems.

2.4.3 The **Ferry's** revenue budget makes provision for the ongoing maintenance and operation of the ferries and their associated infrastructure in line with current engineering practices. The movement from the previous year shows an increase in costs of £0.387m. Then main changes from the previous year are:

- Staffing including agency staff is showing an increase of £0.234m due to the forecast national pay award and associated increases to related budgets.
- Office expenses have been increased by £0.099m for inflationary increases and to include the cost of planned replacement of the virtual IT network and incremental improvement of the cyber security environment shared with the bridge cost centre.
- Marine oil has increased by £0.016m as provision for movement in market prices.
- The other budget lines have had inflationary increases applied.

2.4.4 The **Learning Centre** costs have increased by £0.087m, mainly due to an addition to the budget of £0.075m for the cyclical update and replacement of public displays.

2.4.5 MRP and Interest repayments have been increased by £0.818m to reflect the current capital programme and indicative future scheme expenditure for 2024/25 as detailed below.

1.5 The proposed Capital Programme is shown in Appendix 2. Officers have undertaken work to assess the current and future capital programme and the revised estimated costs for 2024/25 is £8.900m.

2.5.1 The details of this are as follows:

- Ferry Traffic Control Systems £1.100m moved from the current financial year
- Ferry Refit continues in 2024-25 at £1.800m
- Rocker/Pendle remedial works reduces to £0.200m
- Supplementary Cable Works £1.250m

- Ferry Gantry Tower Replacement £0.200m

2.5.2 Three additional schemes have also been added to the 2024/25 programme of work:

- £1.400m for Bridge Protective Coating Phase 3 with £0.700m spend forecast for 2024/25
- £3.000m for Ferry Decarbonisation with £0.150m spend expected in 2024/25
- £3.500m for Bridge Structural Fire Protection upgrade.

2.5.3 The content and purpose of the latter two schemes were detailed with the 8 December 2023 General Manager's report

2.6 **Reserves** – the reserve position on 31<sup>st</sup> March 2024 (Appendix 3) is forecasted to be £1.677m. The forecast for 2024/25 end of year reserve position is £1.490m however, from 2025/26 the reserve level is projected to improve year on year with an indicative level of £3.104m by 2027/28.

2.7 The joint Committee receives a quarterly update on its financial position to provide assurance that the finances of the undertaking are being managed appropriately and that any significant issues are highlighted, and necessary action is taken to address them. This quarter's update, presented to the 8 December 2023 meeting also provided for a fully revised budget position.

1.8 The Terms of Reference for the Undertaking requires that an Annual Business Plan accompanies the budgets for approval by Full Councils. The 2024/25 Draft Business Plan attached as Appendix 4, continues the approach of providing a single year plan to reflect the ongoing work on longer term strategies following receipt of reports following the consultant's review and the developing Tamar 2050 body of work.

### **Benefits for Customers/Residents**

1.9 Appropriate management of finances and budget monitoring ensures that appropriate resources is available for the operation, maintenance and improvement of crossing which form key elements of the local transport network which is essential to the sustainable economic and social development of the region for the benefit of residents.

### **Relevant Previous Decisions**

1.10 Approved budget for 2023/24 at Tamar Bridge and Torpoint Ferry Joint Committee of 2nd December 2022 (TBTF/20)

<https://democracy.cornwall.gov.uk/documents/s162951/Revenue%20Estimates%20and%20Capital%20Programme%20Report.pdf>

- 1.11 Approved budget for 2023/24 at Cornwall Council meeting of 21st February 2023 (CC/332)

<https://democracy.cornwall.gov.uk/documents/s165106/TBTF%202023%202024%20Revenue%20Estimates%20and%20Capital%20Programme.pdf>

- 1.12 On recommendation of the Cabinet meeting of 8 February 2023 (CAB/222)

<https://democracy.cornwall.gov.uk/documents/s164749/Tamar%20Bridge%20and%20Torpoint%20Ferry%20-%202023-2024%20Revenue%20Estimates%20and%20Capital%20Programme%20-%20Report.pdf>

- 1.13 Approved budget for 2023/24 at Plymouth City Council meeting of 30 January 2023

<https://democracy.plymouth.gov.uk/mgIssueHistoryHome.aspx?IId=103027>

- 1.14 On recommendation of Plymouth City Council Cabinet meeting of 17 January 2023

<https://democracy.plymouth.gov.uk/mgIssueHistoryHome.aspx?IId=103027>

## **Consultation and Engagement**

- 5.1 Not applicable

## **Financial Implications of the proposed course of action/decision**

- 6.1 Financial implications are detailed within Section 2 of this report. Whilst this report only seeks approval of the 2024/25 revenue budget and capital programme, the forecast over the 4 year period includes assumptions and best estimates at the time of preparation. The forecast assumes that tolls will increase from November 2024, which relies on central Government approval.
- 6.2 The global economy continues to experience changes in consumer patterns and inflation levels at rates not seen for three decades. The financial impacts on the Joint Undertaking of any further fluctuations will be closely monitored by officers. Joint Committee Members will be kept informed through the budget monitoring reports presented at the quarterly Joint Committees in relation to the 2024/25 budget.

## **Legal/Governance Implications of the proposed course of action/decision**

- 1.15 The Joint Committee is being asked to make recommendations to the Full Councils of both parent authorities via the Cabinets of both parent authorities. Cornwall Council's Cabinet will consider this at its meeting on 7 February 2024 and Cornwall Council's Full Council will consider this at its meeting on 20 February 2024. Plymouth City Council's

Cabinet will consider this at its meeting on 12 February 2024 and Plymouth City Council's Full Council will consider this at its meeting on 26 February 2024.

**Risk Implications of the proposed course of action/decision**

1.16 There are no implications associated with this report.

**Cornwall Development and Decision Wheel**

1.17 Not applicable

**Options available**

1.18 To approve the proposed revenue estimate for 2024/25, capital programme and draft business plan as set out in Appendices 1 – 4. This is the preferred option for the reasons set out in this report.

1.19 To not approve the proposed revenue budget for 2024/25, capital programme and draft business plan as set out in Appendices 1 – 4. This is not the preferred option as a revenue budget, capital programme and business plan must be set.

**Supporting Information (Appendices)**

1.20 Appendix 1: Revenue Estimates for 2024/25 through to 2027/28

1.21 Appendix 2: Capital Programme 2024/25 to 2027/28

1.22 Appendix 3: Statement of Estimated Reserves 2024/25 to 2027/28

1.23 Appendix 4: Annual Business Plan 2024/25

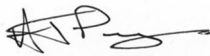
**Background Papers**

1.24 None

**Approval and clearance**

**All reports:**

Final report sign offs	This report has been cleared by (or mark not required if appropriate)	Date
Governance/Legal (Required for <b>all</b> reports)		

Finance (Required for <b>all</b> reports)		
Cornwall Development and Decision Wheel (where required)		
Service Director (Required for <b>all</b> reports)		
Strategic Director (If required)	Anthony Payne 	19.01.2024

### **Draft reports process checklist for Cabinet/individual decision reports:**

Complete the checklist below while you are drafting your Cabinet or individual decision report. It will be removed before publication.

<b>Process checklist</b>	<b>Completed</b>
Communications team informed	<b>Yes/No</b>
Portfolio Holder briefed	<b>Yes/No</b>
Strategic Director briefed	<b>Yes/No</b>
Service Director sign off	<b>Yes/No</b>
Data protection issues considered	<b>Yes/No</b>
If exempt information, public (part 1) report also drafted. (Cabinet/Scrutiny)	<b>Yes/No</b>
If not on Cabinet Work Programme, Scrutiny offered the opportunity to consider the report	<b>Yes/No</b>



## **Tamar Bridge and Torpoint Ferry Joint Committee**

# **2024-2025 Annual Business Plan**

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## Message from the Chairmen

This Annual Business Plan extends beyond the last approved the four-year Strategic Plan 2018-2022 agreed by the Committee in September 2017.

The Plan represents a continuation of an interim approach whilst the Parent Authorities, the Committee and management complete a review of the approach to business planning during the coming year. This work follows receipt of reports following an external review undertaken in early 2023.

The coming 12 months will, like most recent years be extremely busy and challenging. The organisation will make a further application to raise tolls, to compensate for the extreme inflationary pressures placed on limited reserves during 2022 and 2023 and the long term change in travel patterns which followed the Covid pandemic. The second of three refits will reduce service at Torpoint for a number of weeks in April and early May and there will be further impacts on service to complete work rebuilding the shoreside chain gantries associated with that ferry. Major works on the bridge's main cables and improving the structure's fire protection system later in the year will be technically challenging and great effort will be made to ensure that the impact on traffic flows will be minimised during refurbishment of toll booths. These projects reflect the Committee's continuing recognition of the need to ensure that the service provided by these essential and strategic crossings under its control remains robust and that programmes take a long view in maintaining the key assets.

During the course of the year the Committee and management will develop and refine the Tamar 2050 programme appended to this report and implement actions from that programme including developing and refining long term investments such as freeflow tolling and decarbonisation of the current generation of ferries.

This Plan demonstrates our ongoing commitment to delivering a safe, reliable and efficient service to our users and it is intended that this document will form the basis of management reports to Members during the course of the year.

A summary of progress made against the Plan will accompany the Annual Report published in draft form in June 2024.

Councillor Martin Worth  
Joint Chairman  
Cornwall Council

Councillor Neil Hendy  
Joint Chairman  
Plymouth City Council

# The Context for the Annual Business Plan

## Long Term Strategy

Plans for the longer term sustain the organisation's mission to provide safe, reliable and efficient crossings of the River Tamar. These plans are influenced by the Local Transport Plans of the Joint Authorities.

The physical and financial resources must continue to be available for major tasks such as resurfacing and repainting the Bridge and undertaking refits of the Ferries. Maintenance cycles may span consecutive Business Plan cycles, therefore while the medium-term financial plan spans four years, potential maintenance requirements beyond that period must also be considered within the organisation's general business plans.

The undertaking must maintain a clear strategy for the future to accommodate changes in traffic demand, user expectations, legislation and other factors that may stimulate changes in the way the undertaking operates and may require improvements to facilities. Therefore, potential change beyond the four year period of the medium-term financial plan must also be considered.

## Continuity with the previous Strategic Framework

The Strategic Plan that expired in March 2022 contained a number of broad goals for the four-year period April 2018 to March 2022. Those goals remain relevant and are recorded below, with the continuing work to progress each goal. This approach is considered to be the most effective during a period when the organisation is developing new strategic approaches through a strategic sub-group of Committee Members and the Tamar 2050 programme.

Specific actions to achieve the desired outcomes are provided in KPI tables later in the document. These tables will allow Members, users and other stakeholders to monitor the performance of the service.

### Strategic Goal: Meeting Customer Expectations

- Achieve or exceed service delivery KPIs
- providing more payment options for TamarTag customers
- providing a greater range of communication routes online
- undertaking major projects to ensure Bridge and Ferries are maintained to appropriate standards
- proactively communicate with customers
- expand scope and improve detail of traffic data

### Strategic Goal: Fiscally Sustainable

- ensure that income can fund forecast expenditure
- act on external reviews of operational efficiency
- routinely report progress and update financial positions
- improve management of toll debtors
- pursue the ability to index-link tolls

## **Strategic Goal: Transparent Governance and Clear Decision Making Processes**

- consider alternative organisational models within risk and business efficiency consultancies.
- adopt a revised approach to long term planning and business planning
- publish additional information and raise awareness of public meetings
- work towards a schedule of Committee meeting in Cornwall
- consider ways in which the crossings might assist the Parent Authorities in addressing the Climate Emergency
- review legislation and governance

## **Strategic Goal: A Modern, Diverse and Well Trained Workforce**

- act on workforce feedback and progress any recommendations from external review
- consider ways to mitigate recruitment issues in key specialist posts

## **Strategic Goal: Quality and Appropriate Standards**

- improve pedestrian safety
- demonstrate our safety culture
- provide assurance about our approach to the environment
- maintain appropriate regulatory standards
- reduce environmental impact and ensure energy use is moderated

# **Actions Plan for 2024-25**

The following detailed actions to meet the 2024-25 goals incorporate elements of the Tamar 2050 programme:

## **Meeting Customer Expectations**

<b>ACTION</b>	<b>Timeframe</b>	<b>RELATIONSHIP TO PROGRESSING STRATEGIC GOALS</b>
Provide more flexible Direct Debit scheme for TamarTag customers	Late 2024	Providing more payment options for cash and TamarTag customers
Provide online applications for new Tamar Tag customers	April 2024	Providing more payment options for Tamar Tag customers
Develop a new communications and engagement plan to encompass the range of users and ensure key stakeholders have a voice and opportunity be involved with the crossing	April 2024	Proactively communicate with customers
Expand the proactive customer engagement policy through the establishment of a resident/haulier focus group	By end of 2024	Proactively communicate with customers

Complete review of initial study assessing the potential benefits of free flow tolling on the bridge in improving capacity and journey time	May 2024	Achieve or exceed service delivery KPIs and provide more payment options for TamarTag (and other) customers
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## Fiscally Sustainable

<b>ACTION</b>	<b>Timeframe</b>	<b>RELATIONSHIP TO PROGRESSING STRATEGIC GOALS</b>
Apply for an order to revise charges, participate in process and implement change if approved	April 2024 through to November 2024	Ensure that the crossings remain financially sustainable.
Implement actions within a marketing plan anticipated in Spring 2024 as part of the Tamar 2050 programme	Through financial year 2024-2025	Ensure that the crossings remain financially sustainable.
Provide budget monitoring reports to Committee with updates to long-term model	Quarterly	Routinely report progress and update financial positions
Progress efficiency opportunities identified by March 2024	Through financial year 2024-2025	Ensure that the crossings remain financially sustainable.
Determine and progress the preferred route to enable index-linking of tolls	Ongoing	Reduce income risk
Progress recommendations from 2023 efficiency review of the undertaking	Through financial year	Assurance that best practice is being deployed to ensure that crossings represent value for money

## Transparent Governance and Clear Decision Making Processes

<b>ACTION</b>	<b>Timeframe</b>	<b>RELATIONSHIP TO PROGRESSING STRATEGIC GOALS</b>
Expand independent publication of information	Ongoing	Publish additional information and raise awareness of public meetings
Undertake review of governance arrangements and consider new frameworks to improve organisational efficiency	By end of 2024	Effective and transparent corporate oversight and challenge

opportunities for water crossings or wider transport integration and sustainability, together with other bodies.	Ongoing	consider ways in which the crossings might assist the Parent Authorities in addressing the Climate Emergency
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## A Modern, Diverse and Well Trained Workforce

<b>ACTION</b>	<b>Timeframe</b>	<b>RELATIONSHIP TO PROGRESSING STRATEGIC GOALS</b>
Further embed and develop apprenticeship schemes.	Ongoing	mitigate recruitment issues in key specialist posts and improve age diversity within the organisation
Work towards a greater gender balance in the organisation through involvement in Women Into STEM events and with other employers at fairs and event to raise the understanding of careers in engineering.	Ongoing	Continue the actions detailed in Gender Pay Gap Reports and mitigate recruitment issues in key specialist posts
Address any organisation issues raised in external reviews	Through financial year	review legislation and governance
Support flexible retirement to allow individuals to make different choices about retirement and support flexible working generally.	Ongoing	mitigate recruitment issues in key specialist posts and improve diversity within the organisation
Continue to develop both individuals and teams with training opportunities appropriate to the job.	Ongoing	mitigate recruitment issues in key specialist posts and demonstrate our safety culture

## Quality and Appropriate Standards

<b>ACTION</b>	<b>Timeframe</b>	<b>RELATIONSHIP TO PROGRESSING STRATEGIC GOALS</b>
Upgrade traffic control systems at Torpoint and Devonport	2024	Improve pedestrian safety
Progress designs to convert power generation on one ferry from diesel to battery	Complete design work by March 2025	Provide assurance about our approach to the environment

Complete certification for Occupational Health and Safety Management to ISO 45001 Standard	Summer 2024	Demonstrate our safety culture
Complete certification process for Environmental Management System to ISO14001 Standard	Autumn 2024	Provide assurance about our approach to the environment
Continue technical inspection programme at Tamar Bridge	Ongoing	Maintaining appropriate regulatory standards
Maintain ferries to classification society standards	Ongoing	Maintaining appropriate regulatory standards

## Budget Context

The approved budgets for 2023-2024 are reported below.

Estimated income figures assume that traffic will be affected by major works at the bridge during the year and there is no growth in traffic volumes at Torpoint Ferry.

### Forecast Income

£s

Toll Revenue (Bridge)	15,527,000
Toll Revenue (Ferry)	1,774,000
Tag Related Fees	460,000
Income from Agency Charges	553,000
Rents & Miscellaneous Income	216,000
Grant Income	0
Investment Income and Interest	5,000

TOTAL FORECAST REVENUE

18,535,000

### Forecast Expenditure

Bridge Operations & Maintenance	5,482,000
Ferry Operations & Maintenance	6,912,000
Learning Centre	229,000
Corporate Expenses	812,000
Interest Payments (cost of capital funding)	1,698,000
Repayment of Capital (Revenue Provision)	3,589,000

TOTAL FORECAST EXPENDITURE

18,722,000

### Forecast Deficit for Year

**£187,000**

*Forecast toll income assumes toll revision from 1 November 2023. Authority for the increase must be given by the Secretary of State for Transport.*

### Reserves



The forecast deficit will mean that the reserve maintained as contingency will reduce from a forecast £1,677,000 at 31 March 2024 to a forecast £1,490,000 at the end of March 2025

## **Capital Works**

The borrowing required to fund capital works during the year is anticipated to be £8,900,000.

# Performance Targets

In addition to the quarterly reports on progress made to the Joint Committee, progress against the measures below will be published on our website.

**Table 1 Safe Services**

Description	KPI	Target	Why this is important?
Number of accidents involving members of the public	Number of reportable incidents and accidents involving the public at both crossings	Zero and maintain	Public safety is an integral part of our business
Reportable incidents and minor accidents involving employees	Number of reportable incidents and accidents involving employees at both crossings	Reduce to zero and maintain zero incidents and accidents.	Staff safety is an integral part of our business.  Need to mitigate risk to the lowest practicable level to avoid further accidents.
Lost time – employees	Days lost due to accidents	Less than 20 days	Provides a measure of the safety of the work environment.  Reduces costs associated with absence or reduced capability following accidents.

**Table 2 Reliable Services**

Description	KPI	Target	Why this is important?
Bridge traffic lane availability	Peak time lane availability	>99.5%	Measures success of traffic management and reliability of infrastructure. Ensuring that lanes are open is key to ensuring that journeys are predictable and reduces the risk of accidents.
	Total lane availability	>98.5%	
Bridge toll booth availability	% of scheduled booth hours achieved	>99%	In addition to helping to ensure that journey times are predictable, the measure assists assessment of the performance of the contractor
Ferry scheduled crossings availability	Peak Time scheduled crossings achieved	To be confirmed	Measures success of vessel management and reliability of infrastructure. Predictable service is essential for customers to plan the best mode of transport.
	Off-Peak scheduled crossings achieved	>99%	
Ferry waiting/journey times	Average journey time from entry of waiting area to exit off ferry	To be confirmed (system extension pending)	Measures success of vessel management and reliability of infrastructure. Predictable journey times are essential for customers to plan the best mode of transport.
	Peak journey time from entry of waiting area to exit off ferry		
Bridge journey times	Average journey time between A38 Carkeel & St Budeaux junctions	< 5mins 45 sec	Measures success of traffic management and reliability of infrastructure.  Predictable journey times are essential for customers to plan the best mode of transport.
	Peak average journey time between A38 Carkeel & St Budeaux junctions	< 6 mins	

**Table 3 Effective and Efficient Services**

Description	KPI	Target	Why this is important?
Expenditure	Variance against budgets	Monthly review within 10% of profiled spend	Cost control, financial management, efficiency.
Tag Usage	Overall usage Peak usage	≈60% ≈80%	Maintains plaza capacity.
Complaints	Response time	95% of complaints responded to within 10 working days.	Those making complaints remain aware that their comments are valued and investigations are prioritised.
Payment within 30 days of invoice date	% of invoices are paid within 30 days	>95%	Payment within terms assists the relationship with suppliers and improves validity of financial monitoring process
Staff sickness absence	Days absence per employee per annum	Average of <9 days	Reflects a healthy workforce and sound HR practices.
Energy recovered waste incineration	non-hazardous waste to be diverted from landfill for energy recovery	60% diversion	Reduction of waste improves efficiency and demonstrates our concern for the wider community
Recycled waste	non-hazardous waste diverted from landfill to be recycled	40% diversion	

## Monitoring Indicators

In addition to the key indicators that measure the organisation's own performance, other indicators can provide information on aspects of service delivery which can by varying degrees be outside the control of the organisation.

The organisation also reports and monitors measurements widely used in the public sector and which are appropriate to report for reasons of transparency.

The indicators shown in the table below will be monitored.

Annual reviews will report the actions that will be taken in the course of the year that are likely to impact on these areas.

Description	Monitor Indicators	Why this is important to service users	Why a target is not appropriate or measure is partly or wholly outside our control
Complaints – Number received	Number	As an indicator of customer satisfaction	We wish to expand the ways in which users can communicate issues and encourage feedback. Any target works against this aim
Road Traffic Collisions (RTCs) occurring within Joint Committee controlled highway.	No of RTCs within Tamar Bridge/Saltash Tunnel tidal flow system.  No of RTCs within Torpoint Ferry traffic control area.	We must provide a safe environment to users and our staff.  RTCs impact on service delivery, frequently requiring at least partial closure of access to or from vessels and roadways.	Many RTCs are due largely to driver error.
Incidents of recorded anti-social behaviour on Joint Committee property.	Reported incidents at each crossing	Users expect a safe and secure environment	Threatening, anti-social or illegal behaviour is the responsibility of the those performing the act(s).

## Tamar 2050 – A programme of Transformation and Modernisation

	Project/ Commitment	Overview	Timeframe
1.	A transformed and efficient operation	<p>There have been significant efficiencies delivered to date. However, we won't stop reviewing further opportunities that could continue to minimise the cost of the operation of the crossings. Transformational efficiency programmes have been delivered across both Parent Authorities and it is expected that there could be some replication/support of these to the Crossings.</p> <p>We will commit to reviewing how the crossings function, including the Governance and Acts under which the crossings operate, with a view of looking at the best fit for service delivery both at a local and national level in the future.</p>	Identify opportunities by March 24
2.	Optimising Income	Our crossings are an incredible and iconic asset and investment in the ancillary buildings mean that we have exceptional commercial space with which to advertise and host events. We will put a marketing plan together to explore and maximise all of these potential opportunities over the coming years.	Identify opportunities by March 24
3.	Growing and investing in local talent and celebrating Science, Technology, Engineering, Mathematics and Medicine (STEMM)	The crossings are a major local employer, providing crucial services to the local community and region. We will commit to continuing to provide apprenticeships for local people, expand our innovative programmes and ensure that we build on our women in STEMM events. Growing local talent is important to the community and the economy of the region.	2024 >
4.	Technology to improve effective toll operation	Introducing contactless payments in 2020 at the Bridge and 2023 at the Ferry was an important step forward in improving efficiencies of the toll operation. We will now commit to investigate whether 'card only' booths could operate with the appropriate forward signage and without the need for manual intervention.	Decision 2024
5.	Political, Business and Local engagement – improving our connections with stakeholders.	We will commit to producing a new communications and engagement plan to encompass the range of users and ensure key stakeholders have a voice and opportunity be involved with the crossing We will commit to a resident/hauler focus group and engage with our local MPs to ensure that we have a voice nationally.	March 2024

6.	Keeping toll prices low and providing Toll price certainty	<p>RPI is the key to smoothing the price rises out and providing a degree of certainty for regular users of the crossing. Price rises don't have to happen every year and we will be open and transparent about needs of the crossings to operate that will in turn be important for individual and business planning.</p> <p>We will commit to continue our liaison with Government regarding the crossings and seek financial support regarding our investment strategy.</p> <p>Tolling is currently the only means to finance the crossings and our 'user pays' policy, will be focused to ensure the crossings remain one of the cheapest tolled crossings in the country.</p>	2024 - 2050
7.	Free-flow tolling	We are committed to investigating the opportunity introduce free flow tolling on the bridge, that will hopefully bring capacity and journey time improvements. This investment will hopefully take the crossing to a new level for ease of use and future proof operations for a new era of travel.	March 2024
8.	Carbon neutral ferry operations	Decarbonisation is a policy of both parent authorities and is very much in their interest as a means of helping to address the Climate Emergency we face. We will commit to seek external opportunities for funding streams and review our new ferry procurement programme to progress options.	2030
9.	Improved Tamar connectivity and access – the bigger picture	The Tamar River - a wonderful environment, habitat for wildlife is the crossings play a key role in the newly formed Tamar Valley National Landscape, Mount Edgcumbe House & Country Park and the Plymouth Sound National Marine Park providing links and gateways regarding development and economic integration. We are fortunate to have such an asset and will commit to see if there are more opportunities for water crossings or wider transport integration and sustainability Recognising the stunning tourist opportunity of the Tamar but more importantly the critical travel to work and health role they play for our SE Cornwall and Plymouth communities. In addition, the Crossings need to be central to discussions about improving our connectivity, particularly the GWR, bus and ferry links.	2024 - 2030

**Revenue Budget 2024/25  
and Indicative Projections for 2025/26 to 2027/28**

<i>Overall Summary</i>	<i>Page 1</i>
<i>Corporate Estimates</i>	<i>Page 2</i>
<i>Bridge Operation Estimates</i>	<i>Page 3</i>
<i>Ferry Operation Estimates</i>	<i>Page 4</i>
<i>Analysis of Variations</i>	<i>Page 5</i>



TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE							
		2023/24	2023/24	2024/25	2025/26	2026/27	2027/28
OVERALL SUMMARY		Original Budget	Revised Forecast	Budget	Indicative	Indicative	Indicative
		£'000	£' 000	£' 000	£' 000	£' 000	£' 000
	<b>Operational Summary</b>						
	Income	(17,062)	(17,555)	(18,530)	(20,014)	(20,029)	(20,056)
	Expenditure						
	Corporate	565	690	812	761	774	792
	Bridge Operations	5,431	5,250	5,482	5,352	5,469	5,557
	Ferry Operations	6,556	6,525	6,912	7,053	7,216	7,384
	Learning Centre	135	142	229	235	164	167
		12,687	12,607	13,435	13,401	13,623	13,900
	<b>Operating (Surplus)/Deficit</b>	(4,375)	(4,948)	(5,095)	(6,613)	(6,406)	(6,156)
	<b>Contribution to CC MRP</b>	3,124	2,970	3,589	4,016	4,032	4,060
	<b>Interest on CC Financing</b>	1,673	1,499	1,698	1,851	1,880	1,722
	<b>Interest on Joint Committee balances</b>	0	(10)	(5)	0	0	0
	<b>Capital Expenditure financed from Revenue</b>	0	0	0	0	0	0
	<b>Overall (Surplus)/Deficit on Undertaking</b>	422	(489)	187	(746)	(494)	(374)
	<b>Reserve Balance brought forward</b>	(615)	(1,188)	(1,677)	(1,490)	(2,236)	(2,730)
	<b>Reserve Balance carried forward</b>	(193)	(1,677)	(1,490)	(2,236)	(2,730)	(3,104)

TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE								
			2023/24	2023/24	2024/25	2025/26	2026/27	2027/28
CORPORATE			Budget	Revised Forecast	Budget	Indicative	Indicative	Indicative
			£' 000	£' 000	£' 000	£' 000	£' 000	£' 000
INCOME								
	Tolls							
		Toll income - Bridge	(8,005)	(8,105)	(8,567)	(9,321)	(9,321)	(9,321)
		Toll income - Ferry	(1,063)	(888)	(937)	(1,021)	(1,021)	(1,021)
		Concessionary toll income - Bridge	(6,206)	(6,538)	(6,960)	(7,519)	(7,519)	(7,519)
		Concessionary toll income - Ferry	(772)	(787)	(837)	(905)	(905)	(905)
			(16,046)	(16,318)	(17,301)	(18,766)	(18,766)	(18,766)
	Other							
		Tag Account Fee	(460)	(460)	(460)	(460)	(460)	(471)
		Saltash Tunnel control	(446)	(531)	(553)	(570)	(584)	(598)
		Tag statements	0	(16)	0	0	0	0
		Grant Income	0	0	0	0	0	0
		Other Income	(110)	(230)	(216)	(218)	(219)	(221)
			(1,016)	(1,237)	(1,229)	(1,248)	(1,263)	(1,290)
TOTAL INCOME			(17,062)	(17,555)	(18,530)	(20,014)	(20,029)	(20,056)
EXPENDITURE								
	Other Expenditure							
		Support services	50	85	103	109	114	120
		Purchase of tags	211	341	302	309	313	321
		Bank charges	242	132	145	174	174	174
		Internal Audit fees	11	11	12	12	12	12
		External Audit fees	1	1	1	1	1	1
		Consultants	50	120	249	156	160	164
		Cost of Toll Review	0	0	0	0	0	0
TOTAL EXPENDITURE			565	690	812	761	774	792

TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE							
			<b>2023/24</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
			<b>Budget</b>	<b>Revised Forecast</b>	<b>Budget</b>	<b>Indicative</b>	<b>Indicative</b>
			<b>£' 000</b>	<b>£' 000</b>	<b>£' 000</b>	<b>£' 000</b>	<b>£' 000</b>
		<b>Employees</b>					
		Salaries and wages	1,471	1,530	<b>1,621</b>	1,668	1,700
		Agency staff	33	33	<b>35</b>	37	38
		Indirect employee expenses	22	24	<b>25</b>	26	26
		<b>Premises</b>					
		Repair and maintenance - buildings & grounds	65	65	<b>78</b>	82	83
		Repair and maintenance - bridge & infrastructure	767	767	<b>925</b>	745	764
		Bridge & gantry inspections	561	561	<b>308</b>	314	322
		Energy costs, water, rent and rates	508	261	<b>279</b>	297	316
		Insurances	41	41	<b>44</b>	46	47
		Other premises costs	11	11	<b>11</b>	11	12
		<b>Transport Related Expenses</b>					
		Staff travel	20	19	<b>22</b>	21	21
		<b>Supplies &amp; Services</b>					
		Operational expenses	439	439	<b>478</b>	468	478
		Office expenses	409	415	<b>536</b>	493	500
		Toll collection & banking	818	818	<b>845</b>	864	877
		Breakdown recovery	242	242	<b>250</b>	255	259
		Other expenses	14	14	<b>15</b>	15	15
		<b>Support service charges</b>	10	10	<b>10</b>	10	11
		<b>Net Expenditure - Bridge Operations</b>	<b>5,431</b>	<b>5,250</b>	<b>5,482</b>	<b>5,352</b>	<b>5,469</b>

TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE							
		2023/24	2023/24	2024/25	2025/26	2026/27	2027/28
FERRY OPERATIONS		Budget	Revised Forecast	Budget	Indicative	Indicative	Indicative
		£' 000	£' 000	£' 000	£' 000	£' 000	£' 000
<b>Employees</b>							
	Salaries and wages	4,084	4,133	<b>4,364</b>	4,495	4,597	4,701
	Agency staff	40	40	<b>42</b>	44	44	45
	Indirect employee expenses	71	71	<b>72</b>	74	75	76
<b>Premises</b>							
	Repair and maintenance - buildings & grounds	39	39	<b>40</b>	41	42	43
	Energy costs, water, rent and rates	162	154	<b>160</b>	169	178	188
	Other premises costs	97	88	<b>91</b>	93	94	96
<b>Transport Related Expenses</b>							
	Staff travel	37	37	<b>41</b>	41	41	42
<b>Supplies &amp; Services</b>							
	Repair & maintenance - ferries & infrastructure	768	793	<b>795</b>	812	824	837
	Annual refit - ferries	0	0	<b>0</b>	0	0	0
	Fuel costs (Marine Gas Oil)	419	319	<b>335</b>	351	369	387
	Insurances	171	192	<b>203</b>	212	219	225
	Operational expenses	255	255	<b>253</b>	259	263	267
	Office expenses	361	361	<b>460</b>	415	422	428
	Other expenses	33	24	<b>35</b>	26	26	27
<b>Support service charges</b>		19	19	<b>21</b>	21	22	22
<b>Net Expenditure - Ferry Operations</b>		<b>6,556</b>	<b>6,525</b>	<b>6,912</b>	<b>7,053</b>	<b>7,216</b>	<b>7,384</b>

<b>Variations between the Revised 2023/24 and 2024/25 Original Estimates</b>			
The variation of £0.676m between the revised budgeted cost for 2023/24 and the original budgeted cost for 2024/25 is accounted for as follows:			
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Income</b>			
Toll income - cash, assumes toll increase implemented November '24	(511)		
Concessionary income - assumes toll increase implemented November '24	(472)		
DFT Saltash Tunnel	(22)		
Other income - reduced rent from wayleaves	14		
Tag Statements	16		
		(975)	
<b>Corporate</b>			
Support Services inflationary increase and legal support for TRO	18		
Purchase of Tamar Tags and Accessories	(39)		
Bank Charges due to increases in card payments	13		
External Audit	1		
Consultants management - including feasibility study	129		
		122	
<b>Bridge</b>			
Employees costs reflecting increase for pay awards, increments NI and Superann	94		
R&M building and grounds	13		
R&M Bridge and Infrastructure	158		
Bridge & Gantry Inspections budget reviewed and revised for 24/25	(253)		
Energy costs, water, rent and rates - inflationary increases	18		
Insurance small inflationary increase	3		
Staff Travel	3		
Office Expenses - inflationary increases including replacement of virtual environment critical network	121		
Breakdown recovery - inflationary increase	8		
Toll Cash Handling - contract inflationary increase and new contract	27		
Operational Expenses - inflationary increases and CCTV upgrades	39		
Other Expenses	1		
		232	
<b>Ferry</b>			
Employees costs reflecting increase for pay awards, increments NI and Superann	234		
Repairs and maintenance - grounds maintenance	1		
Energy costs, water, rent and rates -inflationary increase	6		
Other premises costs, small inflationary increase	3		
Staff Travel	4		
R&M Ferries and Infrastructure	2		
Marine Oil	16		

Insurance small inflationary increase	11		
Support Services	2		
Other Expenses	11		
Operational Expenses	(2)		
Office Expenses - inflationary increases including replacement of virtual environment critical network	99		
		387	
<b>Other</b>			
Learning Centre - inflationary increases plus provision to replace and update public displays	87		
MRP and Interest revisions to reflect new capital programme	818		
Interest on balances	5		
		910	
			<b>676</b>

## TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE

## Capital Programme 2024/25 to 2027/28

TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE								
	<b>Actual</b>	<b>Estimated</b>	<b>Estimated</b>	<b>Estimated</b>	<b>Estimated</b>	<b>Estimated</b>	<b>Estimated</b>	<b>Estimated</b>
	<b>Payments</b>	<b>Payments</b>	<b>Payments</b>	<b>Payments</b>	<b>Payments</b>	<b>Payments</b>	<b>Payments</b>	<b>Final Cost</b>
<b>CAPITAL PROGRAMME</b>	<b>to 2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>		<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>		<b>£'000</b>
<b>Current Programme</b>								
Bridge Access Improvement Works Phase 4	107	250	0	0	0	0		<b>357</b>
Main cable remedial works	167	1,833	0	0	0	0		<b>2,000</b>
Bridge LED lighting	102	125	0	0	0	0		<b>227</b>
Ferry Traffic Control Systems	0	0	1,100	0	0	0		<b>1,100</b>
Ferry Refitting 23-26	397	1,870	1,800	1,800	0	0		<b>5,867</b>
Bridge Resurfacing Works - Phase 2	17	203	0	0	0	0		<b>220</b>
Rocker Pandal remedial works	19	200	200	0	0	0		<b>419</b>
Supplementary Cable Works	106	250	1,250	0	0	0		<b>1,606</b>
Ferry Gantry Tower Replacement	87	400	200	200	0	0		<b>887</b>
<b>Future Programme (Not approved)</b>								

Torpoint office and workshop refurbishment	0		300	0	0	0	0		<b>300</b>
Bridge Protective Coating Phase 3	0		0	700	700	0	0		<b>1,400</b>
Toll Booth replacement	0		400	0	0	0	0		<b>400</b>
Ferry Decarbonisation	0		0	150	2,850	0	0		<b>3,000</b>
Bridge Structural Fire Protection upgrade	0		0	3,500	0	0	0		<b>3,500</b>
<b>TOTAL CAPITAL PROGRAMME</b>	<b>1,002</b>		<b>5,831</b>	<b>8,900</b>	<b>5,550</b>	<b>0</b>	<b>0</b>		<b>21,283</b>
<b>FINANCING</b>									
Prudential Borrowing	1,002		5,831	8,900	5,550	0	0		<b>21,283</b>
Capital Receipts	0		0	0	0	0	0		<b>0</b>
Revenue Financing	0		0	0	0	0	0		<b>0</b>
<b>TOTAL FINANCING</b>	<b>1,002</b>		<b>5,831</b>	<b>8,900</b>	<b>5,550</b>	<b>0</b>	<b>0</b>		<b>21,283</b>



## TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE

Statement of Estimated Reserves  
for 2024/2025 to 2027/2028

TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE							
		<b>2023/24</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
<b>RESERVES AND PROVISIONS</b>		<b>Original Budget</b>	<b>Revised Forecast</b>	<b>Budget</b>	<b>Indicative</b>	<b>Indicative</b>	<b>Indicative</b>
		<b>£'000</b>	<b>£' 000</b>	<b>£' 000</b>	<b>£' 000</b>	<b>£' 000</b>	<b>£' 000</b>
	Balance brought forward	(615)	(1,188)	<b>(1,677)</b>	(1,490)	(2,236)	(2,730)
	Net movement for year	422	(489)	<b>187</b>	(746)	(494)	(374)
	<b>Balance Carried Forward</b>	<b>(193)</b>	<b>(1,677)</b>	<b>(1,490)</b>	<b>(2,236)</b>	<b>(2,730)</b>	<b>(3,104)</b>

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**Appendix F**

**TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE - FRIDAY,  
12 JANUARY 2024  
ACTION SHEET**

Officers are requested to take the necessary action indicated against their names.

Contact: Richard Orpwood, Democratic Officer, 01872 322222 01872 322222

<b>Agenda No</b>	<b>Item</b>	<b>Action</b>	<b>Officer</b>
1.	Declarations of interest	There were no declarations of interest.	<b>R Orpwood</b>
2.	Public Questions	Two questions were received from members of the public and responses provided at the meeting.	<b>R Orpwood</b>
3.	Internal Audit Exception Report	<p>It was proposed by Councillor Toms, seconded by Councillor Worth and</p> <p><b>RESOLVED</b> that</p> <ol style="list-style-type: none"> <li>1. The Joint Committee notes the outcome of the internal audit review on Tamar Bridge &amp; Torpoint Ferry – Operations and takes assurance from senior management representation on the actions being taken to improve the control and risk environment.</li> <li>2. The Joint Committee requests a further update on the progress of the implementation of agreed management actions to be provided at the latest to the June 2024 Committee</li> </ol>	<p><b>D List</b>  <b>A Vallance</b>  <b>J Carne</b>  <b>C Sturgess</b></p>

		meeting, and if possible by the March 2024 meeting.	
4.	2024/25 Revenue Budget and Capital Programme	<p>It was proposed by Councillor Worth, seconded by Councillor Tivnan and</p> <p><b>RESOLVED</b> that</p> <ol style="list-style-type: none"><li>1. The 2024/25 revenue budget and capital programme and the draft 2024/25 business plan, as set out in Appendices 1-4 to this report, be approved; and</li><li>2. The longer-term forecast to 2027/28 is noted.</li></ol>	<p><b>D List</b> <b>A Vallance</b> <b>G Baker</b></p>

# City Council



Date of meeting: 08 March 2024  
Title of Report: **Revenue and Capital Budget 2024/25**  
Lead Member: Councillor Tudor Evans OBE (Leader)  
Lead Strategic Director: David Northey (Service Director for Finance)  
Author: David Northey  
Contact Email: David.northey@plymouth.gov.uk  
Your Reference: Fin/Bud/2024/25  
Key Decision: No  
Confidentiality: Part I - Official

## Purpose of Report

Under the Council's Constitution, the Council is required to set a balanced Revenue and Capital Budget and set the Council Tax for each financial year. This report:

- Provides the context for budget setting, both in terms of the Council's strategic objectives for the city and the local government landscape nationally
- Sets out the Service Director for Finance's (Section 151 Officer) budget robustness statement as required by law
- Summarises financial risks, including the implications of a possible Exceptional Financial Support direction from the Department for Levelling Up, Housing and Communities (DLUHC)
- Sets out revenue budget planning assumptions in respect of income, approved savings plans and resource requirements for 2024/25
- Sets out the Capital budget, Capital financing strategy and the treasury management strategy for 2024/25
- Seeks approval of Council Tax levels for 2024/25, including an Adult Social Care Precept

## Recommendations and Reasons

The City Council is recommended:

1. Note that, following the request for a Capitalisation Direction, referred to as Exceptional Financial Support and receipt of an "In Principle" letter from DLUHC, the budget as proposed can be approved.
2. To approve the proposed net revenue budget requirement for 2024/25 of £241.622m
3. To approve Council Tax levels for 2024/25, including an Adult Social Care Precept as detailed at Appendix I;
4. To note the specific savings proposals as set out in Appendix 4.

5. To note the Capital Budget of £398.200m for 2023/24 to 2027/28. as detailed in section 3 of the report
6. To note that the precept to the Council issued by the Police and Crime Commissioner for Devon, Cornwall and the Isles of Scilly in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area, has been confirmed
7. To note that the Devon and Somerset Fire and Rescue Authority precepts have been confirmed for 2024/25
8. To note the Section 151 Officer's statement on the Budget as set out in this report;
9. To approve the annual Treasury Management Strategy and Capital Financing Strategy 2024/25 (incorporating the authorised limits, operational boundaries and prudential indicators) as detailed in Appendix 11 and 12;
10. To approve a net adjustment of £0.4m to the Minimum Revenue Provision (MRP), as an amendment to the Capital Financing Strategy, and as set out in this report within the Treasury Management Strategy and detailed under the Annual Minimum Revenue Provision Statement section
11. To approve the use of flexible capital receipts to fund revenue costs for transformation project, as set out in paragraph 4.8.
12. To delegate responsibility for any technical accounting changes which may arise after the Budget to the Section 151 Officer in consultation with the Portfolio Holder for Finance.

*Reason: setting a balanced budget is a statutory requirement. The obligation to make a lawful budget each year is shared equally by each individual Member, discharged through Council. Options for achieving a balanced budget have been considered in the preparation of the proposed budget set out in this report.*

#### **Alternative options considered and rejected**

1. Not to bring forward proposals in respect of the 2024/25 Budget – rejected on the basis that the Council must agree a balanced budget before the start of the next Financial Year.
2. Setting a balanced budget is a statutory requirement. Options for achieving this have been considered in the preparation of the Budget proposals set out in this report. An alternative option to freeze or not implement the maximum Council Tax increase or to not implement all or any of the Adult Social Care precept would leave a large budget gap to be closed. Options for closing would then require a drawdown of limited reserves, or further savings targets and possible cuts to services.
3. To present an alternative budget based on no indication from DLUHC regarding the requested Capitalisation Direction. This is not required following receipt of the "In-principle" letter.

#### **Relevance to the Corporate Plan and/or the Plymouth Plan**

The development and approval of the annual budget and the Medium Term Financial Plan (MTFP) is fundamentally linked to delivering the priorities within the Council's Corporate Plan.

#### **Implications for the Medium Term Financial Plan and Resource Implications:**

The implications of the 2024/25 budget will feed into the revised 5 year Medium Term Financial Plan that will be presented to Full Council in September 2024.

## Financial Risks

The Council is a complex service organisation with a gross revenue expenditure budget exceeding £500m. In preparing this budget it was essential that careful consideration was given to all factors to ensure they are, once approved both robust and deliverable within the overall budget allocations that are available. Together with the continuing legacy financial impact of Covid-19, the main risk to the Council's budget is the major impact of the current cost of living pressures and the associated rate of inflation. The scale of the financial challenges facing the Council is very clear.

There are continuing demand pressures in both adults' and children's social care. We are seeing no reduction in demand or cost pressures in both homelessness and bed and breakfast accommodation or in delivering our statutory responsibility to provide home to school transport for our most vulnerable children. We must also consider the impact of the 2023/24 forecast overspend. Additional allocations have been made in this budget but remain a risk, given the Council's comparatively low levels of financial reserves. Each savings proposal carries its own risks, but the additional savings are minimal with mitigations in place. These will be closely monitored during the financial year.

The 2024/25 Budget as set out cannot balance without the Capitalisation Direction, known as Exceptional Financial Support, requested from DLUHC. The receipt of an "In Principle" letter has provided assurance to the Section 151 Officer that this budget can proceed, but there remains a risk if the Capitalisation Direction is not received.

The Capital Programme is subject to a full analysis and prioritisation to ensure its affordability within the financial envelope available. Council is recommended to note the programme as it currently stands, and note that a revised capital programme will be presented to a future Full Council for approval.

This report includes the Council's Section 151 Officer's statement giving their view as to the robustness of the proposed budget.

## Carbon Footprint (Environmental) Implications:

No impacts directly arising from this report. As the recommendations of this report relate to the overall revenue and capital budget, the scope of the decision covers all its activities. There will be carbon footprint implications arising from the activities financed by the budget, negative or positive, but these can only be effectively assessed on a case-by-case basis. The Council's commitments to the net zero agenda, as for any other agenda, will always sit within the financial context it is working within, but by taking a three-year perspective, the Net Zero Action Plan enables the Council to take a medium-term view which will assist with financial planning.

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

*\* When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.*

Reducing revenue resources across the public sector has been identified as a key risk within our Strategic Risk register. Officers will produce where relevant a risk register relating to the above areas specific to each proposal to inform decision making. The register will include mitigations of identified risks where necessary, and this will be reported as part of the decision-making process. As proposals are further developed, officers will assess and report equalities impacts and mitigations as part of the process.

Appendices

\*Add rows as required to box below

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
1	Council Tax Resolution							
2	Movement from November 2023 Draft Budget Update Report							
3	Additional cost pressures and adjustments							
4	Savings Proposals 2024/25							
5	Resources 2024/25							
6	Indicative 2024/25 Directorate Budget							
7	Financial Risks							
8	Extract from the Local Government Finance Update statement dated 29 February 2024							
9	Cabinet response to Budget Scrutiny Recommendations 2024/25							
10	Budget Engagement 2024-25 Report							
11	Capital Finance Strategy							
12	Treasury Management Strategy							

Background papers:

\*Add rows as required to box below

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are unpublished works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

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:

Fin	CH 29.02. 24 1547	Leg	LS/0 0002 268/ 2/AC /29/2 /24	Mon Off	Click here to enter text.	HR	Click here to enter text.	Asset s	Click here to enter text.	Strat Proc	Click here to enter text.
Originating Senior Leadership Team member: David Northey (Service Director for Finance)											
Please confirm the Strategic Director(s) has agreed the report? Yes Date agreed: 29/02/2024											
Cabinet Member approval: Councillor Tudor Evans OBE, Leader – Verbally approved. Date approved: 29/02/2024											

# REVENUE AND CAPITAL BUDGET 2024/25

## Introduction

Our budget plans for 2024/25 reflect that the Council's administration is ambitious in its vision and objectives for the city and is committed to ensuring that services to children and vulnerable adults, the provision of affordable housing and helping those affected by homelessness continue to be key priorities. It is keenly aware of the impact of the current cost of living crisis on the people of Plymouth. This budget does not include reductions to critical services and does not introduce any new charges for services. It does ensure there is adequate funding to repair potholes and allocates additional funding to the grass cutting service, both ensuring a better living environment for the city.

Like all councils, we have continued to see big increases in our costs and rising demand for our homelessness and social care services for the elderly, vulnerable adults, and children. We spend around 73 per cent of our total revenue budget on these vital services, meaning recommending a proposed budget for the next financial year has been very challenging.

We have worked hard over the last few months to identify how to close the shortfall identified in the Draft Budget and achieve a balanced budget whilst maintaining delivery against the Council's agreed priorities. A key component taken into consideration for the financial year 2024/25 is the on-going high cost of borrowing. The Capital Programme section of this report sets out in detail the funding assumptions for the next five years. Particular attention is drawn to the percentage of funding sourced from corporate borrowing (i.e. funded from central resources), which stands at 25.26% or £100m of borrowing. The affordability of the Capital Programme and future funding assumptions are under review. Continuing high interest rates against the borrowing requirement to finance the current programme will create a revenue pressure in 2024/25 if immediate action is not taken to limit borrowing. An additional £6.171m of funding has been included within Corporate Items to cover known pressures. An allocation of £2.5m has been earmarked for the Customer and Corporate Services Directorate to cover 2024/25 additional costs.

This proposed budget breaks the recent tradition of allocating growth to demand-led directorates and then setting large savings targets to all directorates to compensate. There is growth included totalling £41.196m as set out in Appendix 3, but this is offset by £23.182m of additional resources (Appendix 5) built into the budget plus a further £14.318m (Appendix 3) of corporate adjustments, reflecting additional social care grant and the reversal of previous years' contingency budgets.

Whilst there are savings allocated, being £1.096m from Children's Services plus £1.500m in the People Directorate (£1.000m in Homelessness and £0.500m in Adult Social Care) these have been carefully considered to reflect work currently in progress to mitigate the increased budget allocations included for these services. There are also technical adjustments within the Office for the Director of Public Health (ODPH) of £0.200m and within Customer and Corporate Services of £0.400m. A further adjustment to the bad debt provision saves £0.500m. These are set out in Appendix 4..

Setting the budget does not mean the work is over as financial pressures will continue to provide a challenge and we will need to deliver our savings plans that are being put in place. The Council will need to continue to transform how it operates to reduce costs. For example, major changes have taken place this year in how the Council uses its estate with the move out of Windsor House and imminent move out of Midland House plus the use of Crownhill Court. We will continue to reduce the number of office buildings we operate, while also continuing to maximise opportunities to increase efficiency by better use of technology.

## **Section 151 Officer's Budget Robustness Statement**

### **Introduction**

Section 25 of the Local Government Act 2003 requires the Section 151 Officer (Service Director for Finance) to formally report to Council as part of the tax setting report their view on

- the minimum level of reserves available to the general fund and
- on the robustness of estimates used on the budget setting process.

The Council is required to take these views into account when setting the Council Tax at its meeting on 8 March 2024.

All local authorities have seen significant reductions in resources coincide with increasing demand for services together with inflationary pressures which in many cases exceed those experienced in the overall economy. The Final Settlement for 2024/25 was again a 'one year only' funding envelope and, given the agreement that Council tax is outdated and in need of reform, the government's increasing reliance on council tax to fund local authorities is causing a disproportionately negative impact on funding levels for authorities such as Plymouth City Council.

A key component taken into consideration for the financial year 2024/25 is the on-going high cost of borrowing, for both capital and 'business as usual' revenue expenditure. The Capital Programme section of this report sets out in detail the funding assumptions for the next five years. Particular attention is drawn to the percentage of funding sourced from corporate borrowing (i.e. funded from central resources), which stands at 25.26% or £100m of borrowing.

The affordability of the Capital Programme and future funding assumptions are under review. Continuing high interest rates against the borrowing requirement to finance the current programme will create a revenue pressure in 2024/25 if immediate action is not taken to limit borrowing. An additional £6.171m of funding has been included within Corporate Items to cover known pressures.

The Council has requested Exceptional Financial Support (EFS) from DLUHC in the form of a Capitalisation Direction. There is an outstanding issue over a transaction made in October 2019 which has been reported regularly to the Audit and Governance Committee and relates to a transaction we made to significantly reduce the cost of our pension deficit. An 'in-principle' letter was received from DLUHC on 27 February 2024 stating that the Secretary of State is minded to approve a capitalisation direction. This letter provides the S151 Officer with the confidence to proceed with the proposed Budget as set out in this report. Our external auditors have also confirmed they are "comfortable" with the Council proceeding with this Budget.

This is still an in-principle decision and the letter does not constitute a capitalisation direction. There are several conditions setting out the actions which PCC must undertake before the formal decision will be made. The Leader has written back to the Minister acknowledging acceptance of the conditions and on this basis, there should be no barrier to the issuing of the capitalisation direction as requested. If there is an unforeseen issue and we do not receive the support as required, at that stage further options would need to be considered. This would include an alternative budget.

In considering the robustness of any estimates, the following criteria need to be considered: -

- The reasonableness of the underlying budget assumptions.
- Reasonableness of provisions and plans to meet liabilities.
- Extent to which known trends and pressures have been provided for.

- Achievability of changes built into the budget.
- Attainability of income targets.
- Alignment of resources with the Council service and organisational priorities,
- A review of the major risks associated with the budget, as set out in Appendix 7.
- The maintenance of un-earmarked reserves at a sufficient level to make a reasonable level of provision to mitigate unforeseen and extra-ordinary risks.
- The strength of the financial management and reporting arrangements.

*In coming to a view as to the robustness of the 2024/25 budget, the Section 151 Officer has taken account of the following: -*

- *The 2023/24 Base Budget*
- *Adjusting the base to remove one-off in-year items of funding, expenditure, and savings*
- *The 2023/24 finance monitoring position, including mitigations and additional budget allocations where required*
- *A process of rigorous review of all previous and current spending patterns in terms of base spending plans and the reasonableness and achievability of additional spending to meet increasing or new service pressures. This is a thorough process involving both financial and non-financial senior managers throughout the Council. The Cabinet have also been actively involved in reviewing all options for income generation and cost savings.*
- *Both the Cabinet and the Corporate Management Team undertake monthly reviews of the financial performance of the Council and decisions are taken throughout the year as required which provides a sound financial framework.*
- *The Performance, Finance and Customer Focus Overview and Scrutiny Committee are advised at each meeting of the financial management of the Council's resources.*
- *The Audit and Governance Committee plays a proactive role, supported by the Council's auditors in overseeing Risk, Treasury Management and Governance arrangements driving the Council's financial management arrangements.*
- *The Select Committee Review – Budget Scrutiny undertook a two-day budget scrutiny in December 2023.*
- *Full Council receive a quarterly report on the Capital Programme and approve all amendments.*
- *We are reducing demand for our social services through prevention and innovation.*
- *Senior Officers and Cabinet have worked closely to identify savings for 2024/25 and a review of all proposed plans provide reasonable assurance that detailed, feasible plans exist, and that sufficient resources are available to undertake the change activities required and deliver the savings.*
- *Senior officers have identified continuing cost pressures and the general uncertainty around the ongoing inflation and cost of living crisis is acknowledged.*
- *Cabinet has received advice that the opportunities to maximise the yield of Council Tax and the Adult Social Care Precept are in the Council's immediate and long-term interests from a financial viewpoint. In the event Council chooses not to implement the full increases and to maintain a balanced Budget, compensating adjustments in expenditure and savings plans will need to be agreed as part of such a decision by Council.*
- *In addition to specific directorate risks, the collection of Council Tax and generation of Business Rates (NNDR) are two key factors which need to be closely monitored during the financial year.*
- *A review of the Council's Working Balance and other unallocated reserves for emergencies and unplanned events.*

**Financial Risks – General Observations**

*It is important to note that 2023/24 has been and continues to be a challenging year in achieving a balanced financial position by the end of March 2024. The quarter three (December 2023) monitoring shows a predicted overspend of £1.204m.*

*The main risk to the Council's budget is the major impact of the current cost of-living pressures and the associated rate of inflation together with the continuing high level of borrowing costs. In addition, risks arise from an increasing demand for our services including children's and adult's social care and increases in the costs of providing them. Additional allocations have been made in this budget but there remains a risk.*

*Service demands have increased in all directorates especially in Children's Services and in the People directorate. Central government has in part recognised the pressure that the sector is under because of the current economic climate, with growth in both the Revenue Support Grant and Business Rates.*

*The Children's Directorate is reporting a forecast spend of £74.280m, an overspend of £10.787m (an additional 17%) on the budget allocation of £63.493m. This reflects higher demand and costs for placements with increased supported living numbers and new residential and bespoke placements. It also includes the Special Educational Needs and Disability (SEND) Home to School transport service's forecast overspend of £1.859m reflecting new routes and additional children who have met the statutory threshold. In addition, £4.2m of savings in this area will not be achieved.*

*The People Directorate is forecasting an overspend of £3.721m against an allocated budget of £96.345m. This is comprised of a Strategic Commissioning overspend of £1.298m and a Community Connections overspend of £2.423m, reflecting pressures within emergency accommodation and homelessness. This is a national issue, with rising demand and falling supply. For Plymouth, a full review is underway to fully understand the drivers of the financial pressures and to look at short, medium and long-term remediations including the recent approval at Cabinet to invest up to £15m to enable the purchase of properties to provide appropriate supported temporary accommodation for homeless households as an alternative to bed and breakfast and other high cost nightly paid accommodation.*

*The 2023/24 budget position must be balanced by 31 March 2024 and there will be more overspends and savings between now and then. The current pressures have been partly offset by over £6m of budget savings identified corporately plus the release of £4.8m of contingency budgets. In addition, we have had to use £6m of additional income from business rates, including the Devon Business Rates Pool, which we would normally hold back against future contingencies. This has reduced flexibility in 2024/25.*

*The Council retains an ambitious capital programme which has in previous years contributed to the stabilisation of the council tax base and the business rates base. Whilst the programme is strongly supported through external grants, it is significantly reliant on prudential borrowing. Extra provision for increased costs has been included in the budget for 2024/25 but the Council cannot afford to extend beyond the borrowing envelope (as set out in the Treasury Management Strategy) without putting pressure on balances and/or other service budgets. The agreed programme will still require budget uplifts in future years which must be seen alongside other service demand pressures, and which must lead to a process of prioritisation in budgets subsequent to 2024/25.*

*Due to the current economic position interest rates have been rising but market expectations are these are now at their peak. The Council has put in place a strategy to protect itself from rising interest rates by moving to longer term borrowing through Public Works Loan Board (PWLb) and utilising its interest rate swap arrangements for short term loans.*

*The full Capital Programme is subject to a review and a revised programme will be presented to Cabinet and Full Council at the earliest opportunity.*

A comprehensive review of reserves and balances has been undertaken and these are presently at the minimum required to cover risks if the Council remains within the proposed budget. However, it should be noted that an overspend of 1% (c. £2.4m) would reduce general balances by over 25% unless alternatively funded. The Section 151 Officer will provide a full five-year Medium Term Financial Plan (MTFP) for consideration at the September 2024 meeting of Full Council. The proposed allocation of £0.750m in 2024/25 to the Working Balance has not been possible. The revised MTFP will reflect this and offer alternative allocations.

Our external auditors have advised the Audit and Governance Committee that “our level of General Fund reserves, at some £8 million, is insufficient to maintain financial sustainability”. The S151 officer has acknowledged this and confirmed that the Council will revisit its Reserves Strategy and build up its reserves as part of the five-year Medium Term Financial Plan. There are adequate levels of usable reserves to support this proposed budget.

The Council's financial controls are set out in the Council's Financial Regulations. These provide a significant degree of assurance as to the strength of financial management and control arrangements throughout the Council. The Council has a well-established framework for financial reporting at directorate, corporate and Cabinet level and to Scrutiny Committees. Given the scale of financial challenges and the number of actions that need to be implemented to ensure the budget is on track, Cabinet will continue to monitor financial performance monthly with quarterly capital reports being provided to Full Council. The relevant Scrutiny Committees will also be in receipt of the latest available monitoring position.

In the context of the above, the Section 151 Officer considers the proposed budget - which has been developed following input and reviews with Directors, officers and Members (including Cabinet and Budget Scrutiny), as sound and that the level of reserves are adequate for the next financial year given a clear understanding of the following: -

- The present level of un-earmarked reserves is regarded as adequate in the current circumstances and that additional resources will be set aside as and when they become available to provide additional flexibility in addressing the risks identified in this report
- Both the Revenue Budget and Capital Programme have been formulated having regard to several factors including funding availability; risks and uncertainties; inflation; priorities; demography and service pressures.
- The savings plans have been formulated having regard to Council priorities and assessed against an agreed set of impact criteria and equality assessments
- The proposed additional 6% increase to Fees and Charges are implemented from April 2024.
- Budget monitoring and scrutiny arrangements are in place which include arrangements for the identification of remedial action, reporting and any remedial action required is supported by a clear action plan and regularly monitored
- The budget contains several challenging targets and other actions which will be subject to specific monitoring by the Council's Corporate Management Team, and as such, are at this time considered reasonable and achievable.
- It should be noted that services subject to demand outside of the Council's control are at risk of not achieving the savings or overspending resource budgets and that accordingly a level of prioritisation will be required at directorate level to constrain expenditure within budget totals
- The MTFP indicates a further budget shortfall in 2025/26 and it is important that work begins early to identify means of addressing this position. The attainment of savings targets in respect of this Budget will need to be closely monitored in detail at Directorate, CMT and Cabinet level in the year ahead, with new proposals worked up for implementation when ready, rather than waiting until the 2025/26 financial year.
- There is a clear understanding of the duties of the Council's statutory Financial Officer and

*that the service implications of them being exercised are fully understood by Members and Senior Management alike.*

*On the basis of the above, and taking into account the risks and mitigations as set out, the Section 151 Officer is able to recommend this budget to Full Council for approval.*

## **I. Background**

- I.1 Cabinet received a report on the proposed balanced Budget for 2024/25 at its meeting on 12 February 2024. The report provided an update on the Draft Budget discussed at Cabinet 13 November 2023, which presented a shortfall which at the time stood at £2.358m. In addition, it also included a separate summary on the main findings from the Local Government Settlement.
- I.2 This report builds upon the material presented in the February report and recommends the proposed Revenue and Capital Budget to Council on 8 March 2024. The report structure is:
  - Section 1: Building a better Plymouth
  - Section 2: Revenue Budget
  - Section 3: Capital Budget
- I.3 Together with all authorities the Council is in a serious and unprecedented position due to continuing additional national and international factors largely beyond its control, including higher energy costs, broader inflation related cost increases, the large increase in the National Living Wage and demand pressures and costs in both adults' and children's social care.
- I.4 The Council is also experiencing the impact of increasing costs and demand within the homelessness department and the provision of emergency bed and breakfast placements, together with additional demand and costs for the statutory provision of home to school transport for children with SEND (Special Education Needs and Disabilities).
- I.5 A key component taken into consideration for the financial year 2024/25 is the on-going high cost of borrowing. The Capital Programme section of this report sets out in detail the funding assumptions for the next five years. Particular attention is drawn to the percentage of funding sourced from corporate borrowing (i.e. funded from central resources), which stands at 25.26% or £100m of borrowing.
- I.6 Following early discussion with DLUHC in July and August 2023, the Council formally requested a Capitalisation Direction at the beginning of September 2023. The discussion is around seeking resolution to a difference of opinion between Plymouth City Council and our external auditors concerning the payment in full of the Council's pension deficit in October 2019, value £72m. The Council has accounted for the transaction as capital expenditure; GT maintain that the liability was paid in full in the financial year 2019/20 and therefore needs to be accounted for as a revenue expenditure in one year.
- I.7 Plymouth City Council is seeking a retrospective accounting solution from DLUHC, to ensure we obtain closure of the 2019/20 accounts and to allow the setting of a lawful Budget for 2024/25 and future years.
- I.8 On 27 February 2024, the Leader received a letter from the Minister for Local Government stating the Secretary of State was minded to approve a Capitalisation Direction, which satisfies the S151 Officer that the proposed revenue and capital budget can be set lawfully. The Capitalisation Direction, if granted, will allow the relaxation of accounting guidance, and enable the revenue costs of the 2019/20 transaction to be treated as a capital transaction.

- 1.9 There will be conditions attached to the granting of the Capitalisation Direction. The letter sets out some of the likely conditions.
- 1.10 If the Capitalisation Direction is not granted, the Council will be required to account for the full residual value of the 2019 transaction to be expensed as part of the 2024/25 revenue budget. At this point, an alternative budget would be required.
- 1.11 This budget is built on the assumption that the Council will receive the Capitalisation Direction described above and sets out a balanced position for the Council's budget for 2024/25.

## **2. Local Government Finance Settlement**

- 2.1 On 18 December 2023, the Secretary of State for the Department for Levelling Up, Housing and Communities (DLUHC), the Rt. Hon. Michael Gove MP, released a written statement to Parliament on the provisional local government finance settlement 2024/25. Following consultation, the Final Finance Settlement (Settlement) was published on 5 February 2024.
- 2.2 The Settlement held few surprises as the main areas had been trailed in both the Autumn Statement and a subsequent DLUHC briefing note. It was again a settlement for one year only. One grant reduction which was not trailed was the decision to further reduce the Services Grant. This was introduced in 2022/23 as an additional grant reflecting the increasing costs of running a local authority. Although the grant was reduced in 2023/24, Plymouth's allocation was decreased from £2.359m to £0.407m, a reduction of 83% for 2024/25.
- 2.3 In response to the usual consultation with local authorities, on 24 January 2024 the Government announced additional measures for local authorities in England, worth £600 million. The two main strands were an additional £500m of new funding for councils with responsibility for adults' and children's social care, distributed through the Social Care Grant and an increase in the funding guarantee so that all local authorities will see a minimum 4% increase in their Core Spending Power, before taking any local decisions on raising council tax.
- 2.4 The second initiative has no impact on Plymouth City Council. The additional social care grant allocation is confirmed in the sum of £2.675m and will be required within the People Directorate to cover already assumed additional grant funding.
- 2.5 The impact of the Settlement on the available resources combine to yield a net additional £10.945m including the £2.675m, compared to the resource assumptions in the 13 November 2023 Draft Budget Report. Details are set out in the report.

## **3. Select Committee Review**

- 3.1 The Select Committee undertook two full days of Budget Scrutiny in December 2023.
- 3.2 The Committee focused the majority of their time on the greatest areas of risk facing the Council in Children's Services, Adult Social Care and Health, Homelessness, and the cost of living.
- 3.3 There are five recommendations to Cabinet, and the response to each is set out in Appendix 10 of this report.
  1. That work is undertaken to assess the impact upon all council budgets of dealing with unauthorised encampments (UE).
  2. Welcome continuation of current Community Grant Scheme and recommend an increase back to £5,000 per Member



3. Reprofile the Capital programme to ensure that the programme is affordable for the revenue budget
  4. Recommend an expansion of the housing programme for Care Leavers.
  5. Recommend that a cross party working group is established to consider contractual arrangements for major projects and the methodology for procurement
- 3.4 The Select Committee also congratulated Cabinet on:
- Additional Funding provided in the budget for Grass Cutting.
  - The commitment to a new Living Streets programme.
  - Increased involvement of Ward Councillors in discussion in the delivery of Section 106 schemes.
  - Commitment to not implementing Car Park charges where they are not currently in place.
  - The new Bus Service Improvement Plan.

#### **4. Budget Engagement**

- 4.1. The Council's annual budget engagement was launched in November and ran for 4 weeks. It received 436 online responses from a wide range of people. In addition, an engagement with business representatives took place on 13 December 2023 – we received a supportive letter in response from the Chief Executive of the Chamber of Commerce.
- 4.2. The questionnaire asked respondents to select up to three priorities that the Council should focus on in the coming year, and to provide their level of agreement on six statements regarding managing the Council's budget. Overall, there was a good response to this engagement with some considered comments, however it is a small proportion of the population, and the results are not representative, but they do provide an indication of people's priorities and level of support.

##### **Results – Council Priorities:**

- 4.3 The top priorities selected most often as those the Council should focus on over the next 12 months:
  - Working with the NHS to provide better access to health, care and dentistry (251 respondents)
  - Fewer potholes, cleaner, greener streets and transport (169 respondents)
  - Working with the Police to tackle crime and anti-social behaviour (160 respondents)
- 4.4 Working with the NHS to provide better access to health, care and dentistry was the top priority across all age groups and for both female and male respondents, for those veterans who responded, for those who said they had a health condition or disability and for those who said they experience of the care system.

##### **Results – Managing our Budget:**

- 4.5 Just over 90% of respondents agreed or strongly agreed that 'the Council should protect local services where possible by delivering these in different and/or more efficient ways' and 'the Council should lobby central government for more funding and a fairer share for Plymouth'.

- 4.6 50% of respondents agreed or strongly agreed that ‘the Council should help avoid reducing or stopping services by increasing fees and charges by the rate of inflation’ and ‘the Council should avoid cutting services by following the Government’s assumption that councils will maintain their spending power by increasing Council Tax by up to 2.99%’.
- 4.7 Just over 50% of respondents agreed or strongly agreed that ‘the Council should help pay for rising demand for care services for elderly and vulnerable adults by accepting the 2% precept the Government allows to be added to Council Tax for this purpose’ and that ‘the Council should help achieve the ambition for Plymouth to become a carbon neutral city by 2030 by using ‘green’ energy sources wherever possible’

### **Flexible Use of Capital Receipts**

- 4.8 To assist in the delivery of major items within the savings plans, it is proposed to use the mechanism of drawing down a sum of £1.448m of capital receipts. This will be allocated to the Children’s Directorate.

## **Section I Building a better Plymouth**

- 5.1 The Council adopted a revised Corporate Plan in June 2023. The plan reflects the administration’s ambition for the city and the Council, takes account of the progress that the Council has made in recent years and address the new challenges that we face. The Council retained and re-endorsed the City Vision: to be one of Europe’s most vibrant waterfront cities where an outstanding quality of life is enjoyed by everyone, and revised the Council’s mission to better reflect how the Council contributes to the City Vision, with emphasis on fairness, environmental sustainability and co-operation. The Council’s adopted values were also revised to fully reflect our expectations of ourselves and each other, and provide a basis on which the Council can be held to account by its citizens.
- 5.2 The Cabinet identified six priority areas for delivery through the Corporate Plan, and highlighted the importance of retaining a focus in all of the Council’s activities on Plymouth being a great place to grow up and grow old, and on minimising the impact of the cost of living crisis. The Council’s Corporate Plan priorities are:
- Working with the Police to tackle crime and anti-social behaviour
  - Fewer potholes, cleaner, greener streets, and transport
  - Build more homes – for social rent and affordable ownership
  - Green investment, jobs, skills, and better education
  - Working with the NHS to provide better access to health, care and dentistry
  - Keeping children, adults, and communities safe
- 5.3 The Council’s business planning and performance management frameworks are the mechanism that drives delivery of the above priorities, and resource allocation is geared to ensure that delivery plans against the priorities are sustainable, alongside the Council’s wider range of statutory and discretionary services.

## **Section 2 – Revenue Budget**

### **Council Tax**

- 6.1 The Council Tax base for 2024/25 has been calculated at 75,389 properties, an increase of 498 on 2023/24. The Council Tax Base report was approved at Full Council 29 January 2024.
- 6.2 The rise in the tax base for 2024/25 primarily reflects the increase in the number of properties within the City and yields additional income of £1.767m. The assumed collection rate continues at 97.5%; this is realistic and prudent due to the current economic climate.
- 6.3 Income from Council Tax (and Business Rates) is held in a ringfenced collection fund account, from which authorities draw the budgeted level of income in each year irrespective of actual income collected. Any shortfall or increase on income collected compared to that budgeted level results in a collection fund deficit or surplus, which can be accounted for in the amount of income the Council can budget for in the following year.
- 6.4 Our accounts are showing a modest surplus on our Council Tax collection, allowing an additional £0.500m to be utilised in 2024/25.
- 6.5 The Settlement confirmed the Council Tax referendum limit at 2.99% (i.e. this is the highest level of increase permissible without a referendum) and an Adult Social Care precept (ASC) of 2.00%. For Plymouth, every quarter percent (0.25%) increase in the Council Tax would yield an additional £0.330m.
- 6.6 As part of developing the 2024/25 budget, Cabinet have agreed to recommend to Council the adoption of a 2.99% increase for Council Tax and a 2.00% level of ASC precept to present a balanced budget. These increases if approved would provide an additional £3.947m in Council Tax and £2.640m Adult Social Care precept; a total of £6.587m. The Government have assumed we will maximise this when referencing Council's Core Spending Power.
- 6.7 The final decision on these matters will be taken at Full Council 8 March 2024. If approved, the additional Council Tax for 2024/25 totals £8.854m.

### **Council Tax Premiums**

- 6.8 The Levelling Up and Regeneration Act received Royal Assent in October 2023. This introduced changes impacting Council Tax relating to second homes and long-term empty dwellings. The Act allows billing authorities to reduce the period before which a premium can be charged for empty homes and introduces the ability to charge a premium for properties which are furnished but not occupied as a primary residence, known as second homes.
- 6.9 The changes to second homes allow billing after twelve months rather than the current twenty four and can be enacted from April 2024. This will yield an estimated additional income of £0.200m which has been set aside as funding for a package of additional support proposed for in-house Foster Carers.
- 6.10 The changes to second homes require a full year's notice to homeowners and can be implemented from April 2025.
- 6.11 Full Council approved these changes at the meeting 29 January 2024. The full impact will be in 2025/26 resulting in a minimum, but yet uncalculated impact on the income in 2025/26 from the empty properties of £1.000m. This has been allocated to the provision of housing.

**Business Rates**

- 6.12 As in previous years, the multiplier for the calculation of Business Rates has been set at 0%, but with a Section 31 Grant to compensate for the resultant impact. As a result, the business rates grant income will increase by £4.338m in 2024/25.
- 6.13 The final calculation of resources from Business Rates is determined by the completion of the Government return NNDRI (National Non Domestic Rates). The outcome will now be confirmed with our external advisors. This year was again difficult to predict due to the uncertainty of inflation on the multiplier, and the impact of continuing business rates revaluation exercises.
- 6.14 The growth in the business rates base, reflecting the additional number of business premises in the city gives rise to additional income of £2.474m.

**Business Rates Pool**

- 6.15 Plymouth City Council continues to play the key role of administrator of the Devon Business Rates Pool. Working with the other business pool members and our external advisors, we are again forecasting growth in our business rates income and have included £2.750m of additional resources for 2024/25.
- 6.16 Taken together this equates to a total increase of £9.562m from the current £75.253m to a revised £84.815m.

**Revenue Support Grant (RSG)**

- 6.17 The Settlement announced a RSG of £12.328m. This is an increase of £0.766m on the current £11.562m and represents a CPI increase of 6.7%.

**New Homes Bonus (NHB)**

- 6.18 The allocation for New Homes Bonus payment in 2024/25 is £0.043m. This is a full increase on the assumed £nil forecast figure included in the budget report to Cabinet in November 2023.

**Services Grant**

- 6.19 The Government has continued the grant to 2024/25 and Plymouth's allocation is £0.407m, a reduction of £1.952m. This represents a reduction of 83% from the previous year.

**Social Care Grant**

- 6.20 The Council also receives a Social Care Grant. The additional payment is £4.131m in 2024/25 increasing the grant from £21.702m to a revised £25.833m. As previously noted, on 24 January 2024 the Government announced additional measures for local authorities in England. This additional allocation was confirmed in the Settlement, and this has given an additional, but already committed, uplift of £2.675m.
- 6.21 The Settlement is again silent on additional funding for the pressures within children's social care, although, in line with last year's allocation, we are again advised this grant encompasses both adult and children's.

### Adult Social Care Market Sustainability Grant / Adult Social Care Discharge Fund

- 6.22 Plymouth City Council has been allocated £5.618m from the Government's Adult Social Care Market Sustainability Grant. This is a ring-fenced grant intended for local authorities to make tangible improvements to adult social care, and to address discharge delays; social care waiting times; low fee rates; workforce pressures; and to promote technological innovation in the sector. This is an increase of £0.659m from 2023/24 and includes the rolled in Market Sustainability Workforce Grant of £1.953m
- 6.23 The Adult Social Care Discharge Fund introduced in 2023/24 has continued with a £3.022m grant allocation for Plymouth, to form part of Better Care Fund plans, and is aimed at reducing delayed transfers of care. In 2023/24 the allocation was £1.813m.

### Public Health Grant

- 6.24 The Public Health Grant is another key source of income and is used to improve the health of the population, particularly to tackle large differences in health outcomes that we see between local areas. The grant for 2023/24 is £16.460m and the confirmed allocation for 2024/25 is advised as £16.737m. The funding is ring-fenced and does not have an impact on the budget resources as set out in this report.

### Resources (Funding)

- 6.25 The total core resources available, incorporating the Settlement, and with a Council Tax increase and an Adult Social Care precept, are set out in the table below.
- 6.26 A detailed schedule of the movements in resources are set out in Appendix 5.

Unringfenced Resources	Budget 2023/24	Proposed Budget	
	£m	2024/25 £m	Movement £m
Council Tax	(130.625)	(139.479)	(8.854)
Business Rates	(75.253)	(84.815)	(9.562)
RSG	(11.562)	(12.328)	(0.766)
Reserves	(1.000)	(5.000)	(4.000)
<b>Total Resources</b>	<b>(218.440)</b>	<b>(241.622)</b>	<b>(23.182)</b>

- 6.27 If Council do not approve the proposed increase to the Council Tax and precept, a drawdown of £6.587m from un-earmarked reserves will be required. This will leave the already low reserves in a weaker position and result in the income being lost in 2024/25 and all future years.

### Additional Costs

- 6.28 The additional budget costs for 2024/25 are set out in Appendix 3 and include cost and volume increases for Adults' and Children's Services; net cost and volume increased allocation for Homelessness; and cover the Council's commitment to the National Living

Wage for our adult social care providers, and ensuring they receive the necessary funding. The National Living Wage additional costs reflect the increase from the current £10.42 to the revised £11.44 from April 2024.

- 6.29 As part of the final adjustments to close the budget gap of £2.358m, a series of amendments have been made to the proposed additional cost allocations and reflect the additional funding sources. These are set out in Appendix 1.
- 6.30 Included in the 2024/25 Budget is a reversal of a previous year's top-up of the Minimum Revenue Provision (MRP) in the sum of £1m. This was seen as a one-off re-balancing of the MRP reserve and the £1m needs to be reinstated to the base budget going forward.
- 6.31 Other items requiring additional resources include staff remuneration and the on-going commitment to honour the cost of the National Living Wage for our care providers. Another area is the increasing cost of servicing our borrowing requirements for the capital programme.
- 6.32 The Capital Programme (budget) has been formulated based on the assumptions set out in the Capital Strategy and the December 2023 (Quarter 3) monitoring report setting out the latest investment and spend profiles. An additional £6.171m is included in this Draft Budget to cover the cost of corporate borrowing recognising the slippage in delivery of approved projects; additional cost pressures from construction costs and the increased cost of borrowing. There is also £1m for the replenishment of the one-off Minimum Revenue Provision set out in 6.30 above.
- 6.33 The Capital Programme is subject to a full project-by-project review to ensure the overall cost of financing the programme is contained within the revised budget allocation.
- 6.34 We have accounted for additional costs of £0.181m associated with the Schools' PFI (Private Finance Initiative) contract within Corporate Items. The contract is structured in such a way as to leave the liability for any increased utility cost with the council. This increase is on top of the additional funding allocated in the 2023/24 budget.
- 6.35 The proposed budget includes an allocation of £4.000m to consolidate the staff remuneration costs from the 2023/24 and assumed 2024/25 increases.
- 6.36 Within the Place Directorate, one-off savings totalling £1.050m built into the 2023/24 budget have been reversed. Details are set out in Appendix 3. In addition, the Labour Administration has made grass cutting and general wildlife habitat maintenance a key priority. The funding for the grass cutting team has been allocated an additional £0.300m to fund the required staff and running costs.
- 6.37 Within the People Directorate, the additional cost and volume of adult social care packages has been allocated an increase of £5.047m. The increase to the National Living Wage (NLW) requires an additional allocation of £5.372m.
- 6.38 Also, within the People Directorate, the homelessness budget is experiencing increasing demand and costs. We have record numbers of households in temporary accommodation, with an additional £3.287m allocated.
- 6.39 There are additional cost and volume social care pressures of £7.072m within the Children's Directorate. An additional £2.379m has also been allocated to increase the number of social workers and support staff, with a further £0.486m allocated to cover management practice and leadership training. A total of £9.937m.
- 6.40 Home to School Transport is another area where we are experiencing additional cost every year. Despite putting an additional £1.000m into the 2023/24 budget, we are still estimating a further £1.000m overspend in year due to increase in costs and volume. This budget makes

an additional allocation of £2.142m. At this stage the department are still formulating cost mitigations, and no savings have yet been put in place to offset some of this additional cost.

- 6.41 From Corporate Items, an existing budget of £3.528m has been transferred to the Customer and Corporate Services Directorate to rebase the ICT and HROD budgets and acknowledge the costs associated with ICT license fees for the new children's social workers.
- 6.42 The Legal Department has been allocated an additional £0.153m to allow additional resource to manage the increased demand for children's social care cases.

### **Savings Plans**

- 6.43 As previously stated, this proposed budget breaks the recent tradition of allocating growth to demand-led directorates and then setting large savings targets to all directorates to compensate.
- 6.44 Savings plans totalling £3.696m have been included in this budget. These are set out in detail in Appendix 4. Whilst there are savings allocated, being a net £1.096m in Children's plus £1.500m in the People Directorate (£1.000m in Homelessness and £0.500m in Adult Social Care) these have been carefully considered to reflect work currently in progress to mitigate the full cost increased budget allocations included for these services. Within Corporate Items there is a further one-year only use of a previous over provision to the MRP charge of £0.400m and a release from Bad Debt reserve £0.500m. Public Health are contributing £0.200m.
- 6.45 The 2023/24 Budget included £23.436m of savings, across all directorates. This year, modest additional targets have been set where clear plans are in place. The 2024/25 Budget is predicated on the full consolidation of these or alternative sustainable savings.
- 6.46 Included in the additional allocation to the Children's Directorate is investment in a project team delivering revised ways of working in service delivery plus an agreed investment in training in improved management practice and leadership development. This investment is in this directorate with a view to rolling out learning and best practice outcomes across the wider directorates. The investment required is £1.448m and will supplement the carry forward of receipts drawn down and approved as part of the 2023/24 budget.

### **Closing the Budget Gap**

- 6.47 A budget gap of £2.358m was presented to Cabinet on 13 November 2023. As a result of the Settlement and other updates to the budget this report sets out a final balanced budget to be recommended to Full Council.
- 6.48 Adjustments to the Draft Budget, supplementing the cost pressures and savings as set out in the December Cabinet Report net to clear the gap.
- 6.49 The resources have increased by £2.228m reflecting confirmation of the Government's use of the 30 September 2023 RPI figure of 6.7% against the assumed (May RPI figure) 5.41% to increase both the RSG allocation and Business Rates multiplier offset. This has been further supplemented by a one-off drawdown from reserves £5m.
- 6.50 There has been further identified increases in costs totalling £12.340m taking the final allocation to £41.196m. The narrative is set out under Additional Costs as set out above in this report. The movements are itemised in Appendix 3.
- 6.51 Whilst the proposed savings have reduced by £0.020m there have been further favourable adjustments totalling £7.490m to balance the budget.

- 6.52 The Medium Term Financial Strategy 2023/24 - 2027/28 approved in September stated our intention to work towards restoring a minimum 5% Working Balance. This reserve was steadily built up over the years and stood at £9.4 million as at March 2017. It currently stands at £8.7m. This equates to approximately 4.0% of the Council's net revenue budget. By 2027/28 this would need to be £11.8m, an increase of £3.1m to equate to 5%, which is about the average for Unitary Councils. The planned contribution for 2024/25 of £0.750m has had to be backed out from the draft proposals to assist with the balanced position.

**A summary of the final amendments is set out in this table.**

Area	2024/25 Draft £m	2024/25 Revisions £m	2024/25 Proposed £m
<b>Additional Resources</b>	<b>(15.954)</b>	<b>(7.228)</b>	<b>(23.182)</b>
<b>Additional Costs</b>	<b>28.856</b>	<b>12.340</b>	<b>41.196</b>
<b>Savings</b>	<b>(3.716)</b>	<b>0.020</b>	<b>(3.696)</b>
<b>Adjustments</b>	<b>(6.828)</b>	<b>(7.490)</b>	<b>(14.318)</b>
<b>Budget Gap</b>	<b>2.358</b>	<b>(2.358)</b>	<b>0.000</b>

## **7 Directorate summaries**

- 7.10 We know Local Government is changing rapidly as traditional sources of funding are reducing and the demand for our services is increasing. We know we cannot continue to deliver services in the same way we have done in the past and our transformation portfolio is taking a pioneering and ambitious approach to addressing these challenges while seeking to improve outcomes for the people of Plymouth.
- 7.11 This means providing services in new ways, joining up with partners wherever possible, investing in ways of doing things more efficiently, making the most of our assets, raising income by taking a more commercial approach and a focus and clarity on our organisational purpose.

### **Chief Executive's Office**

- 7.12 The Chief Executive's office manages a net annual revenue budget of £6.5m, representing just over 2.5% of the Council's net revenue budget. Through a combination of increasing chargeable activity for other public bodies and the introduction of multi-disciplinary teams, the service has reduced its revenue requirement from the Council by over £0.500m since 2013-14.
- 7.13 The Chief Executive's service covers four main areas of work, including the communications team. The oversight and governance team provides support for the Council's democratic functions, including Members' support and all the Council's decision making, covering Cabinet, Scrutiny, and all other decision-making bodies. The team also provides and supports the Council's performance and risk framework, responsible for the provision, reporting and analysis of our delivery of services to the public and the management and reporting of strategic and operational risk.



- 7.14 The Legal service provides services to all the directorates, ranging from commercial, litigation, and property related support to child and adult protection and the Council's Monitoring Officer responsibilities. We have plans to further minimise the amount of legal support that the Council commissions externally through greater provision from our own expertise, and tighter scoping of legal requirements. The department has been allocated growth of £0.153m in 2024/25 to cover the increasing workload of the children's service. The legal department now includes responsibility for the Procurement Department.
- 7.15 The elections and registration team manage the city's electoral register and delivers local and national elections. With significant changes in voter identification being implemented through the recent Elections Act, the team will build on successfully administered local elections in 2023 to ensure that local and police and crime commissioner elections (for which Plymouth is undertaking the Police Area Returning Officer for the police force area) run smoothly in 2024.

### **Customer and Corporate Services Directorate**

- 7.16 The Customer & Corporate Services Directorate has a net annual revenue budget of just over £36m to achieve its two core objectives: supporting the organisation and delivering customer services.
- 7.17 For the Directorate to carry out its work there are four core functions,
- Finance including Financial Planning & Accountancy, and the treasury management function.
  - HR & Organisational Development
  - Facilities Management, both Hard & Soft FM
  - Customer & Digital (Business Support, Libraries, Delt IT, Information Governance, Transformation, and the Digital agenda.)
- 7.18 The Transformation Portfolio and Corporate Support Services, as well as playing a key role in supporting the demand-led services with financial, legal and HR expertise, will be reviewing their own operating models, whilst focusing on two prime projects. "New Ways of Working" is focused on the council's accommodation rationalisation and delivery of the financial savings from the exit of both Windsor House and Midland House. It is important to complete this work in order not to create a bigger shortfall in our budget. "One Council" will focus on Intelligent Automation, the website upgrade, and Cyber Security.
- 7.19 Looking forward and to ensure the delivery of our savings rolled forward from 2023/24 our efforts will be focused on the Customer Service Strategy, ensuring the most vulnerable and digitally excluded have choice in how to access our services, consult on our front doors and libraries, improve our processes supported by automation where we can, refocus DELT, maximise our assets, deliver our people strategy and drive organisational change as well as considering how best to deliver our corporate services in the future.
- 7.20 The HR and Organisation Development Service has been working with the Corporate and Senior Leadership teams to prioritise the critical areas of work which will support the organization to work much more efficiently with the resources it has, including ensuring that our culture is developed to achieve a 'one team approach'. The next year will see a continued focus on supporting our service areas and staff and ensuring that our people management processes and policies help to position the council as an outstanding place to work.

**Children's Directorate**

- 7.21 The Children's Directorate has a net annual revenue budget 2024/25 of £74.5m, an increase of £10.983m from the current allocation – this is over 30% of the Council's revenue budget. It is also responsible for the Designated Schools Grant (DSG) at £78.2m for 2023/24, The Dedicated School Grant (DSG) supports several funding streams for Early Years and Education services across the city. Most of the work within the Children's Directorate is configured around the direct delivery of statutory functions for children and young people in the city; this is focused upon Education and Social Care services and includes the vital area of the skills agenda.
- 7.22 The Directorate is currently organised around two departments, the Education, Participation and Skills (EPS) Service and the Children Young People and Families Service. The Education, Participation and Skills Department delivers key statutory functions for the city such as; School Admissions, School Transport arrangements, support to the Early Years sector, support to the remaining Local Authority Maintained Schools, services for children and young people with Special Educational Needs or Disabilities (SEND) children and a small team focused on our most vulnerable learners e.g. children and young people absent from school and those educated at home. It is responsible for delivering the Local Area (SEND) Improvement Plan. It also delivers the Adult Learning and City Skills Strategies and the Securing Education, Employment and Training (SEET) Strategy.
- 7.23 The second and largest department is the Children, Young People and Families service. This service delivers the Council's statutory duties for children's social care, including the 'front door' assessment services, services for children assessed to need a social worker and for those in the care of the Local Authority and Care Leavers. This includes a fostering service to recruit and support our in-house foster carers. The service delivers the statutory functions of the Youth Justice Service and makes provision for adolescents at risk of child exploitation and those that are on the edge of care. Universal early intervention and prevention services for children and families are delivered by the Service, including through the implementation of the Family Hubs model and locality-based service delivery with partners. The Local Authority makes a significant leadership and operational contribution to the City's Safeguarding Children's Partnership.
- 7.24 To contain financial pressures whilst maintaining the right support for our vulnerable children in the city, the Directorate will be meeting the needs of children and young people in our care in less expensive residential settings and with foster carers and family, friends and connected carers where children can live safely in Plymouth and closer to their school and community. The Homes for Cared for Children Strategy is in place and the Fostering Recruitment and Retention Strategy is currently being reviewed following a successful Fostering Summit in January 2024 to provide the right homes for our children in care at less cost and to increase the number of Plymouth foster carers to provide more local placements for children. The foster carer offer in 2024/25 will ensure that it provides the best opportunity to recruit and retain Plymouth foster carers and reduce our reliance on and the cost of Independent Fostering Agencies. The aim is to support more children, young people and families through locality based early help services that meet their needs without the need for statutory social work intervention and helping partners to provide help and support for families at the earliest point of need at the lowest point of intervention.
- 7.25 The Directorate is also working very hard to mitigate the increasing cost of meeting the Council's statutory requirements for home to school transport that meets children's needs as cost effectively as possible. The numbers of children eligible for home to school transport is increasing as the number of Education Health and Care Plans (EHCP's) rise at the same time as travel and transport costs rise. The Service is currently considering a range of options, including more opportunity for children to be trained and supported to travel independently

to school, enhanced mileage rates for parents, increased use of personal budgets and options appraisals to increase mini-bus travel. The Education Placement Sufficiency Strategy for children with SEND is being reviewed to increase places for children and young people in Plymouth and this will reduce home to school transport costs in the future.

- 7.26 Financial pressures are also being driven by interim and agency costs where we are not able to recruit to permanent posts. Agency spend is starting to reduce as more permanent posts are recruited to. A dedicated Children's Services targeted recruitment campaign was launched in January 2024 to recruit more quickly to permanent posts across the Service, especially to senior roles. This will reduce dependency on interim and agency staff and reduce staffing costs.
- 7.27 The Education, Participation and Skills (EPS) Service works closely with the Schools' Forum to manage budget allocations. The Dedicated Schools Grant is a specific grant received by the Council and predominantly funds schools to undertake their work. The High Needs Block (part of the DSG) is under pressure due to significant increases in need for special school places, children requiring a higher level of support and an increase in the cost of independent school places. Like all authorities with DSG responsibility, we are finding it harder to maintain a balanced budget position. The latest forecasts show Plymouth moving from a surplus of £1.173m at the end of the 2022/23 academic year to a forecast deficit of £19.108m by the end of 2024/25. This does not currently impact on the overall revenue budget as it is covered by a nationwide Government override. We need to be aware when reviewing the MTFP when this arrangement ends in March 2026.

### **People Directorate**

- 7.28 The People Directorate will have an annual gross budget of £142m, made up of both revenue and income. Income is generated through contributions from individuals with care and support needs in Adult Social Care and through fees for some areas in Community Connections. The People Directorate has three departments that carry out its work; these are Strategic Commissioning; Retained Client Services and Community Connections. The Directorate over the years has worked hard to reduce revenue spend by remodelling service delivery and maximising grant income to manage increasing demand and complexity of need across a range of areas.
- 7.29 The Strategic Commissioning and Retained Client department is responsible for the planning, developing and procuring health and care services for adults, older people and children from a range of providers across the city. These services include Domiciliary Care, Residential and Nursing provision, Supported Living, Extra Care housing, Carers support, Day services, Domestic Abuse support and befriending support. In addition, the retained client service delivers the statutory oversight for the safeguarding of vulnerable adults, a reablement home from hospital service to support hospital discharge, a community outreach service to assist some of our most vulnerable in the community, a day service and respite facility for individuals with extremely complex needs.
- 7.30 The Community Connections department delivers statutory responsibilities in relation to Housing, supporting people who become homeless or households who are at risk of losing their tenure to access a range of accommodation across the city. The department is responsible for managing the delivery of Disabled Facilities Grants, adapting properties to better meet the needs of vulnerable residents. The team deliver HMO licensing and oversee standards across the Private Rented sector in the city. They work in partnership across local communities delivering community safety with the Police, supporting asylum seekers, refugees and our gypsy and traveller communities.

**Public Health**

- 7.31 The functions include Public Health, Public Protection Services, Community Empowerment, Plymouth Active Leisure, Coroners and Registrations, and Bereavement services. All these services have roles to support the reduction of health inequalities through impacting on health and on the social, economic, and environmental determinants of health. The ODPH directorate has several funding routes, including grants, and generates significant income; overall, this leads to a relatively small net budget.
- 7.32 The specific Public Health function receives a ring-fenced grant from the government which is spent on functions such as sexual health services, drug and alcohol treatment, health visitors, school nurses and a range of other services to support population health and wellbeing. The grant also covers the funding of the public health team who offer a range of support and advice to the city, as exemplified through the last few years of the pandemic.
- 7.33 Public protection services (environmental health, environmental protection, licensing, and trading standards (a commissioned service)) carry out a wide range of specialist technical services, from ensuring food outlets are operating safely, to ensuring the taxi trade is operating according to prescribed legislation.
- 7.34 Coroners and Registrations provides facilities and support for the registration of births and deaths as well as a variety of ceremonies.
- 7.35 Bereavement Services touches the lives of residents of the city and sub region with an economic role for the city (in terms of employment and income) and an environmental role (with 65 acres of green space). A key focus in 2024/25 will be the opening of the city's new crematorium.
- 7.36 Leisure services for Plymouth are delivered through a Local Authority Trading Company, Plymouth Active Leisure (PAL), which has been in place since April 2022. PAL receives a significant subsidy from PCC currently. 2024/25 will be its second year of operation, and PAL are developing new ways of maximising usage and income to support the services.
- 7.37 Through the small sports development team they work to improve access to sports in the city working closely with Plymouth Active Leisure and delivering schemes such as Fit and Fed and manage the open access youth programme along with delivering some targeted youth groups for vulnerable young people in Plymouth.

**Place Directorate**

- 7.38 The Place directorate has a net annual revenue budget of £29m (12% of the Council's net revenue budget). Its gross annual budget is £101m. It has an income of £72m annually which is made up predominantly of grant and commercial income. The directorate has over the years significantly increased its income and reduced its net revenue spend significantly from £45m in 2013/14 to the current annual cost.
- 7.39 The Place directorate has three departments that carry out its work. These are Strategic Planning and Infrastructure (Strategic and development planning, housing, strategic transport schemes, public transport, and climate change), Economic Development (Regeneration, Economy and Enterprise, Commercial property, Freeport, National Marine Park, Culture, Events and Tourism) and finally Street Services (waste collection and disposals, street scene, trade and commercial waste, Highways, Parking and marine services). The majority of these services are universal services that benefit and interface with the lives all of residents, businesses and visitors to the city
- 7.40 Strategic Planning and Infrastructure (SPI) plays a key role in creating the frameworks to drive growth and investment across the city, through its strategic and development planning functions. It delivers significant infrastructure investment through a £485m strategic transport

programme, which is over 80% externally funded. The Transforming Cities Fund programme continues to be delivered at pace with significant investment in the city's walking, cycling, public transport provision and related public realm. It will continue to support new homes delivery across the city. SPI leads the Council's climate change response working across all departments of the council and provides a leadership and co-ordination responsibility across city-wide partners. It will continue to deliver a pipeline of Low Carbon Projects (largely grant funded).

- 7.41 The city council's economic development department generates £24.7m income. A large part of this income comes through the running and management of a PCC owned commercial estate with a value of over £200m and annual rent roll of £18m. The department leads several major initiatives that take place across the city, including regeneration schemes in the city centre and waterfront such as the West End, Bath Street housing delivery, facilitating hotel developments, support for the refurbishment of the Civic and Guildhall as well as schemes such as the new Derriford District Centre. The department provides support to help businesses grow and create well paid jobs proactively account managing major businesses, having landed over £500m of Foreign Direct Investment into the city over the past 5 years. Our current pipeline has a number of potential investment projects. Economic development supports businesses locally through the city's two BIDs and Destination Plymouth – marketing the city locally, regionally, nationally, and globally – as well as delivering an annual events programme. Over the course of the next year, it will support the delivery of the Community Renewal and Shared Prosperity Funds and support our two business parks which employ over 250 people in 110 SME/start-up businesses. More than 250,000 annual visitors will be welcomed to the Box and it will continue to develop as a major museum and visitor attraction. Major interventions that will be further developed will include the National Marine Park, drawing down more £11.6m of Heritage Lottery Funding; as well as the mobilisation of the Plymouth and South Devon Freeport.
- 7.42 The Street Services department provides invaluable year-round services to residents across the city in areas of waste collection, cleansing and green spaces. It will continue to strive to provide those services and keep the city in as best a shape as possible. It will collect over 100,000 tonnes of recycling and residual waste from 120,000 households weekly, operate household waste recycling centres which receive 350,000 annual visits accepting 22,500 tonnes of materials and manage recycling banks across the city. Street Services will maximise and grow its commercial waste provision. It will clean over 21,000 acres and 1700kms of public roads and footpaths; as well as manage 500 hectares of green space, 30,000 trees, 22 formal parks and 127 playgrounds. Through its Highways and Parking team, it will continue to maintain the city's roads and pavements, its 47 car parks and manage the city's highway network.

## 8 Conclusion

- 8.1 This report sets out a balanced budget after the application of a Council Tax and precept increase which is proposed to be approved at Full Council.
- 8.2 To get to this position, Cabinet Members and Officers have incorporated the impact of the Settlement.
- 8.3 Cabinet have therefore recommended to Council to approve a budget position that will require it to adopt:
- A Council Tax increase of two point nine nine percent (2.99%)
  - An Adult Social Care Precept increase of two percent (2.00%)

## **9 Section 114 Report**

- 9.10 A report under Section 114 of the Local Government Finance Act 1988 is issued by the authority's Chief Finance Officer (Section 151 Officer). In law they are the most senior financial advisor to the wider Council's leadership on its financial plans and have the power and responsibility to legally suspend spending for a period if they judge the Council does not have a balanced budget or the imminent prospect of one.
- 9.11 It means that no new expenditure is permitted, apart from that funding statutory services. Any spending that is not essential or which can be postponed should not take place and essential spend will be monitored. Councillors have 21 days from the issue of a Section 114 report to discuss the implications at a Full Council meeting.
- 9.12 In addition, the Government can intervene on the running of a Council's services. Precedent shows intervention by Commissioners or an Intervention Board. These are individuals with expertise and vast experience in local government and ultimately, they have the power to direct the Council's day-to-day running, including all expenditure and budgetary decisions.
- 9.13 The Leader has received an In-principle letter setting out the current position of the request for a Capitalisation Direction. The Council has been actively engaged with DLUHC over the past six months and following CiPFA guidance and LGA advice, and following receipt of the letter, the Section 151 Officer is not proposing to issue a Section 114 report at this stage.

## **10 Medium Term Financial Plan (MTFP)**

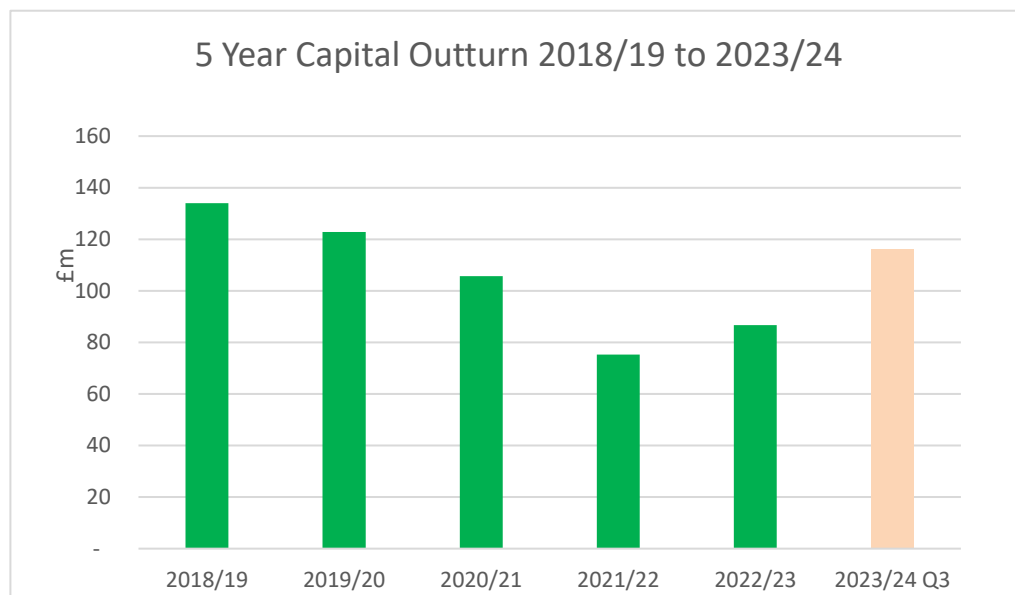
- 10.10 As part of developing the 2024/25 Budget, future years have been considered and modelled.
- 10.11 For the purposes of modelling only, Council Tax has been assumed at the current referendum threshold limits. It must be noted there are ongoing forecast shortfalls in resources and anticipated continuing costs and volume demands. The Council is already considering means of achieving balance in those years.
- 10.12 Moving forward the MTFP will be closely monitored to take account of proposals emerging from Government policy and Council initiatives as they become available to mitigate the shortfall. Further analysis of the full impact of the 2024/25 additional costs and savings, plus estimates of grant funding is required. This will include incorporating the impact of the revised regulations around Council Tax Premiums, and the revised treasury management costs to fund the capital programme, both current and future.

## **11 Equality & Diversity**

- 11.10 Plymouth City Council is committed to equality and diversity and to ensuring that the decisions we take promote equality. To help inform the development of the Council's budget and to ensure that we give 'due regard' to equality during this process, we are considering the equality implications of our budget decisions. A completed equality impact assessment will be presented with the final budget paper.
- 11.11 Alongside the overarching budget EIA (Equality Impact Assessment), separate assessments will be completed on individual decisions as they go through the decision-making cycle.

## **12. Section 3 - Capital Budget**

- 12.1 The Plymouth Plan is the principal driver for the Capital Programme. Primarily through its planning vehicle, the Plymouth and South West Devon Joint Local Plan, there are proposals to build new homes across the area, create new jobs, and to continue a major investment programme in modernising infrastructure including transport, schools, and green spaces.
- 12.2 This investment is assisting Plymouth in becoming the key economic driver for the far Southwest; it will ensure that communities and businesses have the facilities they need to continue to thrive and prosper. The investment supports growth within the local economy, and is generating additional business rates, Council Tax, and Community Infrastructure Levy (CIL).
- 12.3 The Council continues to take a strategic approach to the Capital Programme, having established ten outcomes aligned to the Plymouth Plan and the Plymouth and South West Devon Joint Local Plan; together with the investment and business planning programmes of other organisations to maximise delivery in the city and surrounding areas.
- 12.4 The Council must ensure sufficient funding is available to meet the requirements of the agreed projects within its Treasury Management Strategy, which is updated annually to reflect projects as they are developed for delivery. The Treasury Management Strategy is set out in appendix 12. This report was approved by the Audit and Governance committee on the 28th of November 2023.
- 12.5 As a result of the increasing Bank of England interest rate there is a higher cost of borrowing externally through Public Loans Work Board and other short term borrowing arrangements which will require ongoing monitoring and capital programme review to ensure we maintain the affordability of the programme.
- 12.6 The impact of current inflationary pressures on costs already assumed in the capital programme and on future schemes is likely to be material and to have a significant impact on what can be delivered within the existing funding boundary. Furthermore, the Council faces the risks of supply chain issues, insufficient supply of materials, increasing labour costs and skills shortage. However, a range of mitigations and responses to manage these inflationary risks are available to the Council, dependant on the detail and stage of scheme delivery. Sourcing external funding and containing cost pressures through re-engineering the project within existing sources of finance remains a priority given that there is limited scope to borrow to fund these pressures.

**Capital Expenditure 2018/19 – 2023/24**

12.7 The table below shows the breakdown of the current five-year Capital Programme forecast across the Directorates as at 31 December 2023.

**Five-Year Capital Programme by Directorate**

Directorate	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m	£m
Children's Services	3.540	0.304	0.130	-	-	3.974
People	8.764	21.506	9.030	0.220	-	39.520
Place - Economic Development	22.994	50.562	33.427	26.232	10.415	143.630
Place - Strategic Planning & Infrastructure	36.503	79.843	13.142	3.291	0.622	133.401
Place - Street Services	28.081	19.462	1.768	0.105	0.044	49.460
Customer & Corporate Services	4.718	5.166	2.206	-	-	12.090
Office for Director of Public Health	11.580	4.440	0.105	-	-	16.125
<b>Total</b>	<b>116.180</b>	<b>181.283</b>	<b>59.808</b>	<b>29.848</b>	<b>11.081</b>	<b>398.200</b>
Finance by:	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m	£m
Capital Receipts	4.306	3.587	1.414	0.245	0.611	10.163
Grant Funding	53.783	74.934	2.136	0.023	0.022	130.898
Corporate Funded borrowing	30.211	54.820	15.023	0.478	0.043	100.575
Service dept. supported borrowing	23.809	44.283	38.826	25.987	10.373	143.278
Developer contributions	2.859	3.526	2.323	3.071	0.032	11.811
Other Contributions	1.212	0.133	0.086	0.044	-	1.475
<b>Total</b>	<b>116.180</b>	<b>181.283</b>	<b>59.808</b>	<b>29.848</b>	<b>11.081</b>	<b>398.200</b>



**Five-Year Capital Programme by Outcome**

Primary Outcome of Projects	£m
Delivering a Net Zero Plymouth	68.758
Delivering a sustainable City Centre and Waterfront	43.372
Delivering a sustainable Derriford / Northern Corridor	43.940
Delivering a sustainable Eastern Corridor	0.966
Delivering sustainable homes for the city	26.385
Delivering essential City infrastructure / Improving neighbourhoods	48.936
Ensuring sufficient good quality school places	3.775
Delivering a sustainable economy	92.862
Connecting the City	28.702
Commercialisation of services (including property)	40.504
<b>Total</b>	<b>398.200</b>

- 12.8 The Council will endeavour to ensure a significant proportion of the funding for the Programme comes from external sources – grants from other organisations and Government departments and agencies being 33%. Capital receipts make up about 3% of the programme with S106 contributions and CIL constituting about 3%. Every effort is being made to secure funding from grant programmes and other external sources. With 61% of programme being financed from internal resources through corporate and service borrowing there is ongoing review of the programme to ensure the financing remains affordable.
- 12.9 Provision has been made within the 2024/25 proposed revenue budget for £6.171m to fund the existing programme.
- 12.10 This figure changes from time to time and comprises both ring-fenced and un-ringfenced grants, S106 resources and other external contributions. The revenue implications of the current programme and the agreed priorities have been addressed in developing the 2024/25 Medium Term Financial Plan.
- 12.11 The Council takes an organised and proactive approach to identifying, bidding for, and then securing external grants which reduces the pressure on the revenue budget. To ensure the capital programme remains sustainable in the long term officers continue to regularly monitor the level of borrowing.

**Prudential Code**

- 12.12 The Prudential Code for capital finance in local authorities 2021 edition was published in December 2021 and changes were primarily in respect of commercial investments and associated risks. The key change is a local authority must not borrow to invest primarily for financial return. Investment is permissible for projects that are for regeneration purposes within a local authority area. These changes involve additional financial implications for the revenue account and all projects have been reviewed accordingly. No new projects are included in the programme currently.
- 12.13 Commercial property and development activities in the Council operate under robust and effective governance arrangements as set out in the Constitution. The Council has a small team of experienced in-house chartered surveyors including an Asset Manager recruited specifically for the Regeneration Investment Fund who has extensive experience in property fund management obtained in the private sector.
- 12.14 The Capital Finance Strategy gives an overview of how the associated risks are managed and the implications for future financial sustainability. The strategy is attached as Appendix 12. This report was approved by the Audit and Governance Committee on 28th of November 2023.

**Climate Emergency**

- 12.15 Significant investment will be required to achieve the 2030 net zero target. A Climate Emergency Investment Fund was created in 2022/23 and projects continue to come forward for approval.
- 12.16 We are tackling the climate emergency and working to deliver our ambition to make Plymouth a carbon neutral city by 2030 through a wide range of measures, including bidding for funding for the Zero Emission Bus Regional Areas Scheme (ZEBRA 2).

**Delivering the Corporate Plan priorities**

- 12.17 The Council agreed a revised Corporate Plan at its meeting of 19 June 2023, which reflected the vision for the city and the Council and reframed the Council's mission, values and priorities to support these further details will be included in the finance budget report to Full Council.

**Conclusion**

- 12.18 The Capital Programme sets out a scheme of investment with all financial implications included in the revenue budget. This investment is supporting the growth agenda, within the city, including regeneration and contributing to the local economy and creation of jobs.
- 12.19 With the impact of high borrowing rates, the Capital Programme will continue to come under pressure.

**Appendix I - Council Tax Resolution**

- 13.1 To note that the Office of the Police and Crime Commissioner for Devon and Cornwall and The Isles of Scilly has issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area, reflecting a Twelve Pounds and Ninety Four Pence (£12.94 or 4.95%) increase for 2024/25 for a band D property.
- 13.2 To note that the Devon and Somerset Fire and Rescue Authority precepts have been confirmed reflecting a Two Pounds and Eighty Nine Pence (£2.89 or 2.99%) increase for 2024/25.
- 13.3 To note a contribution of £5,000,000 from reserves to balance the 2024/25 Council budget.
- 13.4 To use the Council Tax base for 2024/25 as 75,389 [Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act")]; calculate that the Council Tax requirement for the Councils own purposes for 2024/25 is £138,767,778.
- 13.5 To agree that the following amounts are calculated for the year 2024/25 in accordance with Sections 31 to 36 of the Act:
- £589,912,411 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (3) of the Act (Gross Expenditure and Transfers to Reserves).
  - £451,144,633 being the aggregate of the amounts which the council estimates for the items set out in Section 31A (3) of the Act (Gross Income and Transfers from Reserves).
  - £138,767,778 being the amount by which the aggregate at 9.5(a) above exceeds the aggregate amount at 9.5(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as it's council Tax requirement for the year. (Item R in the formula in section 31B of the Act).
  - £1,840.69 being the amount at 1.4(c) above (Item R), all divided by Item T (1.3 above), calculated by the council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year.

**Plymouth City Council**

Band	A	B	C	D	E	F	G	H
2023/24	£1,168.81	£1,363.61	£1,558.41	£1,753.21	£2,142.81	£2,532.41	£2,922.02	£3,506.42
2024/25 - Council Tax 2.99%	£34.95	£40.77	£46.60	£52.42	£64.07	£75.72	£87.37	£104.84
2024/25 Adult Social Care Precept 2.00%	£23.37	£27.27	£31.16	£35.06	£42.85	£50.64	£58.43	£70.12
<b>Total</b>	<b>£1,227.13</b>	<b>£1,431.65</b>	<b>£1,636.17</b>	<b>£1,840.69</b>	<b>£2,249.73</b>	<b>£2,658.77</b>	<b>£3,067.82</b>	<b>£3,681.38</b>

**Police**

Band	A	B	C	D	E	F	G	H
2023/24	£174.37	£203.44	£232.50	£261.56	£319.68	£377.81	£435.93	£523.12
2024/25 - Council Tax 4.95% (Band D)	£8.63	£10.06	£11.50	£12.94	£15.82	£18.69	£21.57	£25.88
<b>Total</b>	<b>£183.00</b>	<b>£213.50</b>	<b>£244.00</b>	<b>£274.50</b>	<b>£335.50</b>	<b>£396.50</b>	<b>£457.50</b>	<b>£549.00</b>

**Fire**

Band	A	B	C	D	E	F	G	H
2023/24	£64.53	£75.28	£86.04	£96.79	£118.30	£139.81	£161.32	£193.58
2024/25 - Council Tax 2.99% (Band D)	£1.92	£2.25	£2.56	£2.89	£3.53	£4.17	£4.81	£5.78
<b>Total</b>	<b>£66.45</b>	<b>£77.53</b>	<b>£88.60</b>	<b>£99.68</b>	<b>£121.83</b>	<b>£143.98</b>	<b>£166.13</b>	<b>£199.36</b>

Band	A	B	C	D	E	F	G	H
2023/24	£1,407.71	£1,642.33	£1,876.95	£2,111.56	£2,580.79	£3,050.03	£3,519.27	£4,223.12
2024/25	£1,476.58	£1,722.68	£1,968.77	£2,214.87	£2,707.06	£3,199.25	£3,691.45	£4,429.74

**Appendix 2 - Movement from November 2023 Draft Budget Update Report**

<b>Movement from Draft Budget to Proposed Budget</b>	<b>2024/25 £m</b>	
<b>November Cabinet Report – gap</b>		<b>2.358</b>
Resources - Business Rates multiplier additional to assumptions	(2.088)	
Resources - Revenue Support Grant - additional to assumptions	(0.140)	
Drawdown from Reserves	(5.000)	
Subtotal Additional Resources		(7.228)
Additional Social Care Grants	(7.951)	
Drawdown of available Capital Receipts	(1.448)	
Services Grant – reduction	1.952	
New Homes Bonus - allocation £43k v forecast £nil	(0.043)	
Subtotal adjustments		(7.490)
Public Health additional contribution to social care	(0.200)	
Income assumptions adjustments – Children's Directorate to revised £1.096m from previous £1.316m	0.220	
Subtotal savings		0.020
Cost allocation adjustments (see below)		12.340
<b>Revised - Proposed Budget Gap 2024/25</b>		<b>0.000</b>

<b>Movement from Draft Budget to Proposed Budget - costs</b>	<b>2024/25 £m</b>
Children's Directorate – additional staff	2.379
Children's Directorate - Management practice / leadership	0.486
Children's Directorate – SEND Home to School Transport	0.842
People Directorate – National Living Wage further increase to revised £11.44	1.924
Public Health - reversal assumed one-off 2023/24 allocation to social care	(0.250)
Customer and Corporate Services – rebase ICT and HROD budgets	2.556
Chief Executive Office – Legal Services additional resource	0.153
Corporate Items – reversal of assumed replenishment of Working Balance Reserve	(0.750)
Treasury Management Additional cost of borrowing	5.000
<b>Additional Costs movement</b>	<b>12.340</b>

**Appendix 3 - Additional cost pressures and adjustments**

<b>Directorate Summary Cost Pressures</b>	<b>£m</b>
Children's	12.079
People	13.706
Place	1.350
Chief Executive Office	0.153
Customer and Corporate Services	2.556
Corporate Items	11.352
	<b>41.196</b>

<b>Children's Directorate</b>	<b>£m</b>
Social care provision – Additional cost and volume of placements	7.072
Additional Social Workers	2.379
Management practice and leadership development	0.486
SEND Home to School Transport – Additional cost and volume	2.142
	<b>12.079</b>

<b>People</b>	<b>£m</b>
National Living Wage	5.372
Adult Social Care – Care Packages	5.047
Homelessness Cost and volume	3.287
	<b>13.706</b>

<b>Place Directorate</b>	<b>£m</b>
Reverse 2023/24 One-off savings – Strategic Contract Optimisation	0.430
Reverse 2023/24 One-off savings – Economic Development commercial bad debt	0.343
Reverse 2023/24 One-off savings – Foreshore reserve	0.129
Reverse 2023/24 One-off savings – Park & Ride reserve	0.100
Reverse 2023/24 One-off savings – License fee income	0.048
Grounds Maintenance (grass cutting including crematoria and play parks)	0.300
	<b>1.350</b>

<b>Chief Executive Office (CEX)</b>	<b>£m</b>
Legal Services – additional resource for Children's Social Care	0.153
	<b>0.153</b>

<b>Customer and Corporate Services</b>	<b>£m</b>
Additional departmental costs	1.014
Additional ICT costs – right-sizing the budget	1.322
Reverse 2023/24 HROD savings target	0.220
	<b>2.556</b>

<b>Corporate Items</b>	<b>£m</b>
Financing the existing Capital Programme	6.171
Replenish Minimum Revenue Provision (MRP) used in 2023/24	1.000
Consolidation of 2023/24 and 2024/25 staff remuneration costs	4.000
Schools Private Finance Initiative (PFI) additional utility cost adjustment	0.181
	<b>11.352</b>

<b>Corporate Adjustments</b>	<b>£m</b>
Reduction to 2023/24 additional allocation for utility (energy) inflation	(2.000)
Reallocate Treasury Management base budget to Customer and Corporate	(3.528)
Reverse 2023/24 one-off allocations (Social Care £1m & Street Services £0.3m)	(1.300)
Flexible use of Capital Receipts – Children's Directorate training and development	(1.448)
Amendments to Government Grants	
Adult Social Care Grants	(7.951)
New Homes Bonus	(0.043)
Reduction in Services Grant	1.952
	<b>(14.318)</b>

**Appendix 4 - Savings Proposals 2024/25**

<b>Summary of Savings by Directorate</b>	<b>£m</b>
Corporate Items	(0.900)
Children's Directorate	(1.096)
ODPH (Office of the Director of Public Health)	(0.200)
People	(1.500)
	<b>(3.696)</b>

<b>Corporate Items</b>	<b>£m</b>
MRP one-off use of previous over provision	(0.400)
Release from Bad Debt provision	(0.500)
	<b>(0.900)</b>

<b>Children's Directorate</b>	<b>£m</b>
Reduce Residential - improved Commissioning Service and identify more appropriate placements	(1.380)
Reduce Independent Fostering and increase In-House capacity	(0.245)
Reduce Supported Living Cohort with improved Edge of Care & Locality services	(0.248)
Enabled by: Review In-House Fostering and improve capacity and	0.649
Improved Special Guardianship Offer	0.128
	<b>(1.096)</b>

<b>ODPH</b>	<b>£m</b>
Maximisation of grants across ODPH	(0.200)
	<b>(0200)</b>

<b>People</b>	<b>£m</b>
Managing demand in homelessness	(1.000)
Review Adult Social Care Bad Debt provision	(0.500)
	<b>(1.500)</b>

**Appendix 5 - Resources 2024/25**

Unringfenced Resources	Budget		
	2023/24 £m	2024/25 £m	Movement £m
Council Tax 2023/24 Base	(130.625)	(130.625)	-
Council Tax Growth (number of properties)		(1.767)	(1.767)
Additional Council Tax		(3.947)	(3.947)
Additional Adult Social Care Precept		(2.640)	(2.640)
Council Tax Collection Fund		(0.500)	(0.500)
<b>Revised Council Tax</b>	<b>(130.625)</b>	<b>(139.479)</b>	<b>(8.854)</b>
Business Rates 2023/24 Base	(75.253)	(75.253)	-
Business Rates Growth (number of properties)		(2.474)	(2.474)
S3I Grants – Multiplier offset		(4.338)	(4.338)
Business Rates Pool gain		(2.750)	(2.750)
<b>Revised Business Rates</b>	<b>(75.253)</b>	<b>(84.815)</b>	<b>(9.562)</b>
RSG with 6.7% CPI uplift	(11.562)	(12.328)	(0.766)
Reserves	(1.000)	(5.000)	(4.000)
<b>Total Resources</b>	<b>(218.440)</b>	<b>(241.622)</b>	<b>(23.182)</b>



**Appendix 6 - Indicative 2024/25 Directorate Budget**

Directorate	2023/24	2024/25			
	Net Budget	Cost Increases	Adjustments	Savings/ Income	Net Budget
Corporate Items	(13.846)	11.352	(14.318)	(0.900)	(17.712)
Children's	63.493	12.079	-	(1.096)	74.476
People	96.345	13.706	-	(1.500)	108.551
Public Health	2.829	-	-	(0.200)	2.629
Place	29.469	1.350	-	-	30.819
Chief Executive's Office	6.403	0.153	-	-	6.556
Customer and Corporate Services	33.747	2.556	-	-	36.303
<b>Total</b>	<b>218.440</b>	<b>41.196</b>	<b>(14.318)</b>	<b>(3.696)</b>	<b>241.622</b>

**Appendix 7 – Financial Risks**

	Impact & Probability		Impact & Probability		
Issue	Risk before Mitigation		Management Corrective Action	Risk after Mitigation	
	I	P		I	P
<p>Pension deficit transaction October 2019</p> <p>Advised by our external auditors that we need a resolution ahead of the budget setting Full Council.</p> <p>There remains a risk that</p> <p>1) the outcome is not as requested and</p> <p>2) the subsequent budget required leaves us financially vulnerable</p>	5	5	<p>Receipt of an In Principle letter 27 February 2024 allows us to proceed with the budget as proposed</p> <p>Good progress is being made towards the Capitalisation Direction and we await an outcome within the timeframe.</p>	1	1
<p>Without a Capitalisation Direction from DLUHC there will be a requirement to expense the pension deficit in 2024/25. Immediate impact on the proposed budget which will no longer support the transaction.</p>	5	5	<p>Alternative budget will be required and presented to Cabinet for approval.</p> <p>Drawdown of all usable reserves and release of Working Balance</p> <p>A balanced but unsustainable budget – subsequent issue of SI 14 Report.</p>	5	5
<p>The Council's expenditure exceeds the resources available to meet the expenditure within the Medium Term Financial Plan period (2023/24-2027/28)</p> <p>Continuing high inflation</p> <p>Continuing high interest rates</p> <p>Continuing high fuel and utility costs</p>	5	5	<p>System of monthly financial reporting to DMT's, CMT, and Cabinet and Quarterly to Full Council, with monthly consideration of directorate level financial issues at each Scrutiny Committee. In addition, the Council has introduced a system of detailed monitoring of the delivery of savings targets so that a view is published monthly in Cabinet reports.</p> <p>The governance system of the Council - as unpacked in the Annual Governance Statement comprise a rigorous system of financial control.</p>	4	4

<p>The Council's income targets and savings are not met putting pressure on resources and directorate budgets.</p> <p>Council Tax collection falls below rate set at 97.5%</p> <p>Business failure leads to reduced rates income.</p> <p>Increased fees and charges result in reduced demand e.g. car parking.</p> <p>Savings targets not met putting pressure on directorate budgets</p>	4	4	<p>The Council holds an annual review of fees and charges and has annual and ongoing programmes of work to identify and implement potential savings opportunities.</p> <p>The 2024/25 uplift to fees and charges is in line with CPI.</p> <p>Further technical adjustments to the method of providing debt repayment should result in the income targets being achieved.</p>	4	3
<p>Treasury Management</p> <p>The capital cost of borrowing continues with no medium-term reduction in interest rate.</p> <p>Cost of borrowing prohibits future investments opportunities and limits current project profile.</p>	5	5	<p>Full review of existing Capital programme is underway by the PFH for Finance, Chief Executive and S151 Officer</p> <p>Regular TM meetings to understand the impact of high interest rates on prevailing approved project.</p>	5	4
<p>2024/25 Budget built on delivery of 2023/24 savings of £23m being achieved.</p> <p>Failure to achieve will create a gap in the 2024/25 finances, further pressure on already depleted reserves</p>	4	5	<p>The month 9 monitoring report for 2023/24 shows the delivery of £17m of the savings. Of the shortfall, £1m relates to in-year one off savings and a further £5m which have been covered in the proposed budget.</p>	3	4
<p>2023/24 Overspends continue:</p> <p>Treasury Management comes under continued pressure due to the interest rates and increasing project delivery costs.</p> <p>Service demands increased within the Children's Directorate. 2023/24 Month 9 monitoring report shows an overspend of £8.9m on the children's social care budget.</p> <p>SEND Home to School transport is reported a forecasted overspend of £1.859m</p> <p>Customer and Corporate Services is a reported an overspend of £1.9m</p> <p>People Directorate is reporting £1.3 pressure for Adult Social Care and a further £2.4 for additional costs due</p>	5	5	<p>Mitigations include:</p> <p>Monthly Housing tasks force and</p> <p>Monthly Children's Services Transition Board and review transition action plans and costs.</p> <p>Use of Capital Receipts to finance statutory services within Children's.</p> <p>Ongoing dialogues with the ICB (Health) to further improve social care provision and manage costs.</p> <p>Planned review of back office to support costs within Customer and Corporate services to drive new ways of working and incorporate the use of AI.</p>	5	3

to the demand for temporary accommodation					
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**Appendix 8 - Local Government Finance Update - Statement made on 29 February 2024**

Simon Hoare – Minister for Local Government

Extract from:

In line with the usual framework for agreeing capitalisation directions, appropriate conditions will apply. These are intended to ensure that the process is only used in circumstances where it is truly necessary; address the drivers of the issues that have led to local authorities requesting support; and ensure continued progress towards achieving financial sustainability. In all cases, the Government expects these local authorities to take into account the need to reduce wasteful expenditure, and ensure every area is making best use of taxpayers' money. Where statutory interventions are in place, any final agreement to support will be contingent upon the demonstration of ongoing improvement, transformation and recovery.

Where the Government has agreed to provide support, it is essential that appropriate assurance arrangements are in place. Where appropriate, any final agreement to support will be conditional upon the completion of rigorous external assurance reviews to assess, at a minimum, the local authorities' financial management practices, and the production of improvement and transformation plans that focus on securing the local authorities' medium-term financial position. The Government is taking additional action in the case of Plymouth City Council, which has requested a very significant capitalisation as a direct result of the incorrect accounting treatment of a transaction in 2019-20 through which the Council borrowed to pay off a large part of its pension deficit. Given the unusual nature of Plymouth's approach, the in-principle capitalisation is conditional on a thorough, independent investigation into the transaction.

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# CABINET RESPONSE TO BUDGET SCRUTINY RECOMMENDATIONS 2024/25



No.	Recommendation	Proposed Cabinet Response
1.	Recommend that work is undertaken to assess the impact upon all council budgets of dealing with unauthorised encampments (UE).	As a motion on notice was agreed at Council on this subject, Cabinet has accepted this recommendation and will direct officers to begin undertaking this work.
2.	Welcome continuation of current Community Grant Scheme and recommend an increase back to £5,000 per member.	Cabinet is aware of the importance of the Community Grant Scheme for Councillors to support communities in their wards. Unfortunately given the current financial context further increases are not possible, but this will be kept under consideration for future years budgets.
3.	Reprofile the Capital programme to ensure that the programme is affordable for the revenue budget.	This recommendation will be dealt with by the Cabinet when considering the draft budget in February.
4.	Recommend an expansion of the housing programme for Care Leavers.	This recommendation will be dealt with by the Cabinet when considering the draft budget in February.
5.	Recommend that a cross party working group is established to consider contractual arrangements for major projects and the methodology for procurement.	This recommendation will be dealt with by the Cabinet when considering the draft budget in February.

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**BUDGET ENGAGEMENT 2024-25**

Results Report – Cabinet 08 January 2024



## I. INTRODUCTION

A public engagement to support the 2024-25 budget setting process took place between Tuesday 14 November and Monday 11 December 2023. A questionnaire was developed which asked respondents their view on which priorities the Council should focus on in the coming year - the Council's priorities are:

- Working with the Police to tackle crime and anti-social behaviour.
- Fewer potholes, cleaner, greener streets and transport.
- Build more homes - for social rent and affordable ownership.
- Green investment, jobs, skills and better education.
- Working with the NHS to provide better access to health, care and dentistry.
- Keeping children, adults and communities safe.
- Making Plymouth a great place to grow up and grow old.
- Minimising the impact of the cost-of-living crisis.

The questionnaire also asked respondents to provide their level of agreement on six statements in regard to managing the Council's budget. The statements were designed to 'test' public opinion on a range of activity that could be considered by the Administration to balance the Council's budget for the 2024-25 fiscal year.

- 436 online questionnaires were completed and entered for analysis.

The results of this engagement will be considered by the Council's Cabinet and will form part of the final Budget report to Council in February 2024.

## METHODOLOGY AND COMMUNICATION

A simple questionnaire was developed to help identify which priorities respondents felt the Council should be focussing on over the next year and to generate ideas to help the Council balance the books for 2024.

The questionnaire was available online through Plymouth City Council's consultation portal and hard copies were made available upon request.

An engagement with business representatives took place on 13 December 2023.

A communications plan was developed which set out the required materials, branding and opportunities for advertising and promoting the engagement.

The engagement exercise was promoted through a news release and the Council's website, social media channels and email bulletins for residents.

The engagement featured on the home page of the Council's website and a budget web page provided more information and a link to the questionnaire.

Social media posts were shared by community leaders and councillors and engagement was amplified by shares with community Facebook groups.

There were regular reminders on social media and through email bulletins.

*Note: all percentages cited in this report are rounded to the nearest whole percentage point.*

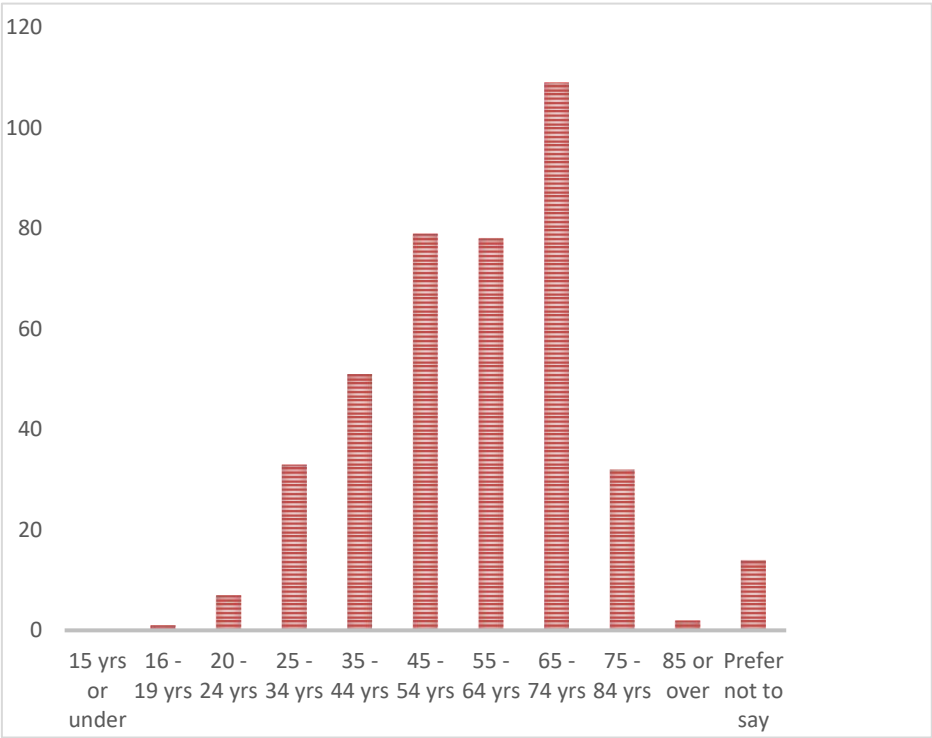


SECTION I - WHO RESPONDED?

This section provides an overview of how many people responded and the demographics of those respondents.

The following demographic information has been compiled from the total number of questionnaires analysed (436). This information has been used to identify the views of different groups of people where possible throughout this report.

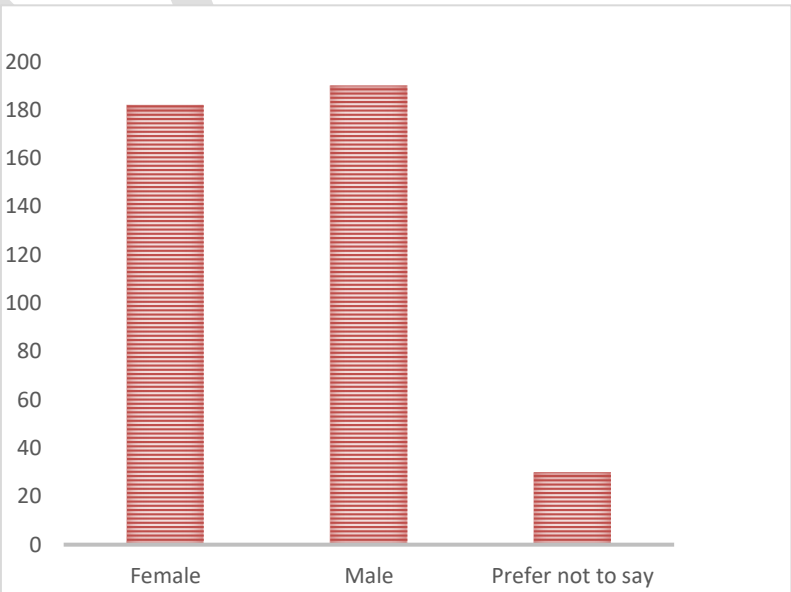
Chart 1: Respondent by age



Base: 406

The age group with the highest number of respondents was the 65 – 74 age group (109, 27%). This was followed by those aged between 45 and 54 (79, 19%) and those aged between 55 and 64 (78, 19%). There was a lower level of response from respondents aged 75 and over and those aged 24 or under.

Chart 2: Respondent by sex

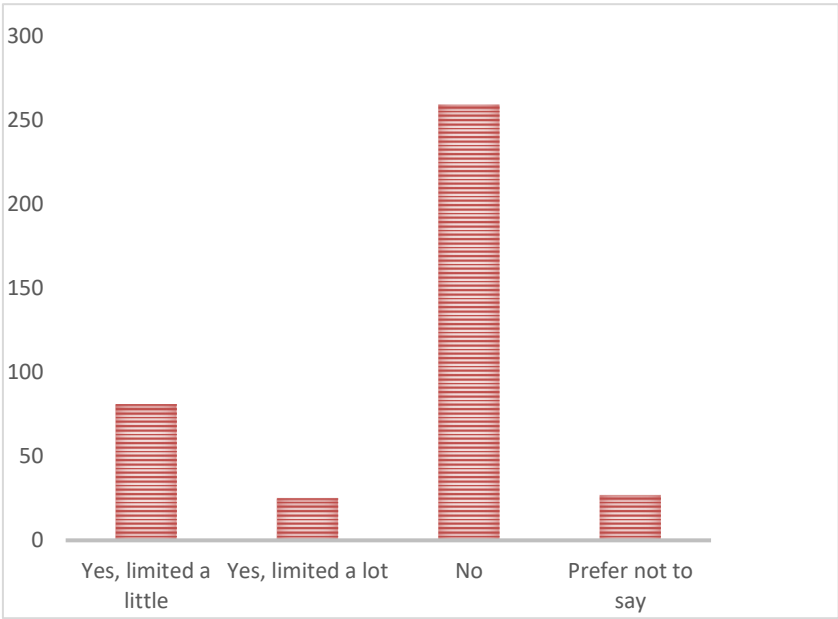


Base: 402

This engagement generated a slightly higher number of male respondents (190, 47%) compared to female respondents (182, 45%).

The majority of respondents indicated that their gender identity was the same as the sex that they registered with at birth.

**Chart 3: Respondent by health and disability**



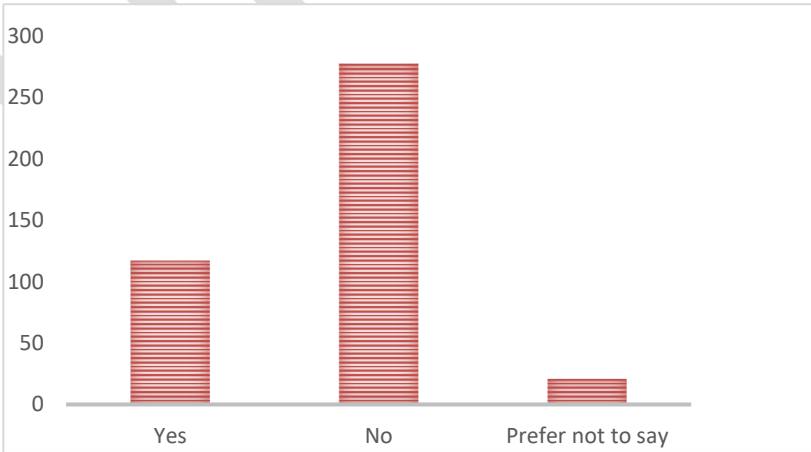
Base: 392

Most respondents indicated that they did not have any limitations due to a health condition or disability (259, 66%). 27 per cent of respondents did indicate that they were 'limited a little' or 'limited a lot'.

The majority of respondents identified their ethnicity as 'White' (329, 75%). The engagement received a small number of responses from other ethnic groups (9 in total).

The majority of respondents stated that they were not previously served in the armed forces, regular or reserves (331, 81%), however 56 respondents stated that had (14%).

**Chart 4: Respondent by care experience**



When asked about experience of the care system, 117 respondents indicated that they had care experience (28%), whilst 277 (67%) said that they didn't.

SECTION 2 – YOUR PRIORITIES

The questionnaire asked respondents to select up to three priorities that the Council should focus on in the coming year - the Council’s priorities are:

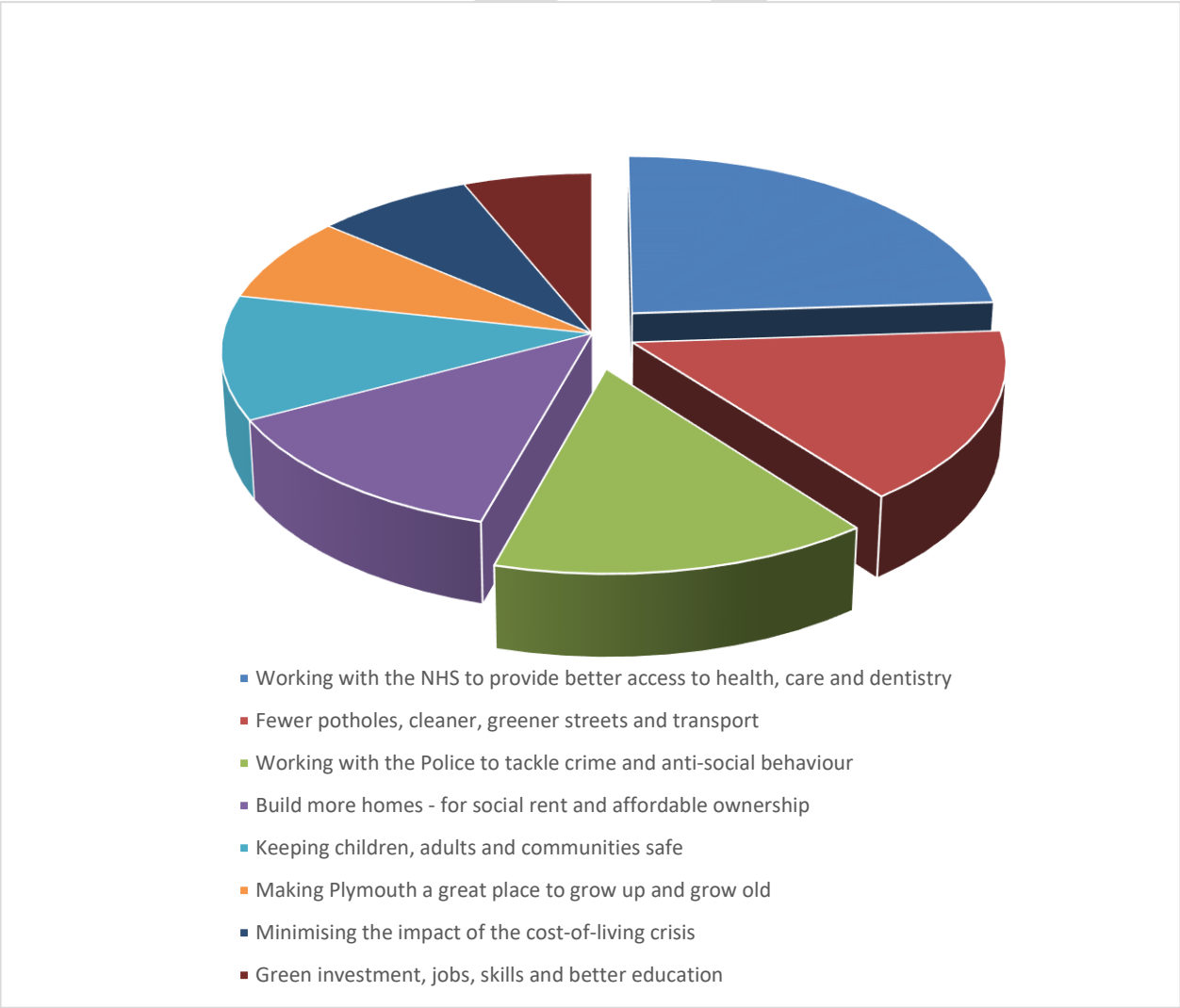
- Working with the Police to tackle crime and anti-social behaviour.
- Fewer potholes, cleaner, greener streets and transport.
- Build more homes - for social rent and affordable ownership.
- Green investment, jobs, skills and better education.
- Working with the NHS to provide better access to health, care and dentistry.
- Keeping children, adults and communities safe.
- Making Plymouth a great place to grow up and grow old.
- Minimising the impact of the cost-of-living crisis.

The analysis added together the selections made by respondents to generate a final number and the top three priorities. Respondents could not choose the same priority more than once.

The results show that 251 respondents selected ‘working with the NHS to provide better access to health, care and dentistry’ as the top priority that they would like the council to focus on in the next 12 months.

This was followed by ‘fewer potholes, cleaner, greener streets and transport’, selected 169 respondents and then ‘working with the Police to tackle crime and anti-social behaviour’ which was selected by 160 respondents as one of their top three.

Chart 5: Top priorities



## Further analysis of priorities

**Age:** Respondents aged 34 years or under selected 'working with the NHS to provide better access to health, care and dentistry' and 'minimising the impact of the cost-of-living crisis' as priorities for the Council to address. Those aged between 35 and 64 years selected 'working with the NHS to provide better access to health, care and dentistry' and 'working with the Police to tackle crime and anti-social behaviour' as clear priorities they want the Council to focus on over the next 12 months. Those respondents aged 65 years and over clearly want the Council to work with the NHS to provide better access to health, care and dentistry.

**Sex:** Both male and female respondents selected 'working with the NHS to provide better access to health, care and dentistry' as a top priority for the Council to address. Female respondents also chose 'working with the Police to tackle crime and anti-social behaviour' as a clear priority, whereas male respondents chose 'fewer potholes, cleaner, greener streets and transport'.

**Veterans:** Respondents who indicated that they had served in the armed forces either as a regular or reserve selected 'working with the NHS to provide better access to health, care and dentistry' and 'fewer potholes, cleaner, greener streets and transport' as clear priorities they want the Council to focus on over the next 12 months.

**Disability and health:** Respondents who indicated that they were limited a lot or limited a little with a disability or health condition selected 'working with the NHS to provide better access to health, care and dentistry' as a top priority for the Council to address – this was also selected most frequently by those who were not limited with a disability or health condition. 'Build more homes - for social rent and affordable ownership' was also a priority selected by those with a disability or health condition.

**Care experience:** Respondents who indicated that they had experience of the care system selected 'working with the NHS to provide better access to health, care and dentistry' and 'working with the Police to tackle crime and anti-social behaviour' as clear priorities they want the Council to focus on over the next 12 months.

## Further comments relating to Council's priorities

Within this section of the engagement, respondents were asked to think about whether there was anything in addition to the Council's priorities that should be an area of focus for the coming year.

Out of the total 436 respondents, 170 entered a written response to this question. These free text responses were analysed thematically, for most part the free text space was used by respondents to verify their selected priorities and add context. Comments relating to better public transport, filling potholes, enhanced parking enforcement or no more parking charge increases, city cleanliness, access to green space and the issue with lack of NHS dentistry.

There were a high number of comments relating to better access and funding for adult social care and more general support for vulnerable residents including children, young people and issues around homelessness (30). A selection of comments is provided below.

*"Education system working together with the council and NHS and support mental health and behavioural issues at schools."*

*"I think we should be doing more for homeless people. It is totally unacceptable that in the 21st century, people are living in tents on our streets. There are so many unoccupied houses, especially on MOD housing estates that should be given to homeless people."*

*"Keeping disabled people in their own homes by providing adaptations to keep them independent."*

*“More activities for youth, spread around the city, to actually engage young people, especially 8 - 18-year-olds, to keep them out of trouble due to boredom...”*

*“Social care for young and old is in crisis and the most vulnerable people in our community are the ones suffering because of it. This should not happen in a civilised society.”*

Keeping libraries open was mentioned a few times in terms of something the council should focus on.

The comment that had the greatest single-issue focus was allotments (13), mainly in relation to reducing fees to encourage use, but respondents also cited how access to allotments has additional benefits.

*“Work more imaginatively with existing services and groups e.g. allotments do not get a mention here but thousands of residents benefit from cheaper and better food, mental and physical health, sense of community.”*

*“Allotment charges are amongst the highest in the Country; this is counter to three of PCCs published priorities: Green Investment; Making Plymouth a great place to grow old and Minimising the impact of cost-of living crisis.”*

*“Allotments provide source of exercise, social interaction and food provision, an area to be greatly encouraged. I would plead that these are supported, that rents are not increased again. Rises risk many folks being discouraged from maintaining their plots, especially the elderly who gain so much.”*

Encouraging business growth and investment into the city, alongside an ask that the Council focus on culture, art and sport also received a handful of comments worth noting.

*“Business growth needs to be a priority otherwise you can't afford anything else. You need to prioritise making Plymouth an attractive place for business investment. Get to it.”*

*“Facilitate the partnership between business and culture to have a joined up social value ask to feed into the top 3 three priorities.”*

*“Supporting and enhancing culture - which the Council already does extremely well by helping to finance the Box, the Theatre Royal, the upcoming Hoe Festival, etc.”*

### SECTION 3 – MANAGING OUR BUDGET

Section 3 of this engagement asked respondents to indicate the extent to which they agreed or disagreed with a series of statements.

- **The Council should protect local services where possible by delivering these in different and/or more efficient ways.**

This question generated 430 responses, of which 92 per cent of respondents (395) agreed or strongly agreed that the Council should protect local services where possible by delivering these in different and/or more efficient ways – over 50 per cent strongly agreed with this statement and only one per cent disagreed or strongly disagreed. 30 respondents neither agreed nor disagreed with the statement.

- **The Council should help avoid reducing or stopping services by increasing fees and charges by the rate of inflation.**

This question generated 425 responses, of which less than 50 per cent (46%, 196) agreed or strongly agreed that the Council should help avoid reducing or stopping services by increasing fees and charges by the rate of inflation – 33 per cent (139) disagreed or strongly disagreed with this statement. 90 respondents neither agreed nor disagreed with the statement.

- **The Council should avoid cutting services by following the Government's assumption that councils will maintain their spending power by increasing Council Tax by up to 2.99%.**

This question generated 426 responses, of which less than 50 per cent (47%, 202) agreed or strongly agreed that the Council should avoid cutting services by following the Government's assumption that councils will maintain their spending power by increasing Council Tax by up to 2.99 per cent – 32 per cent (138) disagreed or strongly disagreed with this statement. 86 respondents neither agreed nor disagreed with the statement.

- **The Council should help pay for rising demand for care services for elderly and vulnerable adults by accepting the 2% precept the Government allows to be added to Council Tax for this purpose.**

This question generated 428 responses, of which 52 per cent (224) agreed or strongly agreed that the Council should help pay for rising demand for care services for elderly and vulnerable adults by accepting the 2 per cent precept the Government allows to be added to Council Tax for this purpose – 29 per cent (126) disagreed or strongly disagreed with this statement. 78 respondents neither agreed nor disagreed with the statement.

- **The Council should lobby central government for more funding and a fairer share for Plymouth.**

This question generated 424 responses, of which 93 per cent (393) agreed or strongly agreed that the Council should lobby central government for more funding and a fairer share for Plymouth – 75 per cent strongly agreed with this statement and only 3 per cent (12) disagreed or strongly disagreed with this statement. 19 respondents neither agreed nor disagreed with the statement.

- **The Council should help achieve the ambition for Plymouth to become a carbon neutral city by 2030 by using 'green' energy sources wherever possible.**

This question generated 420 responses, of which 54 per cent (229) agreed or strongly agreed that the Council should help achieve the ambition for Plymouth to become a carbon neutral city by 2030 by using 'green' energy sources wherever possible – 25 per cent (105) disagreed or strongly disagreed with this statement. 86 respondents neither agreed nor disagreed with the statement.

### Further analysis of statements

Analysis was carried out to identify whether there were any differences in views between respondents with different protected characteristics in relation to each of the statements.

NB: these results are not statistically significant and in some cases the numbers of respondents is very low within the different protected characteristics. The results are only indicative of the different views.

- **The Council should protect local services where possible by delivering these in different and/or more efficient ways.**

There were no discernible differences in views between respondents with different protected characteristics in relation to this statement. The majority of respondents agreed or strongly agreed.

- **The Council should help avoid reducing or stopping services by increasing fees and charges by the rate of inflation.**

The results don't show a great difference in levels of agreement or disagreement for this statement, however, those aged between 20 and 24 years were more likely than any other age group to agree or strongly agree with this statement, with those aged between 25 and 34 years more likely than any



other age group to disagree. There was no discernible difference in views between those respondents who indicated that they had a disability or health condition and those who did not, nor between female and male respondents.

Those respondents who indicated that they previously served in the armed forces were slightly less likely to agree with this statement than those who had not, however their level of disagreement was the same as those who had not previously served in the armed forces. Those who indicated that they had experience of the care system were slightly more likely to disagree with this statement than those who had not.

- **The Council should avoid cutting services by following the Government's assumption that councils will maintain their spending power by increasing Council Tax by up to 2.99%.**

Those aged 55 years and over were slightly more likely to agree or strongly agree with this statement with the 65 to 74 years age group being most likely to agree. Those aged under 44 years more likely to disagree or strongly disagree with this statement. There was no discernible difference in views between those respondents who indicated that they had a disability or health condition and those who did not, nor between female and male respondents or between those who indicated that they had experience of the care system and those who had not.

Those respondents who indicated that they previously served in the armed forces were slightly more likely to agree with this statement than those who had not. Those who indicated that they had experience of the care system were slightly more likely to disagree with this statement than those who had not.

- **The Council should help pay for rising demand for care services for elderly and vulnerable adults by accepting the 2% precept the Government allows to be added to Council Tax for this purpose.**

Those aged 55 years and over were slightly more likely to agree or strongly agree with this statement with the 75 to 84 years age group being most likely to agree or strongly agree with this statement.

Those respondents who indicated that they had a disability or health condition were slightly more likely to agree with this statement than those who did not and those who did not were more likely to disagree. Female respondents were quite a bit more likely to agree or strongly agree with this statement.

There was no discernible difference in views between those respondents who indicated that they had previously served in the armed forces and those who had not. Those who indicated that they had experience of the care system were quite a bit more likely to agree with this statement than those who had not.

- **The Council should lobby central government for more funding and a fairer share for Plymouth.**

There were no discernible differences in views between respondents with different protected characteristics in relation to this statement. The majority of respondents agreed or strongly agreed.

- **The Council should help achieve the ambition for Plymouth to become a carbon neutral city by 2030 by using 'green' energy sources wherever possible.**

Those aged 44 years and under were more likely to agree or strongly agree with this statement with the 20 to 24 and 25- to 34-year-old age groups being most likely to agree. Those respondents who indicated that they had a disability or health condition were less likely to agree with this statement than those who did not. Female respondents were quite a bit more likely to agree or strongly agree with this statement and male respondents were more likely to disagree.

Those respondents who indicated that they previously served in the armed forces were quite a bit more likely to disagree with this statement than those who had not. Those who had not served the

armed forces were quite a bit more likely to agree or strongly agree with this statement. Those who indicated that they had experience of the care system were quite a bit less likely to agree with this statement.

## SECTION 4 – FURTHER COMMENTS

This final section asked respondents if they had any further suggestions about ways in which the Council could save money or raise revenue to support services.

Out of the total 436 respondents, 182 entered a written response to this question.

Several respondents (26) suggested that the Council could save money by reducing staff costs. The most common suggestion was to reduce the number or salary of senior managers. Other comments related to reducing the overall number of staff by increasing efficiency and removing any posts that were considered unnecessary.

*‘Cut the massive salaries of those at the top and stop hiring advisors who are also paid huge amounts of money’.*

*‘Cut waste whenever possible. Use staff efficiently and be prepared to slim the workforce down if possible’.*

13 respondents felt that either the number of Councillors should be reduced to save money or that expenses paid to Councillors should be reduced.

*‘Remove perks from councillors, this used to be a voluntary position, paying only wages lost whilst doing council work’*

*‘Don’t pay councillors extra money just because they have ‘special responsibilities’. Reduce councillors expenses’.*

The second most common suggestion (22) was for the Council to focus on the provision of core services and reduce spending on services or projects considered unnecessary.

*‘Focus ENTIRELY on providing real services for real people, and ONLY spend our tax money on providing proper services’.*

*‘Reduce the amount spent on vanity projects that do not increase the wellbeing of people who live in Plymouth’.*

*‘Stop wasting money on traffic issues, beryl bikes etc. sort the essential basics first’.*

12 respondents suggested that the Council should make more use of volunteers or the Voluntary and Community Sector (VCS). A couple of respondents also suggested that the unemployed could be asked to volunteer.

*‘We could concentrate on using local volunteers to help encourage people to help take care of where they live. This could include tree planting, litter collecting and removing graffiti.’.*

*‘Citizens task forces for street cleaning, rubbish clearing, verge cutting etc. Similarly long term unemployed task force for maintaining social housing stock & grounds’.*

## CAPITAL FINANCING STRATEGY 2024/25



### INTRODUCTION AND CONTEXT

This capital strategy report gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance members' understanding of these sometimes-technical areas. It is a requirement of the amendments implemented in the 2018 Treasury Management Code of Practice Guidance that all Local Authority's will need to produce a Capital Strategy each year.

Decisions made this year on capital and treasury management will have financial consequences for the Council for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.

The strategy will provide an overarching policy framework for the Council's capital programme and planning and will form part of a suite of strategies which provide a holistic view of the Council's financial planning framework. This document should be considered in conjunction with the Medium-Term Financial Strategy, Treasury Management Strategy, and Investment Strategy.

### CAPITAL FRAMEWORK

The Council updated the Plymouth Plan 2014-2034 on 25 January 2021 which sets out the strategic direction for the city.

The Plan identifies specific strategic outcomes for the Council and its partners for the medium and longer-term; these outcomes align to those set in the Plymouth and Southwest Devon Joint Local Plan.

Performance is measured towards the delivery of the agreed outcomes and reported against on an annual basis.

In February 2023 the Council approved a budget which contained an uplift to the revenue budget of £4.190m to meet some of the increased costs associated with borrowing requirements to fund the capital programme. The current MTFP contains proposals to further increase this sum in 2024/25. The MTFP sets out a summary of schemes that the Council wishes to support and an indicative level of Council financial support which will assist in the delivery of those schemes which all deliver towards the city's outcomes.

### GOVERNANCE

The Financial Regulations detail how capital projects are approved and added into the capital programme.

All new schemes must be fully financed and receive relevant approval by Section 151 Officer; up to £0.200m, or by the Leader when above this threshold.

Each scheme will need to detail:

- the aim of the project and any other ways of achieving it
- how it will be funded
- if there are any future revenue implications from the project e.g., building maintenance.
- effects on staffing
- legal, contractual, and prudential borrowing code implications
- if the Council is acting through an agent or partnership, legal advice must be sought on whether it has the power to act in this way.
- if it is a key decision, any comments made during consultation and the Council's response.
- the estimated amount and timing of any capital and revenue spending.

All proposed new schemes will need to demonstrate how they meet the requirements of the City by presenting a Business Case for approval and detail which of the City's outcomes are being achieved and how the scheme will address this need.

Due diligence is carried out on all new proposals to determine whether the scheme is deemed suitable.

Once accepted, all new schemes, which will require both finance and legal signoffs, are published in the Executive Decision along with the Leaders decision.

Work has been completed on an updated governance process for the Capital Programme. This will provide members with further confidence that the schemes meet the expected requirements in line with the strategic direction of the city and be a baseline for capital reviews.

The Capital Financing Strategy is agreed annually with the Capital Programme as part of the annual budget setting process. Variations to the Capital Programme or in-year additions (subject to delegation), will be agreed by Cabinet through the presentation of quarterly Capital Programme monitoring.

## **CAPITAL PLAN**

The Capital Plan is the collective term which defines two key elements; the Capital Programme as approved by the Leader or S151 Officer and the Capital Pipeline which refers to possible future funding that may be available for future projects yet to be approved.

The Capital Programme is the list of schemes which have a confirmed funding source and have been approved for capital investment by the Leader following consideration of a robust, evidence-based business case.

"The Capital Pipeline" is the term used to refer to funding that the Council hopes to receive in the future but has not yet been approved. These consist of both ringfenced and unringfenced resources.

Ringfenced resources are essentially those that can only be applied to a specific purpose and include specific grants and S106 contributions etc. Unringfenced resources can be applied to any project and include unringfenced grants and borrowing etc.

With the increased cost of borrowing, additional challenge is required on projects with service and corporate borrowing implications. This is to ensure that the approved Capital Programme (with allowances for reprofiling) remain within the financial constraints of the 2024/25 treasury management budget.

## CAPITAL PROGRAMME

Once approved, schemes are added to the Capital Programme for delivery.

The table below details the Capital Programme as at 30 September 2023 which is due to be reported to Cabinet and then Full Council 20 November 2023.

If any adverse variances are identified to approved schemes, there is a requirement for the schemes to identify the funding and to seek further approval. This is to enable authorisation for the increased expenditure and provides details of the variance.

### Five Year Capital Programme by Directorate

Directorate	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m	£m
Childrens Services	3.547	0.225	0.130	0	0	3.902
People	11.192	12.933	0.105	0.750	0	24.980
Place: Economic Development	29.921	60.524	24.532	14.734	10.407	140.118
Place: Strategic Planning and Infrastructure	63.676	62.803	2.127	0.066	0.608	129.280
Place: Street Services	29.273	17.666	1.712	0.103	0.042	48.796
Customer & Corporate Services	5.911	4.928	1.256	0	0	12.095
Office for Director of Public Health	10.822	3.772	0	0	0	14.594
<b>Total</b>	<b>154.342</b>	<b>162.851</b>	<b>29.862</b>	<b>15.653</b>	<b>11.057</b>	<b>373.765</b>
<b>Financed by:</b>						
Capital Receipts	5.470	2.428	0.811	0.777	0.571	10.057
Grant funding	67.899	52.759	1.436	0.023	0.023	122.140
Corporate funded borrowing	44.080	45.707	6.134	0.276	0.072	96.269
Service dept. supported borrowing	31.758	54.634	21.199	14.487	10.373	132.451
Developer contributions	4.023	7.190	0.196	0.047	0.018	11.474
Other contributions	1.112	0.133	0.086	0.043	0	1.374
<b>Total Financing</b>	<b>154.342</b>	<b>162.851</b>	<b>29.862</b>	<b>15.653</b>	<b>11.057</b>	<b>373.765</b>

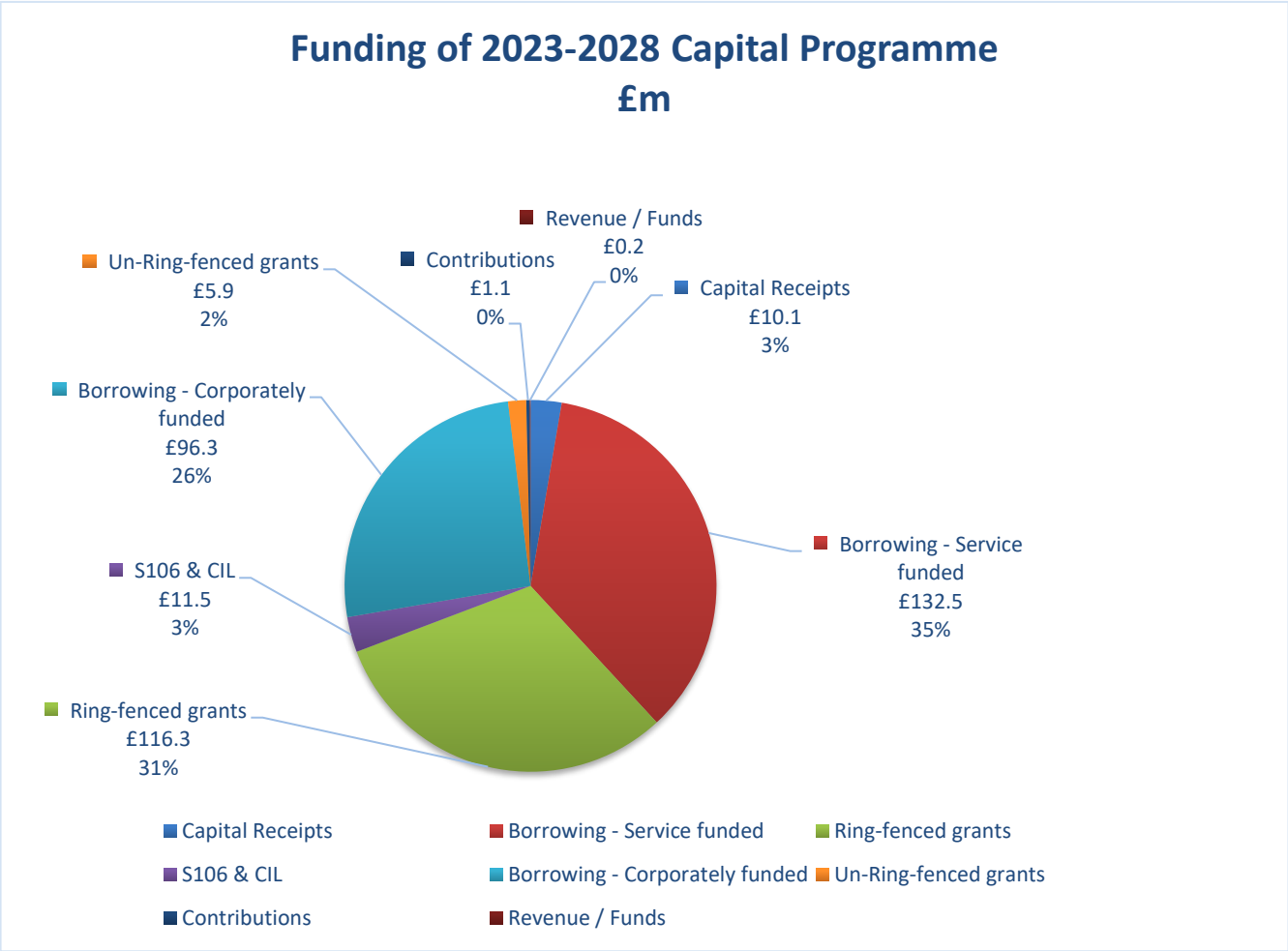
## CAPITAL EXPENDITURE AND FINANCING

Capital expenditure is defined as money spent on assets, such as property or vehicles, which will provide a service benefit for more than one year. In local government, this also includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 (land and buildings) and £5,000 (vehicles, plant, or equipment) are not capitalised and are charged to revenue in year.

Capital expenditure is financed by a range of sources which may either be ringfenced or unringfenced. The source of financing is always identified and approved at the time of capital project approval. The Capital Programme is currently financed by:

- Capital Receipts.
- Grants and contributions.
- S106 and Community Infrastructure Levy (CIL).
- Revenue Contribution to Capital Outlay (RCCO).
- Borrowing – both funded corporately, or where schemes deliver a saving, this is offset against the project and repaid by service. This requires directorate efficiencies and as shown in funding chart below service borrowing is the highest proportion of the capital programme funding across the next 5 years at 35%.

The Capital Programme is £373.765m. This is summarised below by funding source.



**PROPERTY AND REGENERATION FUND**

The Property and Regeneration Fund’s strategic objectives are to deliver regeneration, economic and employment growth with associated income benefits in the Plymouth Functional Economic Area.

This will enable the Council to invest in direct developments and forward funding opportunities to promote regeneration, safeguarding and creating new jobs as well as encouraging economic growth in the Plymouth Functional Economic Area.

The investment fund helps deliver the Plymouth Plan and assists in the redevelopment of brown field sites in the Plymouth area where it is difficult to attract external investment. Any regenerated areas encourage other private companies to invest in the locality as well as attracting external investment from inward investment by companies moving into the area.

## EXISTING INVESTMENT PROPERTIES

The Property and Regeneration Fund (previously known as the Asset Investment Fund) has approved investment of over £250 million in commercial property including direct development and forward funding commercial property schemes to deliver:

- Stimulation of economic and employment growth and regeneration in the Plymouth Functional Economic Area.
- Associated long-term income generation (via rental revenues) to support the wider financial position of the Council.

All investment decisions have been fully accountable and followed a sequence of internal reporting and signoffs. In addition, verification of the purchase price by external suitably qualified RICS Approved Valuers were obtained prior to any investment.

In terms of on-going governance arrangements, the fund's properties are managed alongside the Council's existing commercial property portfolio in accordance with delegated land and property procedures as set out in the Council's Constitution. In addition, the team undertake regular analysis at both a portfolio and property-level to benchmark performance and manage risk. To improve transparency and disclosure, a regular fund managers' report is produced, and a Management Group of key stakeholders meet regularly to review outputs.

## AFFORDABILITY

The Council considers all finances from a prudent perspective; this includes the assessment of affordability of all capital investments.

At the point of approval of a scheme, both the funding implications and any ongoing revenue implications are evaluated to enable informed decisions to be made regarding investment opportunities.

The short, medium, and longer-term impacts are all assessed taking into account any other wider policy implications which could impact on the decision.

As much of the capital programme is funded by borrowing, assumptions and decisions on the cost and affordability of the Council's borrowing is linked to the Public Works Loan Board (PWLB) interest rates, prudential indicators and the approved borrowing strategy as set out in the Treasury Management Strategy 2024/25.

## RISK MANAGEMENT

Risks are assessed continually from both an operational and financial perspective.

In carrying out due diligence, potential project risks are identified, and relevant mitigation measures documented prior to approval.

All risks are then managed in line with the Council's risk management policy which includes documenting risks on a risk register, assigning owners, regular review of risks and Red Amber Green (RAG) rating.

Subject to careful consideration, the Council may consider investing in a higher risk initiative should there be a significant direct gain to the Council's resources or enable more effective delivery of its statutory duties.

## **KNOWLEDGE AND SKILLS**

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Service Director for Finance is a qualified accountant with over 35 years' experience.

The Council pays for staff to study towards relevant professional qualifications including CIPFA, ACCA, CIMA, MRICS, CIPS etc.

Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as their treasury management advisers. This approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

## **CONCLUSION**

The Capital Strategy sets the context and framework for formulating the capital programme. It has been written to meet the requirements of CIPFA's Prudential Code and recommended best practice. The financial implications of this report will be fully detailed throughout the Revenue and Capital Budget 2024/25 when presented to Full Council for approval in February 2024.

Local authorities are required by regulation to have regard to the Prudential Code for Capital Finance in Local Authorities (published by the Chartered Institute of Public Finance and Accountancy, CIPFA) when carrying out their duties in England and Wales under Part I of the Local Government Act 2003. The Prudential Code requires local authorities to: "have in place a capital strategy that sets out the long-term context in which capital expenditure, borrowing and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes."

The Audit and Governance Committee is asked to agree the Capital Strategy, setting out the Council's priorities for capital investment and providing a framework for formulating the capital programme for approval by Full Council in February. It is an important part of the framework underpinning the budget setting process.



**Treasury Management Strategy 2024/25**



**Councillor Mark Lowry**

This Strategy demonstrates the network of controls that are in place to provide confidence in the way we management of our investments and borrowing.

It also demonstrates our commitment to sound management and control of the Council's cash and investments and forms a key strand of the Medium Term Financial Strategy and Budget.

**David Northey****Service Director for Finance (SI51 Officer)**

This Strategy is designed to underpin the Council's ambition to invest in the future of Plymouth. The strategy sets out a framework within which the Council's treasury management needs and risks can be managed successfully.

The recent turbulence with the financial markets and world economy has had an impact upon borrowing and investment rates of interest. This Strategy will help support the council in responding to this volatility in the short to medium term.

The strategy will keep us within our prescribed limits under the Prudential Code.

This incorporates an update from economic background from Arlingclose as at January 2024 on pages 7,8,9, - the budget report needs to highlight this change from the report presented to Audit & Governance committee and Appendix A on page 32 has been updated to reflect Arlingclose latest publication on 5/2/2024.

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**Introduction**

Treasury Management Strategy 2024/25

Treasury Management is the management of the Council’s cash flows, borrowing and investments, and the associated risks. Of necessity, the Council borrows and invests substantial sums of money and is therefore exposed to financial risks including the effects of changing interest rates.

This Treasury Management Strategy sets out how the Council will invest to meet future Infrastructure needs in an affordable way.

INVESTMENTS – FACTS AT A GLANCE	
<b>Principles and Objectives of the Treasury Management Strategy</b> <ul style="list-style-type: none"><li>• To achieve the best secure investment returns</li><li>• To achieve a balanced spread of maturities and commitments</li><li>• To achieve the right mix of borrowing vehicles</li><li>• To balance risk against return</li></ul>	
<b>Market Intelligence</b> <ul style="list-style-type: none"><li>• Bank of England reports</li><li>• Market Outlook by the Council’s advisers Arlingclose</li></ul>	
<b>Statutory and Performance Framework</b>  <i>Rules that guide us</i>	<b>Investments</b> <ul style="list-style-type: none"><li>• Sterling only</li><li>• Can use UK Government, Local Authority or a body of high credit quality.</li><li>• The Council defines “high credit quality” organisations and securities as those having a credit rating of [A-] or higher and domiciled in UK</li></ul>
	<b>Counterparties and Limits</b> (see table on page 20)
	<b>Investment Limits – subject to Counterparty table on page 20</b> <ul style="list-style-type: none"><li>• <b>Unlimited</b> UK Government</li><li>• <b>Unlimited</b> Money Market Fund</li><li>• <b>£25m</b> any single local authority or government entity</li><li>• <b>£25m</b> secured investment.</li><li>• <b>£10m</b> per Bank (unsecured)</li><li>• <b>£20m</b> unrated corporates</li><li>• <b>£60m</b> Strategic Pooled Funds</li><li>• <b>£10m</b> Real estate investment</li></ul>
	<b>Key Council Budget Assumption for 2024/25</b> <ul style="list-style-type: none"><li>• Investments make an average rate of return of 5%</li></ul>
<b>Approach</b>  <i>Choices made within the framework</i>	<b>Objective</b> - Security first, Liquidity second and then Yield. <b>Strategy</b> - to maximise returns, reduce risk and diversify investments. <b>Risk Assessment and credit ratio</b> - Our advisors monitor credit ratings daily so any new investments will be made using the latest credit information. <b>Other information on security of Investments</b> - Market intelligence from our advisors may give warnings before credit warning changes e.g., credit default swaps information

## BORROWING – FACTS AT A GLANCE

### Principles and Objectives of the Treasury Management Strategy

- To minimise the cost of borrowing
- To achieve a balanced spread of maturities and commitments
- To achieve the right mix of borrowing vehicles

### Market Intelligence

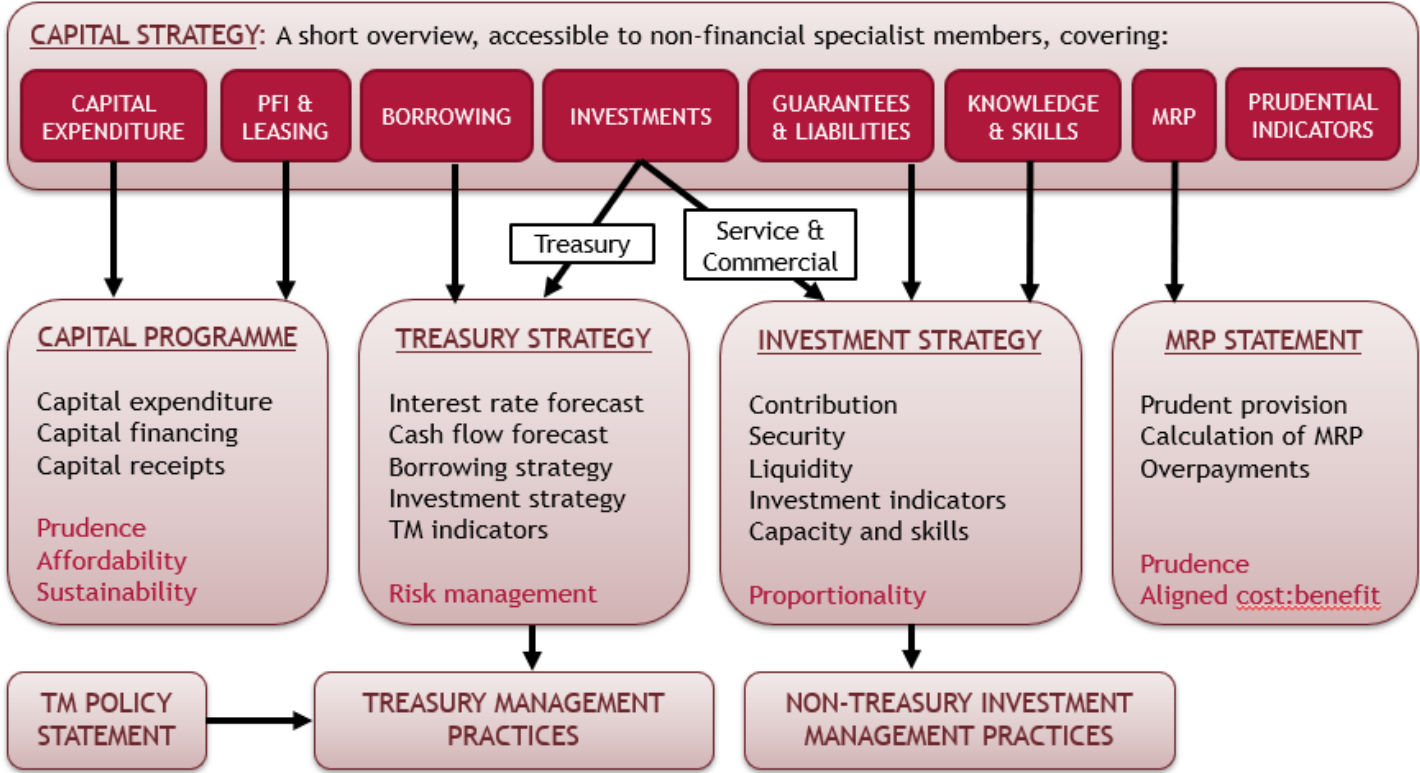
- Bank of England reports
- Market Outlook by the Council's advisers Arlingclose

<b>Statutory and Performance Framework</b>  <i>Rules that guide us</i>	<b>Borrowing</b> <ul style="list-style-type: none"> <li>• <b>£147m</b> Total Capital Expenditure</li> <li>• <b>£1050m</b> Capital Finance Requirement (need to borrow)</li> <li>• <b>£963m</b> Total Debt (loans and private finance initiative)</li> <li>• <b>£1069m</b> Operational Boundary (practical ceiling on borrowing)</li> <li>• <b>£1169m</b> The Authorised Limit (absolute maximum debt approved)</li> </ul>
	<b>Prudential Indicators</b> <ul style="list-style-type: none"> <li>• <b>12.4%</b> Ratio of finance costs to net revenue stream (borrowing costs as a proportion of net revenue budget)</li> <li>• <b>£12.50</b> Hypothetical increase in Council Tax affordability. (this is technical measure; the Council has made no future years tax decisions)</li> </ul>
	<b>Treasury Management Indicators</b> <ul style="list-style-type: none"> <li>• <b>85%</b> Limit on Fixed Interest Exposure</li> <li>• <b>45%</b> Limit on Variable Interest Rate</li> <li>• <b>0% to 80%</b> Maturity Structure of Borrowing, exposure in any duration</li> </ul>
	<b>Minimum Revenue Provision Policy (MRP)</b> <ul style="list-style-type: none"> <li>• Annuity Method</li> <li>• PFI/Leases can be charged on an annuity method over the life of the asset.</li> <li>• Option for capital receipts to be used towards repaying debt</li> </ul>
	<b>Key Council Budget Assumption for 2024/25</b> <ul style="list-style-type: none"> <li>• New long-term loans will cost an average rate of 5.5%</li> </ul>
<b>Approach</b>  <i>Choices made within the framework</i>	<p><b>Objective</b> - The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. In addition to ensure required short term borrowing is held to maximise benefit from hedging arrangement.</p> <p><b>Strategy</b> Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.</p>

	<p><b>Sources of Finance</b> - Banks or Building Society, Public Works Loan Board, Pension Funds, Capital Market Bonds, Municipal Bonds Agency, anyone with whom we would invest. Also, Leasing, PFI, Sale &amp; Lease back</p> <p><b>LOBOs</b> With interest rates having risen recently, there is now a reasonable chance that lenders will exercise their options. If they do, the Authority will take the option to repay LOBO loans to reduce refinancing risk in later years</p> <p><b>Municipal Bonds Agency</b> Council will use where appropriate as this is a more complicated source of finance. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.</p> <p><b>Debt Restructuring</b> A present value calculation based on current rates for the same period of loan may result in a discount or premium.</p> <ul style="list-style-type: none"><li>• Council will re-schedule if it reduces cost or risk</li></ul>
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The diagram below shows how Capital expenditure affects the Treasury Management Strategy

Strategy Reports: England



The diagram above shows how the requirements of the Department of Levelling Up Housing and Communities (DLUHC) Guidance and The CIPFA Code interact with the Capital and Treasury Management. There is a new Capital Strategy (presented in a separate document) and a new Non-Treasury Management Investment Strategy (shown as service and commercial in the diagram) included in this document.

Specialist advisers Arlingclose support the Council with borrowing and investment advice. This is Arlingclose’s expert assessment of the economy in the coming months and years.

**Economic background as at January 2024:** The impact on the UK from higher interest rates and inflation, a weakening economic outlook, an uncertain political climate due to an upcoming general election, together with war in Ukraine and the Middle East, will be major influences on the Authority’s treasury management strategy for 2024/25.

The Bank of England (BoE) increased Bank Rate to 5.25% in August 2023, before maintaining this level for the rest of 2023. In December 2023, members of the BoE’s Monetary Policy Committee voted 6-3 in favour of keeping Bank Rate at 5.25%. The three dissenters wanted to increase rates by another 0.25%.



**This is Arlingclose's expert view on future interest rates.**

The November quarterly Monetary Policy Report (MPR) forecast a prolonged period of weak Gross Domestic Product (GDP) growth with the potential for a mild contraction due to ongoing weak economic activity. The outlook for CPI inflation was deemed to be highly uncertain, with upside risks to CPI falling to the 2% target coming from potential energy price increases, strong domestic wage growth and persistence in price-setting.

Office for National Statistics (ONS) figures showed CPI inflation was 3.9% in November 2023, down from a 4.6% rate in the previous month and, in line with the recent trend, lower than expected. The core CPI inflation rate declined to 5.1% from the previous month's 5.7%, again lower than predictions. Looking ahead, using the interest rate path implied by financial markets the BoE expects CPI inflation to continue falling slowly, but taking until early 2025 to reach the 2% target before dropping below target during the second half 2025 and into 2026.

ONS figures showed the UK economy contracted by 0.1% between July and September 2023. The BoE forecasts GDP will likely stagnate through 2024. The BoE forecasts that higher interest rates will constrain GDP growth, which will remain weak over the entire forecast horizon.

The labour market appears to be loosening, but only very slowly. The unemployment rate rose slightly to 4.2% between June and August 2023, from 4.0% in the previous 3-month period, but the lack of consistency in the data between the two periods made comparisons difficult. Earnings growth has remained strong, but has showed some signs of easing; regular pay (excluding bonuses) was up 7.3% over the period and total pay (including bonuses) up 7.2%. Adjusted for inflation, regular pay was 1.4% and total pay 1.3%. Looking forward, the MPR showed the unemployment rate is expected to be around 4.25% in the second half of calendar 2023, but then rising steadily over the forecast horizon to around 5% in late 2025/early 2026.

Having increased its key interest rate to a target range of 5.25-5.50% in August 2023, the US Federal Reserve appears now to have concluded the hiking cycle. It is likely this level represents the peak in US rates following a more dovish meeting outcome in December 2023. US GDP grew at an annualised rate of 4.9% between July and September 2023, ahead of expectations for a 4.3% expansion and the 2.1% reading for Q2. But the impact from higher rates has started to feed into economic activity and growth will weaken in 2024. Annual CPI inflation was 3.1% in November.

Eurozone inflation has declined steadily since the start of 2023, falling to an annual rate of 2.4% in November 2023. Economic growth has been weak and GDP contracted by 0.1% in the three months to September 2023. In line with other central banks, the European Central Bank has increased rates, taking its deposit facility, fixed rate tender, and marginal lending rates to 3.75%, 4.25% and 4.50% respectively.

## Credit Outlook

Credit Default Swap (CDS) prices were volatile during 2023, spiking in March on the back of banking sector contagion concerns following the major events of Silicon Valley Bank becoming insolvent and the takeover of Credit Suisse by UBS. After then falling back in Q2 of calendar 2023, in the second half of the year, higher interest rates and inflation, the ongoing war in Ukraine, and now the Middle East, have led to CDS prices increasing steadily.

On an annual basis, CDS price volatility has so far been lower in 2023 compared to 2022, but this year has seen more of a divergence in prices between ringfenced (retail) and non-ringfenced (investment) banking entities once again.

Moody's revised its outlook on the UK sovereign to stable from negative to reflect its view of restored political predictability following the volatility after the 2022 mini-budget. Moody's also affirmed the Aa3 rating in recognition of the UK's economic resilience and strong institutional framework.

Following its rating action on the UK sovereign, Moody's revised the outlook on five UK banks to stable from negative and then followed this by the same action on five rated local authorities. However, within the same update the long-term ratings of those five local authorities were downgraded.

There remain competing tensions in the banking sector, on one side from higher interest rates boosting net income and profitability against another of a weakening economic outlook and likely recessions that increase the possibility of a deterioration in the quality of banks' assets.

However, the institutions on our adviser Arlingclose's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

**This is Arlingclose's view of the risks of bank failures in the period ahead.**

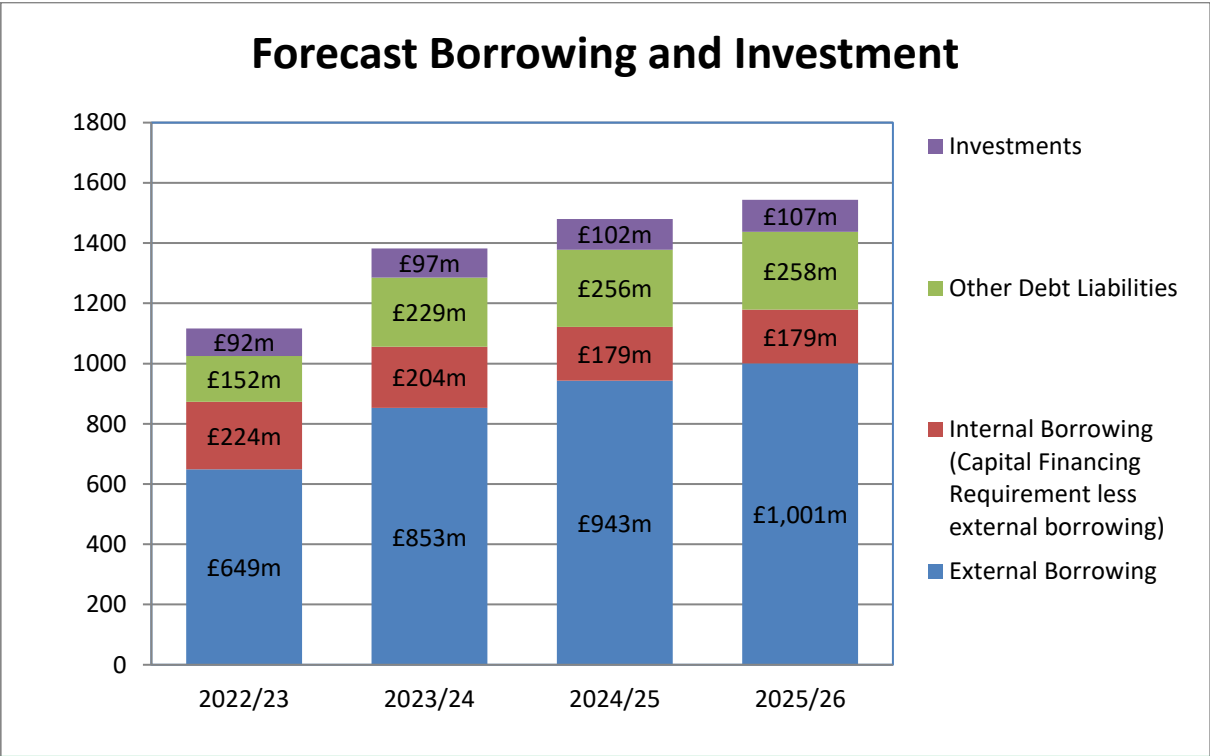
## Interest Rate Forecast

Although UK inflation and wage growth remain elevated, the Authority's treasury management adviser Arlingclose forecasts that Bank Rate has peaked at 5.25%. The Bank of England's Monetary Policy Committee will start reducing rates in 2024 to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. Arlingclose sees rate cuts from Q3 2024 to a low of around 3% by early-mid 2026.

Arlingclose expects long-term gilt yields to be broadly stable at current levels (amid continued volatility), following the decline in yields towards the end of 2023, which reflects the expected lower medium-term path for Bank Rate. Yields will remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.

Part 2 – Technical Detail for Analysis

This is how much debt and investments we expect to have in the next three years



These are borrowing limits we are required to set by law. They are affordable levels and needed to fund our capital programme.

Maximum Total Debt

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement. Usable reserves and working capital are the underlying resources available for investment. The current strategy is not to borrow to the full underlying need. Some internal resources are used instead of external borrowing.

CIPFA’s *Prudential Code for Capital Finance in Local Authorities* sets a maximum for total debt. This is the maximum the CFR is expected to reach at any time during the next three years.

The Council held £552.5 million of loans in as at 31 March 2023. This was an increase of £15 million on the previous year. This reflected the need to fund £44.5m borrowing to support the capital programme offset by use of Treasury Management working balances to limit draw on external funding where possible.

The Council expects to hold borrowing up to £ 743m in 2024/25. The total borrowing must not exceed the authorised limit set by the Council of £1,130m which includes long term liabilities of £219m. This is subject to review once the full impact of IFRS16 is known which although will be fully implemented for the Statement of Accounts for 2024/25 there will be implications for the current financial year 2023/24.

### Objectives of Borrowing Decisions

- To strike an appropriately low risk balance between securing low interest and fixed borrowing to obtain certainty of costs.
- Flexibility to renegotiate loans or to reschedule debt should the Council's long-term plans change.

**It is much cheaper to borrow for a short period now we will look for opportunity to fix borrowing over long term where affordable.**

### Borrowing Strategy

Given the significant cuts to public expenditure and to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. The previous differential with short-term interest rates being much lower than long-term rates has disappeared as Local Authorities seek to maximise a return on their investments. It is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead in order to be in a position to secure interest savings as rates reduce.

By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2024/25 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

The Council has taken the opportunity to refinance some of its short-term borrowing with long term fixed rate borrowing from PWLB. This has reduced the Council's short-term borrowing and therefore reduced the interest rate risk (risk of interest rates rising).

There will be additional costs for taking the additional PWLB borrowing but it gives the Council certainty over more of its fixed costs. Long-term fixed rate loans remove the interest rate risk by fixing the rate for the term of the loan. These are popular among local authorities but are relatively expensive.

The Council will continue to review its portfolio of borrowing and may refinance its debt dependant on the market conditions. The benefits of short-term borrowing will continue to be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly.

Short term borrowing is the cheapest option but leaves the Council exposed to refinancing risk, which can be divided into interest rate risk (the risk that rates will rise) and availability risk (the risk that no-one will lend to the Council).

The Council has taken additional £15m short-term borrowing from Other Local Authorities so far in 2023/24 to fund the current capital programme, with Treasury Management advice with Bank

The Council also has an arrangement in place to mitigate part of this risk by a contract that fixes the rate of interest on £75m for 20 years.

The Council will reschedule or repay loans where this is expected to lead to an overall cost saving or a reduction in risk to reduce the overall long-term costs of the loan portfolio.

The Council will only borrow from approved sources.

**These are the lenders we are able to use.**

**Sources of Borrowing**

The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- The UK Infrastructure Bank
- Any institution approved for investments (see below)
- Any other bank or building society authorised to operate in the UK
- Any other UK public sector body
- UK public and private sector pension funds (except Devon Local Government Pension Fund)
- Capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues and short term borrowing
- Any other counterparty that is recommended by the Council's TM advisors
- A Plymouth City Council bond or similar instruments

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- Leasing
- Hire purchase
- Private Finance Initiative
- Sale and leaseback

The Council continues to investigate other sources of finance, such as local authority loans and bank loans that may be available at more favourable rates.

**The LOBO agreements were entered into under different market conditions.  
Where possible we will replace them with lower cost loans.**

**Lender's Option Borrower's Option (LOBOs)**

The Authority holds £64m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost.

No call ins were exercised in 2022/23 or Q1 and Q2 2023/24 despite LOBO interest rates falling below the increasing Bank of England Rate. Opportunities to repay any LOBO obligations will be considered when it can be demonstrated to be cost effective.

A further £15m of these LOBOs have options during 2024/25, and with interest rates having risen recently, there is now a reasonable chance that lenders will exercise their options. If they do, the Authority will take the option to repay LOBO loans to reduce refinancing risk in later years.

**The Municipal Bonds Agency may offer an alternative for short term borrowing****Municipal Bond Agency (MBA)**

UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities.

This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.

**Short-term and Variable Rate loans**

These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk.

**Debt Rescheduling**

The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.

**Prudential Indicators 2024/25**

The Local Government Act 2003 requires the Council to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

### Estimates of Capital Expenditure

**This is how we will fund the investment needed to deliver the Plymouth Plan**

The Council's planned capital expenditure and financing forecast at October 2023 is summarised as follows. This incorporates reprofiling assumptions for current and future years based on a trend analysis using past years.

Capital Expenditure and Financing	2023/24 Forecast £m	2024/25 Forecast £m	2025/26 Forecast £m	2026/27 Forecast £m
General Fund	99.986	147.119	165.223	156.024
<b>Total Expenditure</b>	<b>99.986</b>	<b>147.119</b>	<b>165.223</b>	<b>156.024</b>
Capital Receipts	3.556	2.171	2.983	4.056
Grants and Contributions	46.072	42.940	44.569	94.933
Revenue	0.788	0.279	0.322	0.300
Borrowing	49.570	101.729	117.349	56.735
Leasing and PFI	0.000	0.000	0.000	0.00
<b>Total Financing</b>	<b>99.986</b>	<b>147.119</b>	<b>165.223</b>	<b>156.024</b>

### Estimates of Capital Financing Requirement

The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose.

**This is the total past and planned capital expenditure we need to finance.**

Capital Financing Requirement	31 Mar 23 Actual £m	31 Mar 24 Forecast £m	31 Mar 25 Forecast £m	31 Mar 26 Forecast £m
General Fund	879.445	929.015	1050.744	1193.093
<b>Total CFR</b>	<b>879.445</b>	<b>929.015</b>	<b>1050.744</b>	<b>1193.093</b>

The Council has an increasing CFR and is forecast to rise by £360.365m over the next three years for the capital programme and therefore will require additional borrowing.

### Gross Debt and the Capital Financing Requirement

In order to ensure that over the medium-term debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

**This is how much we expect to borrow over the next three years**

Debt	31 Mar 24 Forecast £m	31 Mar 25 Forecast £m	31 Mar 26 Forecast £m	31 Mar 27 Forecast £m
Borrowing	622.070	743.799	886.148	896.148
PFI liabilities & Finance Leases*	119.000	219.000	221.00	223.000
<b>Total Debt</b>	<b>741.070</b>	<b>962.799</b>	<b>1107.148</b>	<b>1119.148</b>

\* A provision has been made for IFRS 16 to allow for operating leases being brought onto the balance sheet as a debt liability with effect from 1 April 2024. Working is ongoing to assess the impact

Total debt is expected to remain below the CFR during the forecast period.

### Operational Boundary for External Debt

The operational boundary is based on the Council's estimate of most likely, (i.e. prudent, but not worst case) scenario for external debt.

**This is the flexibility we need to cope with our changing borrowing position from day to day.**

Operational Boundary	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Borrowing	750.000	850.000	950.000	1000.000
Other long-term liabilities	119.000	219.000	221.000	223.000
<b>Total Debt</b>	<b>869.000</b>	<b>1069.000</b>	<b>1171.000</b>	<b>1223.000</b>

### Authorised Limit for External Debt

The Authorised Limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003 it is the maximum amount of debt that the Council can legally owe. The Authorised Limit provides headroom over and above the operational boundary for unusual cash movements.



**This is the absolute maximum of debt approved by the City Council**

Authorised Limit	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Borrowing	800.000	900.000	1050.000	1100.000
Other long-term liabilities	119.000	269.000	271.000	273.000
<b>Total Debt</b>	<b>919.000</b>	<b>1169.000</b>	<b>1321.000</b>	<b>1373.000</b>

### Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

**This measure demonstrates that our proposed borrowing is affordable.**

Ratio of Financing Costs to Net Revenue Stream	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
General Fund	11.4%	12.4%	15.1%	15.4%

### Incremental Impact of Capital Investment Decisions

This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the capital programme proposed.

**This is a technical measure prescribed by CIPFA to demonstrate affordability.  
The Council has not made any decisions on council tax levels in future years.**

Incremental Impact of Capital Investment Decisions	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
General Fund - increase in annual band D Council Tax	£12.50	£12.60	£13.40	£14.50

### Adoption of the CIPFA Treasury Management Code

The Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011* edition in April 2002. It fully complies with the Codes recommendations.

## Treasury Management Investment Strategy

**This explains the types of Investments under the CIPFA and MHCLG rules including non-Treasury Management Investments**

### Introduction

The Authority invests its money for three broad purposes:

- because it has surplus cash from its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
- to support local public services by lending to or buying shares in other organisations (**service investments**), and
- to earn investment income (known as **commercial investments** where this is the main purpose).

This investment strategy meets the requirements of statutory guidance issued by the government in January 2018 and focuses on the second and third of these categories.

**This sets out how we invest any surplus funds for cash management**

The Council typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds grants received in advance of future expenditure. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from CIPFA. The balance of treasury investments is expected to fluctuate between £20m and £60m during the financial year.

### Objectives

The CIPFA Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing its treasury management funds is to have the monies available at short notice for unexpected payments.

The Council defines "high credit quality" organisations and securities as those having a credit rating of [A-] or higher that are domiciled in the UK or a foreign country with a sovereign rating of [AA+] or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of [A-] or higher or if unrated an assessment will be made from the financial information available.

**These are the limits we use for making individual investments.  
They are based on advice from Arlingclose.**

### Investment Limits

When considering investment limits in the chart below you must also refer to the credit ratings of the individual organisations to make the final assessment.

Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

### Treasury Investment Counterparty Limits

Sector	Time Limit	Counterparty Limit	Sector limit
The UK Government	50 Years	Unlimited	n/a
Local authorities & other government entities	25 years	£25m	Unlimited
Secured investments *	25 years	£25m	Unlimited
Banks (unsecured) *	13 months	£10m	Unlimited
Building Societies (unsecured) *	13 months	£5m	£10m
Registered providers (unsecured) *	5 years	£5m	£10m
Money Market Funds *	n/a	£12m	Unlimited
Strategic pooled funds	n/a	£25m	£60m
Real estate investments trusts	n/a	£5m	£10m
Loans and investments to unrated corporates	n/a	£5m	£20m
Other investments, unrated investments in equity, quasi-equity, debt or otherwise	n/a	£5m	£20m

This table must be read in conjunction with the notes below:

### Liquidity Management

The Council uses a cash flow forecasting spreadsheet to determine the amount of cash required on a day to day basis to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium term financial plan and cash flow forecast.

**This is the rate we expect to pay on new borrowing, and how much we expect to earn on investments.**

#### Council Budget Assumptions for 2024/25

- Investments will make an average rate of 5.0%
- New long-term loans will cost an average rate of 5.5%

## Strategy

Given the increased risk and very low returns from short-term unsecured bank investments, the Council holds non-treasury management investment in diversified managed funds which offer a higher yielding. The Council holds £55m as a long-term investment (CCLA Property Fund, CCLA Diversified Fund, Schroder's Income Maximiser and Fidelity Enhanced Income Fund) and these give a higher return than the short term investments. Although there is a higher return there is an increased risk that of capital values falling. The purpose of having medium to long-term investments is to generate income that supports the revenue budget and the provision of local services.

The majority of the Council's surplus cash is currently invested in short-term money market funds which offer very low rates but allows immediate withdrawal. The Council will continue to look for investment opportunities that give a good return whilst being a secure investment.

## Business models:

Under the new IFRS 9 standard, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

## Approved Counterparties

The Council may invest its surplus funds with any of the counterparty types in counterparty table above, subject to the cash limits (per counterparty) and the time limits shown.

## Credit Rating

Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £10m per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.

**Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

**Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

**Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England). As providers of public services, they retain the likelihood of receiving government support if needed.

**Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

**Strategic pooled funds:** Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying assets. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

**Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties. Investments in REIT shares cannot be withdrawn but can be sold on the stock market to another investor.

**Other investments:** This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Council's investment at risk.

### **Operational Bank Accounts**

The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than AAA- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances should be kept below £5m per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

### **Risk Assessment and Credit Ratings**

Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- No new investments will be made
- Any existing investments that can be recalled or sold at no cost will be, and
- Full consideration will be given to the recall or sale of all other existing investments with the affected counterparty

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

### **Other Information on the Security of Investments**

The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press and analysis and advice from the Council's treasury

management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

**Reputational aspects:** The Authority is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be taken into account when making investment decisions.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security.

The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council’s cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

Treasury Management Indicators

The Council measures and manages its exposures to treasury management risks using the following indicators.

This is how we measure our performance.

Security

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	Target
Portfolio average credit rating	A

This is how we ensure that we have cash available to meet unexpected payments.

Liquidity:

The Council does not keep large amounts of cash in call accounts so that it reduces the cost of carrying excess cash. To mitigate the liquidity risk of not having cash available to meet unexpected payments the Council has access to borrow additional, same day, cash from other local authorities.

This is a technical measure to limit how much we can be affected by changing interest rates.

### Interest Rate Exposures

This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed will be:

	2023/24	2023/24	2024/25	2025/26
Upper limit on fixed interest rate exposure	75%	80%	85%	85%
Upper limit on variable interest rate exposure	40%	45%	45%	45%

Fixed rate investments and borrowings are those where the rate of interest is fixed for more than 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

**Our loans fall due for repayment at various dates. We expect to have mainly fixed rate debt for longer loans. This avoids the risk of extra interest costs.**

### Maturity Structure of Borrowing

This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Upper	Lower
Under 12 months	50%	20%
12 months and within 24 months	25%	0%
24 months and within 5 years	25%	0%
5 years and within 10 years	25%	0%
10 years and above	80%	50%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

### Principal Sums Invested for Periods Longer than 365 days

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

	2022/23	2023/24	2024/25
Limit on principal invested beyond one year	£10m	£10m	£10m

## Non-Treasury Management Investments

### Introduction

The non-treasury management investment strategy was a new report introduced in 2019/20, following the requirements of statutory guidance issued by the government (MHCLG) in January 2018, and focuses on the second and third of the following investment categories.

The Council invests its money for three broad purposes:

1. **Non-Treasury Management Investments** – to invest surplus cash from reserves and other funds that are not required for the day-to-day cash flow activities.
2. **Service Investments** - to support local public services by lending to or buying shares in other organisations; and
3. **Commercial Investments** - to regenerate areas within the City or immediate economic area to encourage private investment and to create or retain local jobs (known as commercial investments where these are the main purpose).

### Non-Treasury Management Investments

The Council holds reserves that are not required for the day-to-day treasury management cash flow activities so can be invested in non-treasury management investments.

The surplus cash reserves can be invested in accordance with the CIPFA guidance. The balance reserve available for non-treasury investments is expected to fluctuate between £60m and £80m during the financial year.

### Objectives

The CIPFA Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

The Council defines “high credit quality” organisations and securities as those having a credit rating of [A-] or higher that are domiciled in the UK or a foreign country with a sovereign rating of [AA+] or higher. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of [A-] or higher or if unrated an assessment will be made from the financial information available.

**Contribution:** The contribution that these investments make helps support the Council's budget to enable it to delivery its essential services.

### Service Investments

#### Loans

The Council may lend money to its subsidiaries, its suppliers, local businesses, local charities or housing associations etc. to support local public services and stimulate local economic growth. For example the



Council has given a loan to Plymouth Community Energy to support the construction of the solar energy farm at Ernesettle.

The council will ensure that a full due diligence exercise is undertaken and adequate security is in place. The business case will balance the benefits and risks. All loans are agreed by the Section 151 Officer. All loans will be subject to close, regular monitoring.

Loans are treated as capital expenditure for accounting treatment.

**Security:** The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. Therefore the Council will take security against assets to mitigate the risk of default.

Accounting standards require the Council to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Council's statement of accounts will be shown net of this loss allowance. However, the Council makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

**Risk assessment:** The Council assesses the risk of loss before entering into and whilst holding service loans by:

1. reviewing the financial statements of the organisation and reviewing the organisation's business plans and future projections and future cash flows;
2. assessing what security is available to secure the loan and if necessary carry out a professional valuation of any property;
3. using external advisors to provide professional information such as due diligence requirements;
4. the loan agreements are reviewed by our legal team to ensure that they are legally compliant and includes any safeguards for the Council;
5. if an organisation has a credit rating we will carry out a credit check to assist;
6. the rate of interest charged on any loan will reflect the risk of the project and potential for default;
7. subsidy controls rules are taken into account before a loan can be considered.

## **Shares**

The Council may invest in the shares of its subsidiaries, its suppliers, and local businesses to support local public services and stimulate local economic growth.

**Security:** One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered.

**Risk assessment:** The Council assesses the risk of loss before entering into and whilst holding shares by reviewing the history of the organisation; its financial statements and its share values. The Council will also look at business plans, future cash flows and any other market information that may affect the organisation.

**Liquidity:** The Council covers its liquidity for working capital and cash flow by holding cash in its Money Market Fund and being able to borrow short term loans from other local authorities.

### Property and Regeneration Fund

Commercial Investment Strategy: From 1 April 2021 the Council does not invest in commercial property if it is held primarily to generate income.

From the 1 April 2021 the Council will invest in the commercial property only where the main purposes are to regenerate areas of the City, encourage private investment and to create or retain local jobs.

### The Property and Regeneration Fund

The Property and Regeneration Fund invests in commercial property for the purposes of regenerating areas of the city that the council wants to improve, encourage private investment and to create or retain local jobs.

The Council has historical commercial investment portfolio that it had built up over many years. The local and regional, commercial and residential property provides a return to the council, after paying the borrowing costs and this can be spent on local public services.

### Property and Regeneration Fund

Property and Regeneration Fund	Actual 2022/23	Estimate 2023/24	Forecast 2024/25
Commercial Property Net Income	£3.154m	£2.560m	£2.460
Net Return	1.13%	1.23%	1.18%

**Security:** In accordance with government guidance, the Council considers a property investment to be secure if its accounting valuation is at or higher than its development cost including taxes and transaction costs.

Analysis of Movement in Investment Properties	2021/22	2022/23
	£000	£000
<b>Balance at 1 April</b>	<b>275,442</b>	<b>271,065</b>
Additions	113	61
Disposals	0	0
Net gains/(losses) from fair value adjustments	(2587)	(15,198)
<b>Transfers:</b>		
(to)/from Property, Plant and Equipment	(1,903)	(17,493)
<b>Balance at 31 March</b>	<b>271,065</b>	<b>238,425</b>

A fair value assessment of the Council's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment.

Where the fair value of the Council’s investment property portfolio is no longer sufficient to provide security against loss, and the Council will take mitigating actions to protect the capital invested. These actions include enhancing or refurbishing the assets and reviewing the rents agreements.

**Risk assessment:** The Council assesses the risk of loss before entering into and whilst holding property investments by carrying out the evaluation process described below. The risk of not achieving the desired profit or borrowing costs increasing or the having vacant premises is partially covered by a void reserve. Annual payments are deducted from the rental income each year to add to the void reserve.

**Liquidity:** Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice, and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed; the Council makes an internal charge (service borrowing) to cover the capital repayments from the rental income.

The Council also makes alternative arrangement to cover their short-term cash requirements.

**Proportionality**

The Council uses the profit generated by the commercial investment to provide services for the city and to achieve a balanced revenue budget. Table 4 below shows the extent to which the expenditure planned to meet the service delivery objectives and/or place making role of the Council is dependent on achieving the expected net profit from investments over the lifecycle of the Medium-Term Financial Plan.

Table 4: Property Regeneration Fund

	2022/23 Actual
Gross expenditure on provision of services	£653.157m
Net Investment income	£3.154m
Proportion	0.48%

**Borrowing in Advance of Need**

Government guidance is that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. The Council has chosen not to follow this guidance and has previously borrowed for this purpose because it wants to generate income to support its local economy and its statutory duties. This is a common practice by local authorities since the Localism Act of 2011.

**Investment Evaluation Process for the Property and Regeneration Fund**

The Council’s due diligence assessment processes are consistent and robust evaluation process and is set out below:

- I. Proposed development opportunities are reviewed by Land and Property in areas of the City which require redevelopment or regeneration of brown and green field sites or areas where the Council want to stimulate inward private investment and to create or retain local jobs. A report is prepared by

suitably qualified and experienced in-house MRICS (Member of the Royal Institute of Chartered Surveyors) professionals.

2. This assessment provides analysis of a set of key criteria against which every prospective development is evaluated. The presentation of information highlights fundamental matters such as tenant covenant strength, lease length and location, in a transparent and consistent format, to support clear scrutiny and decisions.
3. The assessment provides a basis for scoring and weighting risk, to support the analysis of potential development and qualify overall suitability for inclusion in the portfolio.
4. The score threshold is not an absolute but helps guide decisions.
5. To ensure arms-length objectivity, external agents provide professional market analysis, data and advice, in the context of the Capital Finance Strategy, to support the evaluation and internal reporting process.
6. Since tenant default is a significant threat to the performance of the property investment financial checks are made on the proposed tenants. This is augmented by additional internal assessment of tenants' covenant and likely future performance.
7. With all the additional information a detailed model is produced. The model is tailored for each prospective development, by including items such as future demand, yield, cash flows; rental movement, optimal holding periods for the property and data to support the regeneration and job creation to cover the cost modelling.
8. If a decision is made to proceed, in-house surveyors lead negotiations, via the introducing/retained external agents, who are professional property firms.
  - A valuation, in accordance with the RICS Red Book, Professional Valuation Standards, issued by RICS as part of their commitment to promoting and support high standards in valuation delivery worldwide. The publication details mandatory practices for RICS members undertaking valuation services.
  - A Building Survey report is produced, as part of the proposed development, including preparation of a Site Environmental Assessment and preparation of a Reinstatement Cost Assessment for insurance purposes.
9. The above is reviewed by the Asset Portfolio Manager as an experienced in-house MRICS (Member of the Royal Institute of Chartered Surveyors) professional, with support from the internal multi-disciplinary property teams, for final decision by the Head of Land and Property on whether to proceed.
10. Head of Land and Property Projects receives regular updates on market activity, trends, forecasts and occupier activity from RICS firms and in-house surveyors to support the decision process.

### **Property and Regeneration Governance**

Clear, robust and transparent governance is critical to the Capital Finance Strategy and meeting the statutory guidance and ensuring an appropriate level of due diligence and scrutiny is applied, together with objective arms-length external advice where appropriate. It is also important to ensure any decision process retains

Treasury Management Strategy 2024/25

fluidity, so officers are empowered to respond promptly to changes in the market. For example if there is a commercial company failure in the city the officers would be able to respond quickly to help retain local jobs and look for alternative purchasers.

The Council to acquire or dispose of land is vested in the Head of Land and Property and where the land is purchased through the Property and Regeneration Fund a proposal is presented to the Officers and Members with a recommended for authorisation by the relevant Leader, Legal and the Section 151 Officer.

### **Capacity, Skills and Culture**

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Service Director of Finance is a qualified accountant with over 25 years' experience.

The Council employs staff with professional qualifications including CIPFA, ACCA, CIMA, MRICS, CIPS etc. and pays for junior staff to study towards relevant qualifications.

Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

Head of Land and Property and the property team receives regular updates on market activity, trends, forecasts and occupier activity from RICS firms and in-house surveyors to support the decision process.

### **How investments are funded:**

Property and Regeneration Fund commercial property developments are funded by borrowing and repaid by the service from rental income from the development. The borrowing is not directly taken out against each property but is managed through our Treasury Management function.

The rental income generated from the development of commercial property is used to repay the borrowing before any net income is used in the supporting of services.

**Rate of return received:** This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

### **Loan Commitments and Financial Guarantees**

Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Council.

## Annual Minimum Revenue Provision Statement 2024/25

Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008.

The Local Government Act 2003 requires the Authority to have regard to the former Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in 2018.

The MHCLG Guidance requires the Council to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP.

### Minimum Revenue Position Policy

The MRP payment is funded from revenue with an option that part or all of the payment could be funded from capital receipts to repay debt.

MRP will commence in the financial year following the asset coming into use or after purchase.

For capital expenditure incurred before 1st April 2008, for supported capital expenditure incurred on or before that date, MRP will be charged on an annuity basis over 50 years, incorporating an "Adjustment A" in accordance to the guidance.

For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset as the principal repayment on an annuity with an annual interest rate equal to the average relevant PWLB rate for the year of expenditure, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years.

For capital expenditure loans to third parties, the Authority will make nil MRP unless (a) the loan is an investment for commercial purposes and no repayment was received in year or (b) an expected credit loss was recognised or increased in-year, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment on loans that are investments for commercial purposes, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. Sufficient MRP will be charged to ensure that the outstanding capital financing requirement (CFR) on the loan is no higher than the principal amount outstanding less the expected credit loss. This option was proposed by the government in its recent MRP consultation and in the Authority's view is consistent with the current regulations.

All investment properties that are sold by the Council will use the capital receipts to repay the outstanding loan finance for that property before any balance of capital receipts is available for other capital projects.

### Recommendation updated to Minimum Revenue Statement for 2024/25

**Overpayments:** In earlier years, the Authority has made voluntary overpayments of MRP that are available to reduce the revenue charges in later years. It is planned to make a £0.400m drawdown in 2024/25.

MRP Overpayments	£m
Actual balance 31.03.2024	0.400
Planned 2024/25	(0.400)
Forecast balance 31.03.2025	0.000

### External Loans

For capital expenditure loans to third parties that are repaid in instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead.

**Capitalisation Directions** - For capitalisation directions on expenditure incurred after 1 April 2008 MRP will be made using the annuity method over 50 years.

**PFI/Leases** - For assets acquired by leases or the Private Finance Initiative, the Council changed its policy with effect from 01/04/2021 such that MRP can be charged over the life of the assets on an annuity basis. This is in line with the Council's MRP policy for all other assets as described above.

### Other Items

There are a number of additional items that the Council is obliged by CIPFA or DLUHC to include in its Treasury Management Strategy.

#### Policy on use of Financial Derivatives

Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment). The Council has no plans to make use of derivative instruments at the present time but does not discount the possible use of these in the future dependent on the existence of appropriate operating conditions, the acquisition and analysis of specialist advice and thorough consultation with stakeholders.

This approach is in line with the CIPFA Code, which encourages the Council to seek external advice and to consider such advice before entering into financial derivatives to ensure that it fully understands the implications.

#### Investment Training

The needs of the Council's treasury management staff for training in investment management are assessed every twelve months as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA, the Association of Corporate Treasurers and other appropriate organisations.

#### Markets in Financial Instruments Directive

Markets in Financial Instruments Directive: The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Section 151 Officer believes this to be the most appropriate status.

Other options considered

The DLUHC Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Section 151 Officer, having consulted the Cabinet Member for Finance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

The Treasury Management Practices, Principles and Schedules

The Treasury Management Practices, Principles and Schedules sets out the responsibilities and duties of members and officers, allowing a framework for reporting and decision making on all aspects of treasury management. The Audit Committee is required to approve the Treasury Management Practices, Principles and Schedules each year under delegated decision.

Investment of Money Borrowed in Advance of Need

The Council may, from time to time, borrow in advance of need, where this is expected to provide the best long-term value for money. Since amounts borrowed will be invested until spent, the Council is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Council’s overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit. The maximum period between borrowing and expenditure is expected to be less than one year, although the Council is not required to link particular loans with particular items of expenditure.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain



## Appendix A – Arlingclose Economic and Interest Rate Forecast 5 February 2024

### Underlying assumptions:

- UK inflation and wage growth remains elevated, although on a likely downward trend over the first half of 2024. Core and services inflation is likely to remain in excess of target throughout this period, so policymakers will be cautious when it comes to easing monetary policy, despite growing downside risks. UK growth rates will remain low as increasingly restrictive monetary policy dampens activity.
- In February, the language in the MPC minutes moved to a more neutral position, despite two members continuing to vote for a further rise in Bank Rate. The focus is now on assessing how long Bank Rate needs to remain at 5.25% before reducing, with the projections in the Monetary Policy Report suggesting that market expectations for rate cuts are not far from the mark.
- UK activity data remains relatively weak, although there has been some evidence of recovery in the services sector and housing market. Consumer confidence is low but on an improving trend; household spending on goods, though, remains under pressure.
- Employment demand continues to ease, although remaining relatively resilient given the soft economic backdrop. Anecdotal evidence suggests lower pay growth, and we expect unemployment to rise, which will lead to some deterioration in consumer sentiment. Household and business spending will therefore remain weak.
- Inflation rates will move lower over the next 12 months. By April, the headline CPI rate will likely be at or below the 2% target, but with upside risks from geo-political issues. With policymaker fears around the persistence of underlying inflationary pressure, we believe Bank Rate will remain unchanged until August and initially reduce slowly.
- Maintaining monetary policy in restrictive territory for so long, when the economy is already struggling, will require significant policy loosening in 2025 to boost activity.
- Global bond yields will remain volatile. Investors' expectations of near-term US rate cuts have been dealt a severe blow by the continued strength of the US economy, particularly labour markets. Investors' positioning for the timing of US monetary loosening will continue to influence movements in gilt yields.
- Moreover, there is a heightened risk of fiscal policy, credit events and/or geo-political events causing substantial volatility in yields.

### Forecast:

- The MPC held Bank Rate at 5.25% in February.
- The MPC will cut rates in the medium term to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. We see rate cuts from Q3 2024 to a low of around 3% by late 2025.
- The risks around Bank Rate are initially balanced before shifting to the downside due to on-going soft UK economic activity and the resulting dampening effects on inflation. Upside risks to inflation remain, but the likelihood of further rises in Bank Rate are low.
- Long-term gilt yields have moved higher since the start of the year, largely due to stronger US data. Arlingclose's central case is for yields to be volatile around a relatively narrow range, reflecting the likelihood for monetary loosening in the Eurozone, UK and US.

	Current	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
Official Bank Rate													
Upside risk	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.00
Central Case	5.25	5.25	5.25	5.00	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00
Downside risk	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
3-month money market rate													
Upside risk	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.00
Central Case	5.40	5.40	5.30	5.15	4.80	4.30	4.10	3.80	3.50	3.25	3.15	3.10	3.10
Downside risk	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
5yr gilt yield													
Upside risk	0.00	0.75	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.96	3.75	3.70	3.65	3.60	3.50	3.40	3.30	3.30	3.30	3.30	3.35	3.40
Downside risk	0.00	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
10yr gilt yield													
Upside risk	0.00	0.75	0.85	0.85	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00	1.00
Central Case	3.97	3.80	3.80	3.80	3.75	3.70	3.65	3.65	3.65	3.65	3.65	3.70	3.75
Downside risk	0.00	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
20yr gilt yield													
Upside risk	0.00	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.50	4.40	4.30	4.25	4.25	4.20	4.20	4.20	4.20	4.20	4.20	4.25	4.25
Downside risk	0.00	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
50yr gilt yield													
Upside risk	0.00	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.19	3.90	3.90	3.90	3.90	3.90	3.90	3.90	3.90	3.95	3.95	3.95	3.95
Downside risk	0.00	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00

PWLB Standard Rate = Gilt yield + 1.00%  
PWLB Certainty Rate = Gilt yield + 0.80%  
PWLB HRA Rate = Gilt yield + 0.40%  
UK Infrastructure Bank Rate = Gilt yield + 0.40%

**Appendix B - Existing Investment and Debt Portfolio Position**

	30 Sept 2023 Actual Portfolio £m	30 Sept 2023 Average Rate %
<b>External Borrowing:</b>		
PWLB – Fixed Rate	395.5	2.73
Short Term Borrowing	90.0	1.5
LOBO Loans	64.0	4.34
Long Term Borrowing	18.0	4.37
<b>Total External Borrowing</b>	<b>567.5</b>	<b>2.77</b>
<b>Other Long Term Liabilities:</b>		
PFI, Finance Leases and other liabilities	94.	n/a
Other loans	19.0	n/a
<b>Total Gross External Debt</b>	<b>680.5</b>	
<b>Investments:</b>		
<i>Managed in-house</i>		
Short-term Money Market Funds	34.1	5.21
Other Short Term investments	1.0	2.00
<i>Managed externally</i>		
CCLA Pooled Funds	25	4.66
Other Pooled Funds	30.0	6.84
<b>Total Investments</b>	<b>90.1</b>	<b>5.73</b>
<b>Net Debt</b>	<b>590.40</b>	

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