

PLYMOUTH CITY COUNCIL

Subject: Tamar Bridge and Torpoint Ferry Income Strategy and Revenue and Capital Budget 2014/15

Committee: Cabinet

Date: 11 February 2014

Cabinet Member: Councillor Coker

CMT Member: Anthony Payne (Strategic Director for Place)

Author: Adrian Trim, Head of Living Streets and Network Management

Contact details: Email: adrian.trim@plymouth.gov.uk Tel: 01752 307729

Ref:

Key Decision: No

Part: 1

Purpose of the report:

The Tamar Bridge and Torpoint Ferry are operated, maintained and improved jointly by Plymouth City Council and Cornwall Council on a 'user pays' principle, being funded by toll income using powers derived from the Tamar Bridge Act. The finances of the joint undertaking are effectively ring-fenced by the Act, and it is operated as a self-financing business. The Tamar Bridge and Torpoint Ferry Joint Committee (TBTFJC) Terms of Reference require each Cabinet to recommend annual budgets to Full Council.

The TBTFJC budget report presented to Cabinet in January 2013 noted a forecast requirement for 13% additional expenditure from April 2014. As a result of significant efficiency savings and reprogramming of capital projects, this requirement has reduced considerably but the undertaking still needs to increase income by approximately 5% (£0.5 million) per annum from April 2014 to satisfactorily deliver its Business Plan and maintain adequate reserves, due to rising costs associated with the planned operation, maintenance and improvement of the two crossings. The position has been exacerbated by reduced toll income during the recession. The agreed prudent minimum level of reserves for the undertaking has been established at £2 million. The current TBTFJC reserves balance stands at approximately £3.2 m, but without intervention reserves are projected to run down to £1.8 million by the end of financial year 2014/15 and to £1.1 million by the end of financial year 2015/16.

Following a series of income workshops for members and officers, at its meeting on 13 September 2013 TBTFJC determined a preferred strategy to address the forecast shortfall, by introducing an account fee of 80p per month for the undertaking's pre-paid TamarTag electronic toll payment system. TBTFJC has undertaken public consultation on this proposal, and subsequently re-confirmed its strategy at its meeting on 6 December 2013.

TBTFJC has determined proposed revenue and capital budgets to deliver its Business Plan, and these can be funded from income subject to the introduction of the TamarTag account fee.

The report requests that Cabinet endorses TBTFJC's proposals and recommends the income strategy and proposed budgets to Full Council.

The Brilliant Co-operative Council Corporate Plan 2013/14 -2016/17:

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 and well-maintained road network contributes to the economic wellbeing of the City, supporting the Council's Growth priority.

Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land:

The implementation of the TamarTag fee proposal would provide funding to supplement forecast toll income and support proposed revenue and capital budgets to deliver the service and maintain a prudent level of reserves, thereby alleviating risk on the parent authorities.

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

A risk register and mitigation measures are included in the Tamar Bridge and Torpoint Ferry Business Plan 2013 to 2017. The proposal to introduce the TamarTag account fee is a business continuity response to the undertaking's current highest ranked risk – economic recession.

It also should be noted that Cornwall Council and PCC have reviewed the TBTF Business Plan, Business Continuity Management System and Risk Management Framework, and are content that business continuity risks associated with TBTF are adequately covered.

No issues related to Child Poverty, Community Safety, Health and Safety have been identified.

Equality and Diversity:

Has an Equality Impact Assessment been undertaken? Yes

Age:

Young people and older people tend to be more reliant on public transport. The proposal continues to offer free crossings and transit priority for buses.

Both crossings will continue to facilitate ambulance access and 'blue light' crossings.

Retirees who are car drivers are less likely to use the crossings intensely and for this group a fixed fee is therefore likely to proportionally increase the costs of accessing the Tamartag scheme.

The proposal incorporates the continued offer of 50% discount on toll charges for pre-paid users under the TamarTag electronic tolling scheme, albeit with a fixed 80p monthly account charge.

Disability :

Many people with physical or mental impairment are dependent on public transport, mobility scooters, walking or cycling, as driving is not an option.

The proposal continues to offer free crossings and transit priority for buses. It also incorporates provisions for the continued facilitation of crossings for wheelchair users and mobility scooters.

Both crossings will remain free of charge for cyclists and pedestrians.

The proposal incorporates the continued offer of free crossings under a mobility scheme.

Both crossings will continue to facilitate ambulance access and 'blue light' crossings.

The introduction of the charge aids the business case for development of TamarTag facilities which may include increased accessibility.

Gender Reassignment:

No obvious differential impacts.

Marriage and Civil partnership:

No obvious differential impacts.

Pregnancy and Maternity :

During periods of pregnancy and maternity, it is likely that the mother may be less likely to have access to the household's vehicle and hence may be more dependent on public transport. The proposal continues to offer free crossings and transit priority for buses.

Under the proposal both crossings continue to facilitate users with pushchairs.

Both crossings will continue to facilitate ambulance access and 'blue light' crossings. Women in labour are also provided with priority access to ferries on request.

During pregnancy and in the months following a birth, SE Cornwall mothers and their partners are likely to cross the Tamar more frequently to access health services in addition to pre-existing travel patterns. The introduction of a flat fee is likely to be more beneficial in these circumstances than the alternative increase in tolls, being better value for frequent users.

Race:

No obvious differential impacts.

Religion and Belief:

No obvious differential impacts. Both crossings facilitate access to places of worship.

Sex:

Women often have different transport patterns to men; they tend to travel shorter distances and are generally more reliant on public transport and walking. The proposal continues to offer free crossings and transit priority for buses. Both crossings will remain free of charge for cyclists and pedestrians.

Sexual orientation:

No obvious differential impacts.

Socio-Economic :

Nearly a third of Cornwall's population live in small, dispersed hamlets and villages of less than 200 residents. Many of the people who most obviously encounter deprivation live in larger settlements, but there are also rural communities where deprivation can be a significant barrier to accessing services. Transport is often cited as the main cause for unemployment. The proposal ensures the funding for continued delivery of safe, reliable and efficient crossings of the Tamar.

The proposal to introduce a fee falls on those who believe their usage pattern of the facilities justifies providing prepayment to enjoy discounted tolls. Such users most commonly live in SE Cornwall or the city of Plymouth.

The proposed fee has evolved from a series of Member and officer review workshops and meetings. It is considered to be the minimum required to fund the essential ongoing maintenance of the two crossings and any approved improvements, while retaining a prudent level of reserves.

The increase in revenue provided by the monthly fee is significantly below inflation (RPI) since the last increase. However the effective increase for individuals will be dependent upon their use of the facilities. Those TamarTag users crossing the Tamar most frequently and for whom the tolls represent a larger proportion of their motoring budget than less frequent users, will see a smaller percentage increase than TamarTag users who rarely use the facilities. Those that cross twice or more a month will continue to see benefit in holding a TamarTag account. Those that cross once a month or less will not see a financial benefit but may find the user advantages of not carrying cash to be attractive.

The proposal does not affect the current free crossing and transit priority arrangements for buses. Both crossings will remain free of charge for cyclists and pedestrians.

The proposal incorporates the continued offer of 50% discount on toll charges for pre-paid users under the TamarTag electronic tolling scheme. This is the highest level of discount offered to pre-paid users of any major estuarial crossing in the UK. 60% of all users enjoy this discount, and 80% in the peak periods.

Rural Isolation :

Many of the people who most obviously encounter deprivation live in larger settlements, but there are also rural communities where deprivation can be a significant barrier to accessing services. Transport is often cited as the main cause for unemployment. The proposal ensures continued delivery of safe, reliable and efficient crossings of the Tamar. The proposal continues to offer free crossings and transit priority for buses. Both crossings will remain free of charge for cyclists and pedestrians.

The proposal incorporates the continued offer of 50% discount on toll charges for pre-paid users under the TamarTag electronic tolling scheme. This is the highest level of discount offered to pre-paid users of any major estuarial crossing in the UK. 60% of all users enjoy this discount, and 80% in the peak periods.

Recommendations and Reasons for recommended action:

1. That the Cabinet recommends to Full Council that a monthly account fee of 80p per month be applied to all TamarTag accounts with effect from 1 April 2014.

The resulting income will supplement toll income to a level that can fund the delivery of the Business Plan for at least the next three years.

2. That the Cabinet recommends to Full Council that -

(a) the proposed Tamar Bridge and Torpoint Ferry revenue budget for 2014/15 as set out in Appendix 2 be approved;

The approval of the 2014/15 budget will enable the operation, maintenance and improvement of the two crossings in accordance with the Business Plan.

(b) the proposed Tamar Bridge and Torpoint Ferry capital programme as set out in Appendix 2 be approved; and

The approval of the capital programme will allow projects to progress to extend the life of the assets, and secure the long term delivery of the service.

(c) the longer term revenue forecast to 2017/18 as set out in Appendix 2 be noted.

This longer term forecast covers income and expenditure over the three years beyond the year for which budgets are approved. It further illustrates the requirement for additional income and also highlights the forecast level of reserves, which is anticipated to be close to the minimum agreed level throughout that forecast period.

Alternative options considered and rejected:

Other options for funding of the undertaking were considered based around toll increases, TamarTag charges and combinations of these, including the examination of associated risks. The impact of these options was considered in a series of workshops for Members and officers, and at quarterly TBTFJC meetings. One of the key factors supporting the preferred solution was the avoidance of the risk and cost that would be associated with an application to the Secretary of State for a toll increase.

The agenda item 5.3 and minutes of TBTFJC meeting dated 13 September 2013 give detail of the options taken forward from workshops to final decision.

Published work / information:

TBTFJC meeting reports and minutes 13 September 2013 and 6 December 2013 (links as set out in the report).

Appendices

Appendix 1 - Financial Model

Appendix 2 - TBTFJC Agenda Item 5.4 for meeting 6 December 2013
2014/14 Revenue Estimates and Capital Programme

Background papers:

As links in report.

Sign off:

Fin	PC.P laceF TCI 314 005. 0302 14	Leg	JAR/ 1949 I/Fe b14	Mon Off	RSN 1949 0/D VS	HR		Assets		IT		Strat Proc	
Originating SMT Member: Simon Dale													
Has the Cabinet Member(s) agreed the content of the report? Yes													

Tamar Bridge and Torpoint Ferry Income Strategy and Revenue and Capital Budget 2014/15

Introduction

- 1.1 The Tamar Bridge and Torpoint Ferry are operated, maintained and improved jointly by Plymouth City Council and Cornwall Council on a 'user pays' principle, being funded by toll income using powers derived from the Tamar Bridge Act. The finances of the joint undertaking are effectively ring-fenced by the Act, and it is operated as a self-financing business. As such the Business Plan aims to provide the service without external financial support from the parent authorities or other source.

Current and Forecast Financial Position

- 1.2 Forecast expenditure is based on detailed review of activities necessary to deliver a defined safe, reliable and efficient service. Facilities are maintained in a timely fashion to a high standard to optimise life costs. Investment made in the capital programme is designed to control long term revenue expenditure and/or improve the service.
- 1.3 Revenue expenditure has a fairly stable core element, but with cyclical fluctuations in maintenance and inspection programmes. This results in some significant year-on-year variations, but efficiency savings in resources and procurement have helped to keep the cost of overall service delivery within inflation (RPI).
- 1.4 The TBTFJC budget report presented to Cabinet in January 2013 noted a forecast requirement for 13% additional expenditure from April 2014. However a significant level of revenue savings have been achieved primarily in staff costs and ferry maintenance costs. In addition the reprogramming of various capital projects has resulted in delayed capital expenditure. Traffic levels also appear to have stabilised earlier than predicted, after three years of year-on-year reduction. As a result, the requirement for additional income has reduced considerably but the undertaking still needs to increase income by approximately 5% (£0.5 million) per annum from April 2014 to satisfactorily deliver its Business Plan and maintain adequate reserves, due to rising costs associated with the planned operation, maintenance and improvement of the two crossings. The agreed prudent minimum level of reserves for the undertaking has been established at £2 million. The current TBTFJC reserves balance stands at approximately £3.2 m, but without intervention reserves are projected to run down to £1.8 million by the end of financial year 2014/15 and to £1.1 million by the end of financial year 2015/16.
- 1.5 These estimates are based on a number of assumptions, notably the assumption that traffic levels will remain flat from April 2014 onwards. Industry and government forecasts suggest traffic growth in the forecast period of the order of 1-2% per annum but they are considered to be potentially optimistic and unreliable for local use based on recent experience.
- 1.6 The tolls were last increased in March 2010 following public consultation and a public inquiry. At the time of the application for that toll increase, it was envisaged that a further toll increase would be required by 2013 and that also allowed for running reserves down to £1 million, as opposed to the current agreed minimum level of £2 million.

Income Strategy

- 1.7 In order to address income requirements, TBTFJC has held a series of workshops for Members and officers over the past two years looking at a range of options to generate the required income to provide for delivery of the service in accordance with the Business Plan. This has been undertaken using a contemporary detailed financial model of forecast income

and expenditure to 2020/21, looking primarily at toll increases and introduction of account fees for the undertaking's pre-paid electronic toll system – TamarTag, or a combination of those, to fund any forecast shortfall.

- 1.8 The TamarTag scheme offers 50% discount on cash tolls at both crossings and provides account holders with electronic TamarTags for installation in vehicles. Users pre-pay depending on the number of tags on their accounts, and top up periodically to maintain credit. The scheme was introduced to improve the capacity of the Bridge toll plaza, thereby reducing congestion and journey times, and improving journey time reliability. With nearly 100,000 tags issued, the TamarTag is the second biggest such scheme in the UK after the Dart Tag used at Dartford River Crossing, and with approximately 60% of all of our crossings (and 80% in the rush hour) paid for electronically it is arguably the most successful. The cash toll for a private car is currently £1.50 at both crossings charged eastbound only.
- 1.9 The preferred strategy determined at the TBTFJC meeting on 13 September 2013 is to introduce a monthly tag account fee of 80p with effect from 1 April 2014. The account fee would reflect the cost of providing tags and running the pre-paid electronic toll system. The adoption of this approach would support delivery of the Business Plan and avoid the need for any increase in tolls paid by users for at least the next three years. The financial model and the effects of the proposed option are shown on the graph at Appendix I. More detail is shown in the report presented as item 5.3 of the agenda pack for the 13 September 2013 meeting of TBTFJC at <https://democracy.cornwall.gov.uk/documents/g4997/Public%20reports%20pack%2013th-Sep-2013%2010.00%20Tamar%20Bridge%20and%20Torpoint%20Ferry%20Joint%20Committee.pdf?T=1> TBTFJC approved the recommendation as shown in the minutes at <https://democracy.cornwall.gov.uk/documents/g4997/Printed%20minutes%2013th-Sep-2013%2010.00%20Tamar%20Bridge%20and%20Torpoint%20Ferry%20Joint%20Committee.pdf?T=1>
- 1.10 At the same meeting TBTFJC determined that it would undertake voluntary public consultation on the proposed TamarTag account fee. This comprehensive exercise involved distribution of information leaflets and associated questionnaires to over 33,000 users/account holders and a range of key stakeholders. This consultation included all Cornwall Councillors as key stakeholders. The overall response rate was approximately 15% and the key findings from the consultation are highlighted below:
- the high response rate and the response profile give confidence in the representative nature of the sample;
 - the majority of respondents preferred to keep toll charges associated with size and weight of vehicles;
 - the majority of respondents preferred any future toll rises to be every three years or less;
 - a significant percentage of respondents (particularly tag users) would like to see the TamarTag system extended to pay for local car parking, other tolled routes and any national scheme that might evolve.
- 1.11 Approximately 37% (1,737) of respondents included verbatim comments regarding one or more aspects of the service and the most frequently occurring comments have been categorised into the following subjects with the corresponding numbers of respondents :
- TamarTag account fee – 273
 - TamarTag system (other) – 542
 - toll charges – 750
 - Bridge traffic management – 200
 - the Ferry service – 280
 - customer service – 173
 - general compliments – 130

- improved local services and facilities - 107

- 1.12 TBTFJC considered the findings of the consultation at its meeting on 6 December 2013 and resolved to recommend to the Cabinets of Cornwall Council and Plymouth City Council that a TamarTag fee of 80p per month be introduced for implementation from April 2014. More detail is shown in the report presented as item 5.3 of the agenda pack for the 6 December 2013 meeting of TBTFJC at <https://democracy.cornwall.gov.uk/documents/g4998/Public%20reports%20pack%2006th-Dec-2013%2010.00%20Tamar%20Bridge%20and%20Torpoint%20Ferry%20Joint%20Committee.pdf?T=10> , and the preferred TamarTag account fee option was approved by the TBTFJC for recommendation to Cabinet as shown in the draft minutes at <https://democracy.cornwall.gov.uk/documents/g4998/Printed%20minutes%2006th-Dec-2013%2010.00%20Tamar%20Bridge%20and%20Torpoint%20Ferry%20Joint%20Committee.pdf?T=1>
- 1.13 Notwithstanding the preferred income strategy, TBTFJC has the power to reduce the current concessions without any additional external approvals, and thereby generate sufficient additional income to support forecast requirements. This facility provides further significant protection to the parent authorities in the short and medium term.

Revenue Estimates

- 1.14 The proposed revenue estimates (budget) for TBTFJC for 2014/15 and indicative figures for the subsequent three years 2015/16, 2016/17 and 2017/18 support the Business Plan and are consistent with the financial model. They have been determined from the detailed analysis of forecast expenditure and income. The various assumptions made in financial modelling have also been examined during the workshops and at TBTFJC meetings. Assumptions on pay inflation and on interest rates for borrowing and investment have followed those used by Cornwall Council.
- 1.15 The income forecasting has assumed flat (nil growth) income in future years as traffic levels over the last three years have been declining and it was considered that any evidence of a recovery from the recession were at present unreliable. This is considered to be a conservative but prudent approach. The preferred option has been applied to the financial model with the assumption that 10,000 infrequent TamarTag account holders (out of a current total of over 66,000) will close accounts as a result of the introduction of the proposed fee and no account has been taken of the likely switch of those users to cash toll - these assumptions taken together are considered to be conservative.
- 1.16 Detail on the revenue estimates is shown in the report presented as item 5.4 of the agenda pack for the 6 December 2013 meeting of TBTFJC at <https://democracy.cornwall.gov.uk/documents/g4998/Public%20reports%20pack%2006th-Dec-2013%2010.00%20Tamar%20Bridge%20and%20Torpoint%20Ferry%20Joint%20Committee.pdf?T=10> , and these were approved by the TBTFJC for recommendation to Cabinet as shown in the draft minutes at <https://democracy.cornwall.gov.uk/documents/g4998/Printed%20minutes%2006th-Dec-2013%2010.00%20Tamar%20Bridge%20and%20Torpoint%20Ferry%20Joint%20Committee.pdf?T=1>

Capital Programme

- 1.17 The items in the capital programme for 2014/15 onwards are :
- | | |
|-------------------------------|--------|
| Bridge access works | £0.63m |
| Bridge weigh-in-motion system | £0.15m |
| Bridge handstrands | £0.50m |

Bridge protective coating	£4.66m
Ferry sewage treatment plants	£0.26m
Bridge main joint replacement	£0.50m
Bridge half-joint replacement	£0.10m
Bridge Structural monitoring system	£0.10m

The above items are all within the current approved programme.

- I.18 A further unapproved item has been noted in the capital programme - 'Bridge Resurfacing Works – Phase 2' - included under 'Future Programme' and at this stage it is provided within the future year's indicative budget, for information only. A business case will be developed and presented to a future Joint Committee.
- I.19 The Bridge Office Development scheme is currently subject to a feasibility study and has not been included in the programme. Following the outcome of this study a business case will be presented to the Joint Committee for consideration.
- I.20 Detail on the capital programme is shown in the report presented as item 5.4 of the agenda pack for the 6 December 2013 meeting of TBTFJC at <https://democracy.cornwall.gov.uk/documents/g4998/Public%20reports%20pack%2006th-Dec-2013%2010.00%20Tamar%20Bridge%20and%20Torpoint%20Ferry%20Joint%20Committee.pdf?T=10> , and these were approved by the TBTFJC for recommendation to Cabinet as shown in the draft minutes at <https://democracy.cornwall.gov.uk/documents/g4998/Printed%20minutes%2006th-Dec-2013%2010.00%20Tamar%20Bridge%20and%20Torpoint%20Ferry%20Joint%20Committee.pdf?T=1>
- I.21 As established within last year's budget report, the financing of all capital projects is currently undertaken through the advance of funding from Cornwall Council (in effect borrowing). This is in order to mitigate the effect on the revenue budget and therefore the level of reserves held by the Joint Committee. The financing costs are reflected within the revenue budget.