

Report to:	Tamar Bridge & Torpoint Ferry Joint Committee	
Date:	7 September 2023	
Title:	Future Financing	
Portfolio Area:	Cornwall Council: Transport Plymouth City Council: Transport	
Divisions Affected:	All	
Local Member(s) briefed:	N/A	
Relevant Scrutiny Committee:		
Authors, Roles and Contact Details:	Vicky Fraser, Service Director, Environment and Connectivity, Cornwall Council Philip Robinson, Service Director for Street Services, Plymouth City Council David List, General Manager david.list@tamarcrossings.org.uk	
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Urgency Procedure(s) used if 'N' to Work Programme?	N	
Date next steps can be taken	17 November 2023	

Recommendations:

It is recommended that:

1. the Joint Committee note the current financial position and the associated assumptions and uncertainties.
2. the Joint Committee determine a preferred option for toll revision from the options set out in the report upon which to consult.
3. the Joint Committee undertakes a public consultation in respect of the preferred toll revision option. The public consultation to be in a format approved by the relevant Service Directors and the General Manager in consultation with the Joint Chairs.
4. the Joint Committee allocates a budget of £25,000 to support the public consultation.
5. officers bring a further report to the next meeting which sets out the consultation feedback.

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 report, taking into consideration the budgetary positions of the parent authorities, recommendations from the Local Partnership's report and observations made by Auditors in relation to stabilising the undertaking's finances.
- 1.2 The long lead times associated with a toll revision application leave the Joint Committee with a very limited window to avoid a deficit position at the end of March 2025. A failure to make a decision at this meeting to determine a preferred option for toll revision upon which to consult will mean that the opportunity to avoid a deficit position is likely to be lost.

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.

- 2.3 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.
- 2.4 The Joint Committee recommended to Full Councils via Cabinets (subject to the outcome of the public consultation) its preferred option of uniform 30% increases on both Tag and Cash tolls for all use classes, reducing TamarTag discount from May 2022 and increasing cash tolls from January 2023.
- 2.5 Public consultation was undertaken in January 2022 on the above proposed increase and the Joint Committee considered the results from the consultation at its meeting of 18 March 2022 and confirmed its preferred option to increase tolls.
- 2.6 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.
- 2.7 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.
- 2.8 All four of these external assumptions have proven inaccurate for various geopolitical, economic and business reasons.
- 2.9 The impact of post-Covid travel behaviour has become clearer over the past 18 months, moderating confidence that volumes will return to pre-Covid levels. Indeed, there are no indications that traffic using the crossings will return to pre-Covid levels.
- 2.10 These factors resulted in an increasing awareness that prior to its implementation, the toll revision implemented on 1 January 2023 would

provide insufficient funds with a deficit position forecast during the financial year 2024/2025.

2.11 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 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

2.12 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.

2.13 The workshops supported the ongoing pursuit of funding from DfT and confirmed the continued desire to progress a legislative route to index future tolls.

2.14 There was no indication of a single preferred or consensus approach towards addressing the forecast deficit position, but a number of options were agreed for presentation to a formal Joint Committee meeting.

Indexation of Tolls

- 2.15 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.
- 2.16 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 and the consideration of alternative business models for the crossings) it was preferred that the outcome of an independent consultancy review report (the Local Partnerships report) was known before deciding on the most appropriate course of action. This report concludes (amongst others) that the current business model of the crossings is fit for purpose, that a toll revision application should be made as soon as practicable and that indexation to tolls should be pursued.
- 2.17 The Joint Committee Chairs have drafted a letter to central government on pursuing the ability to apply RPI to tolls. Before it is sent to government local MP support for the letter is being sought. Progress in respect of this will be reported to the next meeting of the Joint Committee.
- 2.18 To illustrate the potential effect of indexation, the graph at Appendix 5 shows its effect on the 30% uniform increase option, assuming a commencement date of April 2025. The indexation used in this case arbitrarily mirrors the inflation rates used in expenditure modelling.

Central Government Support

- 2.19 Despite Joint Chairs and Portfolio Holders writing again to central government and also local MPs undertaking direct lobbying of Ministers, the formal position of government has not changed from that communicated on 24 August 2021 by Baroness Vere of Norbiton, the then Minister for Roads, Buses and Places. That letter stated that she did not agree to National Highways (formerly Highways England) contributing to the cost of maintenance of the Bridge.
- 2.20 Although Ministers have subsequently been reported in the Media as stating that government will look again at its position, there has been no further detail on any process or timeline associated with those broad comments. The position therefore remains as it was when Members made its previous decision to

increase tolls - that no reliance can be placed on receiving central government support before a deficit position is reached.

External Advice

- 2.21 The review report from Local Partnerships commissioned by the Joint Committee contains a recommendation that toll revision is pursued in order to ensure the sustainability of the organisation and that the Committee continues to pursue the ability to increase tolls in line with the Retail Price Index (RPI).
- 2.22 Within the letter associated with the Annual Financial Statements Audit, the Audit Manager has also highlighted the need to ensure that toll levels are reviewed to ensure that income is sufficient to maintain the viability services.

Income and Expenditure Modelling

- 2.23 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.
- 2.24 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.

- 2.25 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 July 2023 has increased by 17.8% compared to the 6.5% that was anticipated within the December 2021 forecast.

- 2.26 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 90.1% for the comparison of the current rolling 12 months with that of the latest pre-Covid rolling 12 months. Graphs of historic traffic volumes are attached as Appendices 1a and 1b.
- 2.27 The core expenditure model retains the estimates for inflation used in the December 2022 budget process – CPI at 7.5% for the current financial year, 1.8% for 2024/25 and 2% thereafter with RPI inflation at consistently 0.8% higher than CPI. These assumptions reflect those being used by Cornwall Council. 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 models. Based on the National employer's offer, pay inflation at approximately 7.5% will be 3% above the 4.5% provided in the model for the current year. Agreement is still outstanding on the employer's offer.
- 2.28 It is important to recognise the sensitivity of the modelling to external variances that will be outside the undertaking's control and the impact of such variances on the financial position which are for example:
- 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
 - a 2023/24 national pay agreement of 3% higher than budget will have a negative effect of £0.160m per annum
 - there is some uncertainty that new borrowing will be at the 3.38% rate provided for in the current 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 outstanding 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 is already nearly £2.0m below that which is considered prudent. The position is also documented in graphical form at Appendix 2a.

	end of year reserves position £m				
	2023/24	2024/25	2025/26	2026/27	2027/28
do nothing	+0.559	-0.724	-2,798	-5,398	-7.454*

* Assumes authority given in 2025 to index tolls

2.30 The long term forecast at Appendix 2b incorporates RPI increases when the index rises sufficiently to increase rates by 10p. Although in line with approved strategy, it relies on gaining the legislative authority in a timely manner. Even with indexation a very significant cumulative deficit accumulates, demonstrating the need to ensure that a viable toll rate is applied prior to any indexation. Indexation alone will not place the crossings in a viable financial position.

2.31 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

2.32 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. Postponing a decision to a future scheduled meeting will mean that the anticipated 2024/2025 deficit reserves position cannot be corrected by the established route of toll revision. A decision at this meeting is on the critical path to achieve a November 2024 increase and avoid a deficit reserve at the end of March 2025.

2.33 From previous reports and workshops Members are aware of the forecast deficit reserve position that would occur at the end of financial year 2024/25 without intervention, and that the position is forecast to deteriorate thereafter. Members are also aware that any end of year deficits revert by default to the

parent authorities, and both have given a clear message 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.

- 2.34 In addition, the position set out by Government Ministers was very clear and that remains the documented position of central government, and despite recent lobbying and media statements, there is currently no evidence that the position will change.
- 2.35 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. Those options are detailed below, with the revised rate of car class cash and tag toll highlighted.
- 2.36 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 and the observation made by Internal Audit.
- 2.37 A number of potential approaches which evolved at Member workshops are described below, with accompanying graphic illustrations of each option provided in appendices.
- 2.38 To assist 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. Whichever option is selected, 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. All modelling reflects these proposals.
- 2.39 The exception to the "across the board" application of increases is to motorcycle tolls at Torpoint. The charge made for motorcycles has generally been considered as reflecting the deck space taken by these vehicles. Historically, the space calculation has been four motorcycles to one car. However, not only has the rounding effect of more recent toll increases changed the ratio to more than 5:1, but for safety and operational reasons motorcycles are now being given additional space. Additionally, an increase of charges to £1.00 will allow motorcycles to pay using contactless card. All options assume that motorcycle tolls at the Ferry will increase to £1.00.

- 2.40 The modelling incorporates indexed increases assuming a base date for indexation of 1 April 2025 with increases applied 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. It should be recognised that the authority to index tolls is not certain and a failure to complete the legislative process to do so on time presents a significant risk (and could result in the need to undertake further toll revisions following the current process).
- 2.41 Whilst in all cases 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 next year, when it will be 22 months since the last increase in cash tolls and 29 months since discount rates were increased.
- 2.42 The key features of each option are provided at Appendix 3.

Option A – Do Nothing/No toll increase

- 2.43 This option is noted but not considered further as a deficit reserves position is recorded at the end of financial year 2024/25 which grows in subsequent years.
- 2.44 A deficit position must be made good by the parent authorities. Both parent authorities have not made provision in their budgets for such a situation and there is an expectation that the crossings will remedy the position through the normal toll revision process. 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.
- 2.45 The full effect of cumulative deficit is shown in Appendix 2a/2b.

Option B - Uniform Increase of approx 15% (car tolls to £3.00 cash/£1.50 tag)

- 2.46 Modelling of this option is shown in graphical form at Appendix 4a (medium term) and Appendix 4b (long term). It demonstrates a relatively low increase in the cash rate and retains the current discount rate.

- 2.47 The option increases tolls by approximately 15%, which by November 2024 is very likely to be below the rate of general RPI inflation since the increase on 1 January this year.
- 2.48 Unsurprisingly this option only just avoids deficit in the short term and does not provide adequate reserves given that:
- a. inflation to date has been far higher than forecast when adopting the financial model used for the last toll revision;
 - b. the forecasts for traffic from April 2025 have been downgraded; and,
 - c. the forecasts submitted in support of the last toll revision had anticipated that the requested toll rates would produce only limited reverses.
- 2.49 The option is not considered to be a viable option given that it provides a reserve level that is noticeably below the level which was historically considered the prudent minimum and provides minimal contingency. The small positive position is considered to be lower than the level of accuracy provided by forecasts.

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

- 2.50 This option retains a lower increase in cash rates by slightly reducing the level of discount give to TamarTag account holders. Modelling of this option is shown in graphical form at Appendix 5a (medium term) and Appendix 5b (long term).
- 2.51 The option B 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 as shown in graphical form at Appendices 5a and 5b.
- 2.52 After 2025/26, the assumed indexation of tolls provides a level of reserve which allows funding of some capital projects from reserve or the assignment of reserve to a “sinking fund”. Without indexation, the model is less robust.
- 2.53 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.

Option D - Uniform Increase Option of approximately 23% (£3.20 cash/£1.60 tag)

- 2.54 This option continues the long standing approach of offering a 50% discount for prepayment whilst also providing a broadly similar level of resilience as the previous Option C. The option is shown in graphical form at Appendices 6a and 6b.
- 2.55 In the shorter term the option results in a lower surplus than the £3.00/£1.80 option above, but with the base toll 20p higher indexation results in a higher reserve in the longer term.
- 2.56 This option also provides the Joint Committee with similar flexibility regarding the potential postponement of indexed increases, or one of the other purposes listed in the paragraphs 2.52 above.

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

- 2.57 This option has been 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.
- 2.58 As the Appendices 7a and 7b illustrate, an additional £1 supplement on ferry cash tolls (50p supplement for the ferry's TamarTag customers), has a relatively modest effect on reserves.
- 2.59 At the levels illustrated, a decision to increase ferry cash tolls by £1 more than those at the bridge has very limited effect. 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.

Resilience Comparison

- 2.60 The forecast annual outturn positions and cumulative reserves positions generated by the above models are set out in the tables below together with the 'do nothing' option:

option		annual deficit/surplus £m					
		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
A	do nothing	-0.336	-0.629	-1.283	-2.074	-2.600	-2.056
B	£3 cash/ £1.50 tag	-0.336	-0.629	-0.255	+0.394	-0.132	+0.413
C	£3 cash/£1.80 tag	-0.336	-0.629	+0.416	+2.005	+1.479	+2.007

D	£3.20 cash/£1.60 tag	-0.336	-0.629	+0.260	+1.629	+1.103	+1.647
E	£3.20 cash/£1.60 tag & ferry supplement	-0.336	-0.629	+0.430	+2.334	+1.879	+2.424

option		end of year reserves position £m					
		2022/23	2023/24	2024/25	2025/26	2026/27	2026/27
A	do nothing	+1.188	+0.559	-0.724	-2,798	-5.398	-7.454
B	£3 cash/ £1.50 tag	+1.188	+0.559	+0.304	+0.668	+0.566	+0.979
C	£3 cash/£1.80 tag	+1.188	+0.559	+0.975	+2.980	+4.459	+6.466
D	£3.20 cash/£1.60 tag	+1.188	+0.559	+0.819	+2.448	+3.551	+5.198
E	£3.20 cash/£1.60 tag & ferry supplement	+1.188	+0.559	+0.989	+3.323	+5.202	+7.626

NOTE – shading indicates reserve below level considered as the prudent minimum of £2.5m

Toll Revision Recommendation

2.61 It is vital that Members give consideration to the resilience issues and forecasting risks, and recognise the need to isolate the parent authorities from deficit to a reasonable degree. In making a decision Members should have due regard to Consultant's advice and Auditor's commentary on the need to take action as well as any advice provided by the respective Authorities Chief Financial Officers (Section 151 Officers).

2.62 In order to achieve an appropriate level of financial resilience it is recommended that Members determine a preferred option for toll revision upon which to consult.

2.63 Whichever option is preferred, in all cases the proposed increases could be potentially moderated if the evolving financial position is significantly better than forecast.

Public Consultation

2.64 As part of all previous toll revision processes a public and key stakeholder consultation has taken place.

2.65 All of the previous consultations involved selecting two appropriate dates to physically distribute leaflets and questionnaires to those paying cash and other non-tolled users, and those TamarTag customers travelling on those days contacted electronically or by post where there was no e-mail address on accounts. The methodology ensures that consultation reflects a representative sample of weekday and weekend users. Methods of participating in the public consultation were also provided for any members of the public who wished to participate but did not travel on the consultation day and key stakeholders were also contacted individually.

2.66 It is recognised that there is merit in following a consistent process of consultation which has historically generated good response rates to allow direct comparison of responses. It is however also likely that there will be increasing user weariness and response fatigue could affect responses and response rates to a fourth very similar exercise within a five year period. To ensure that proposed timelines can be met, it is essential that consultation responses are reported to TBTFJC at a meeting that has been brought forward by a month from December to November. The narrow timelines are reflected within the schedule attached as Appendix 8.

2.67 It is recommended that public consultation is undertaken in respect of the preferred toll revision option in a format to be approved by the relevant Service Directors and the General Manager in consultation with the Joint Chairs.

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 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.

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](#)

5 Consultation and Engagement

- 5.1 The position has 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 and 23 June 2023.
- 5.2 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.
- 5.3 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.
- 5.4 Local MPs have met with Ministers and Joint Chairmen and Portfolio Holders are continuing to lobby MPs and Ministers for central government support.

5.5 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 The proposed course of action is to revise tolls to a level which generates adequate income to support the delivery of the service and provides a level of resilience against the risks inherent in forecasting, thereby reducing the risk of a deficit reserves position.

6.2 The financial implications of each option and the cumulative reserve position is shown in section 2.60 above. All options except Option A based on the current models suggest that in the short term they would avoid a deficit reserve position. However, in the longer term Option B would not generate prudent reserve even if future indexation of the tolls is achieved (Options C-E would).

6.3 Under Option A, 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	2026/27
Cumulative reserve position	+1.188	+0.559	-0.724	-2,798	-5.398	-7.454
Annual deficit	-0.336	-0.629	-1.283	-2.074	-2.600	-2.056
Parent Authority contribution (50:50)	0	0	0.362	1.037	1.300	1.028

Central government has stated that it would not agree to National Highways (formerly Highways England) contributing to the cost of maintenance of the Bridge. As such, from a financial perspective, there is no alternative option to address the financial position other than using the provisions of the current tolling framework.

- 6.4 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 service delivery.

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

- 7.1 An application for a toll revision order is made under section 6 of the Transport Charges &c. (Miscellaneous Provisions) Act 1954 (the Act). Section 6(3) of the Act require a revision order to avoid the undertaking “receiving an annual revenue either substantially less or substantially more than adequate to meet [expenses] properly chargeable to revenue ...” This should be considered when the Joint Committee is deciding which option it prefers upon which to consult.
- 7.2 As set out in the report, it is intended that if the Joint Committee decides on a preferred option for toll revision, upon which to consult, that this process should run in parallel with the process of seeking an effective mechanism for the crossings to able to apply RPI to tolls.

8 Risk Implications of the proposed course of action/decision

- 8.1 Risk implications remain largely unchanged from those reported to meetings which considering 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:

Risk	Consequence	Mitigation
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 November 2023 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
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
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9 Cornwall Development and Decision Wheel

9.1 A Development and Decision Wheel is not required for this report. One will be prepared for the Joint Committee meeting in November 2023 when the Joint Committee will be asked to consider the responses to the public consultation and to recommend a preferred option for toll revision to the Full Councils (via their Cabinets) of both parent authorities.

10 Options

10.1 The options available are set out in Section 2 of the report namely:

- A. do nothing
- B. uniform increase of approx 15% (Car tolls to £3.00 cash/£1.50 tag)
- C. hybrid increase option – 23% & reduced discount of 40% (£3.00 cash/£1.80 tag)
- D. uniform increase option of approximately 23% (£3.20 cash/£1.60 tag)
- E. uniform increase option with Supplementary increase for ferry crossings (£3.20 cash/£1.60 tag with £1/50p ferry supplement)

11 Supporting Information (Appendices)

<u>Appendix 1a-b</u>	Graphs – Traffic history and comparisons
<u>Appendix 2a/b</u>	Graphs – Opt A: Medium and Long Term Forecasts with no intervention
<u>Appendix 3</u>	Table: key features of toll revision options
<u>Appendix 4a/b</u>	Graphs – Opt B: Medium and Long Term Forecasts tolls revised to £3.00 cash /£1.50 tag
<u>Appendix 5a/b</u>	Graphs – Opt C: Medium and Long Term Forecasts tolls revised to £3.00 cash/£1.80 tag
<u>Appendix 6a/b</u>	Graphs – Opt D: Medium and Long Term Forecasts tolls revised to £3.20 cash/£1.60 tag
<u>Appendix 7a/b</u>	Graphs – Opt E: Medium and Long Term Forecasts tolls revised to £3.20 cash/£1.60 tag with ferry supplemental £1.00 cash/50p tag charge
<u>Appendix 8</u>	Forecast timeline for toll revision

12 Background Papers

None

13 Approval and clearance

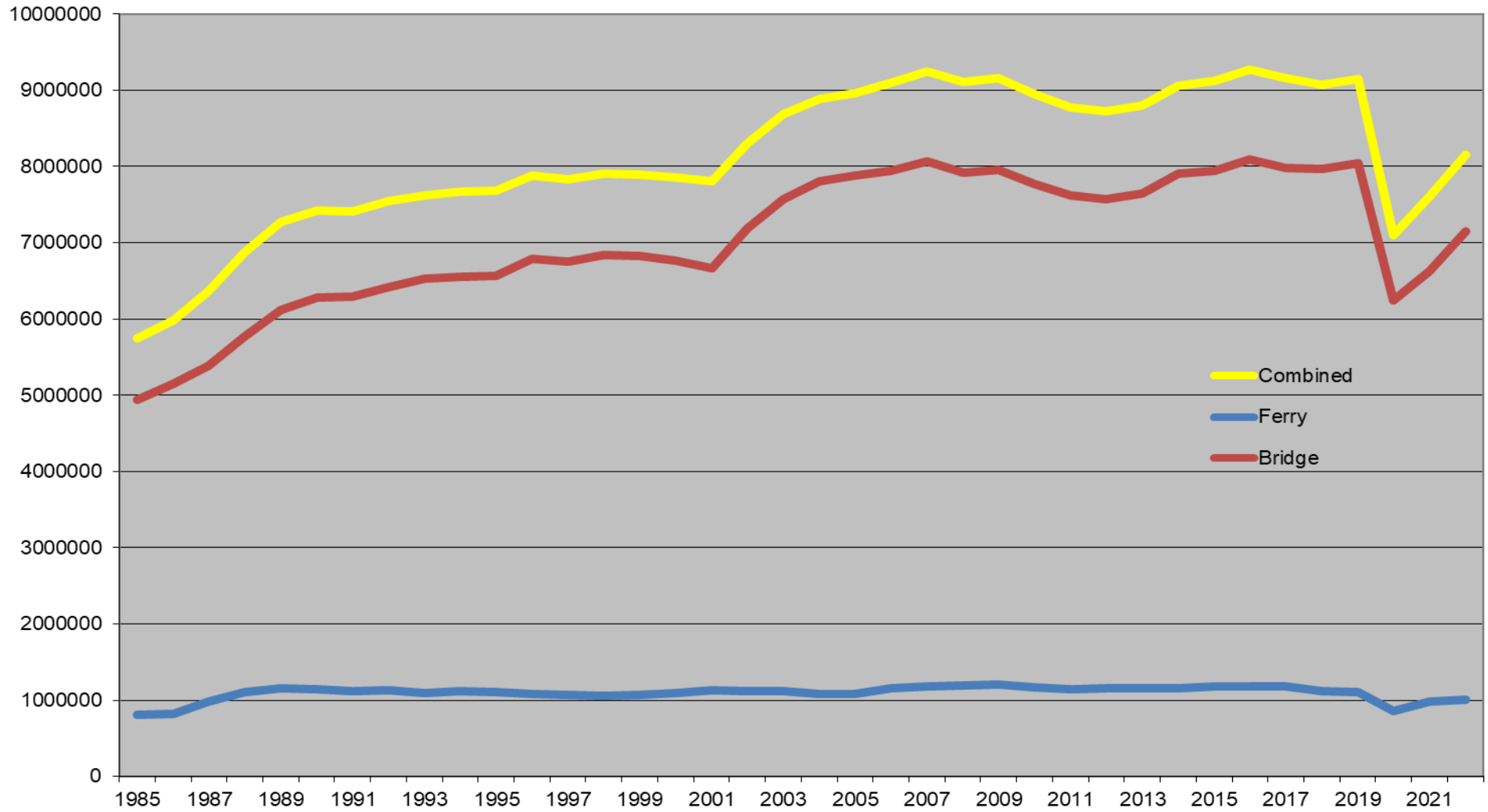
All reports:

Final report sign offs	This report has been cleared by (or mark not required if appropriate)	Date
Governance/Legal (required for all reports)	Lia Musto-Shinton	25/08.2023
Finance (required for all reports)	Geraldine Baker, Senior Business Analyst	23/08/2023
Equality and Diversity (if required)		
Service Director (required for all reports)	Vicky Fraser, Service Director Environment and Connectivity	25/08/2023
Strategic Director		

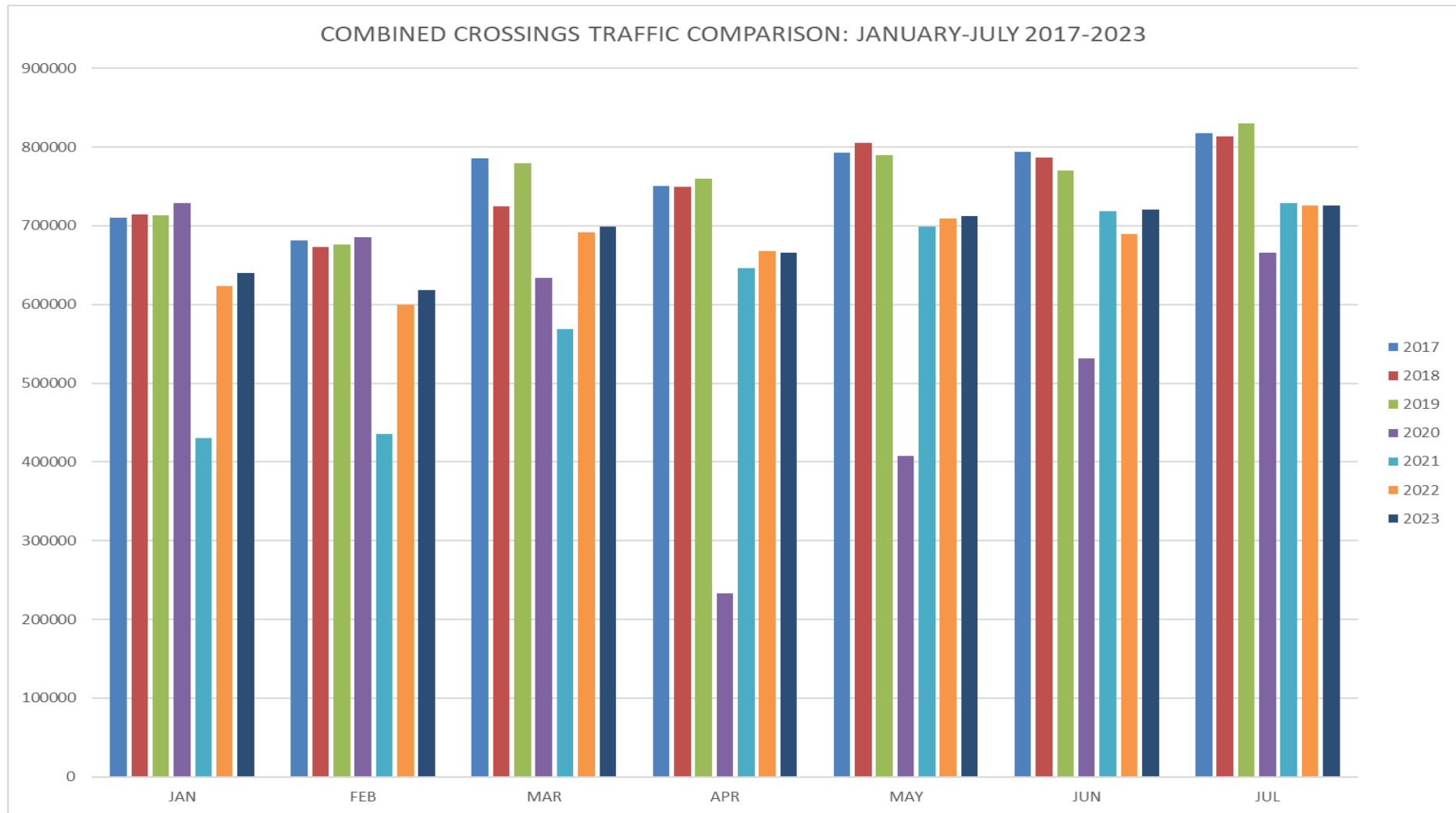
(If required)		
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APPENDIX 1a

COMBINED UNDERTAKING ANNUAL TRAFFIC 1985-2022

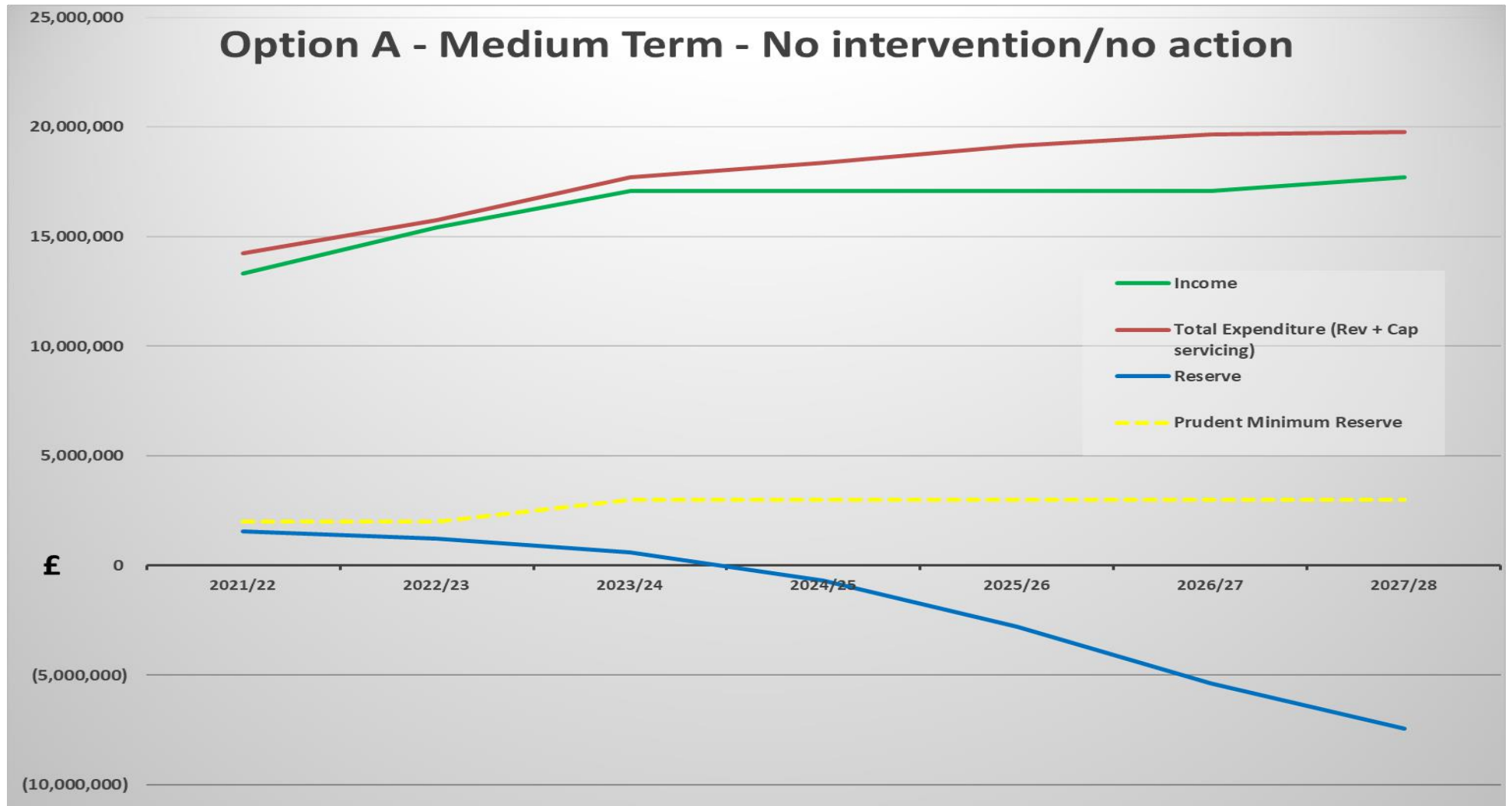


APPENDIX 1B

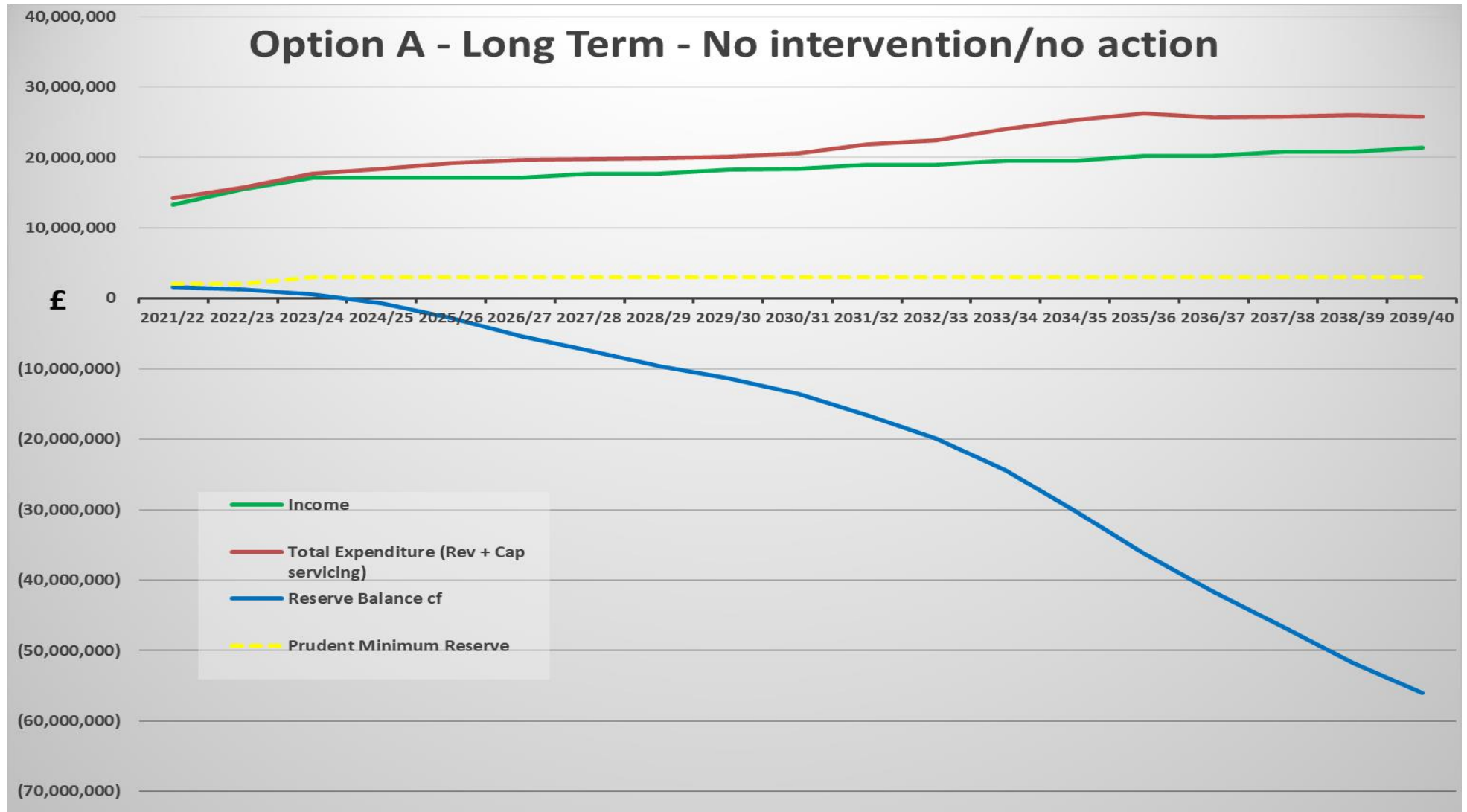


Seven month selection with latest available 2023 figures (July 2023)

Appendix 2a (Option A)



Appendix 2b (Option A)



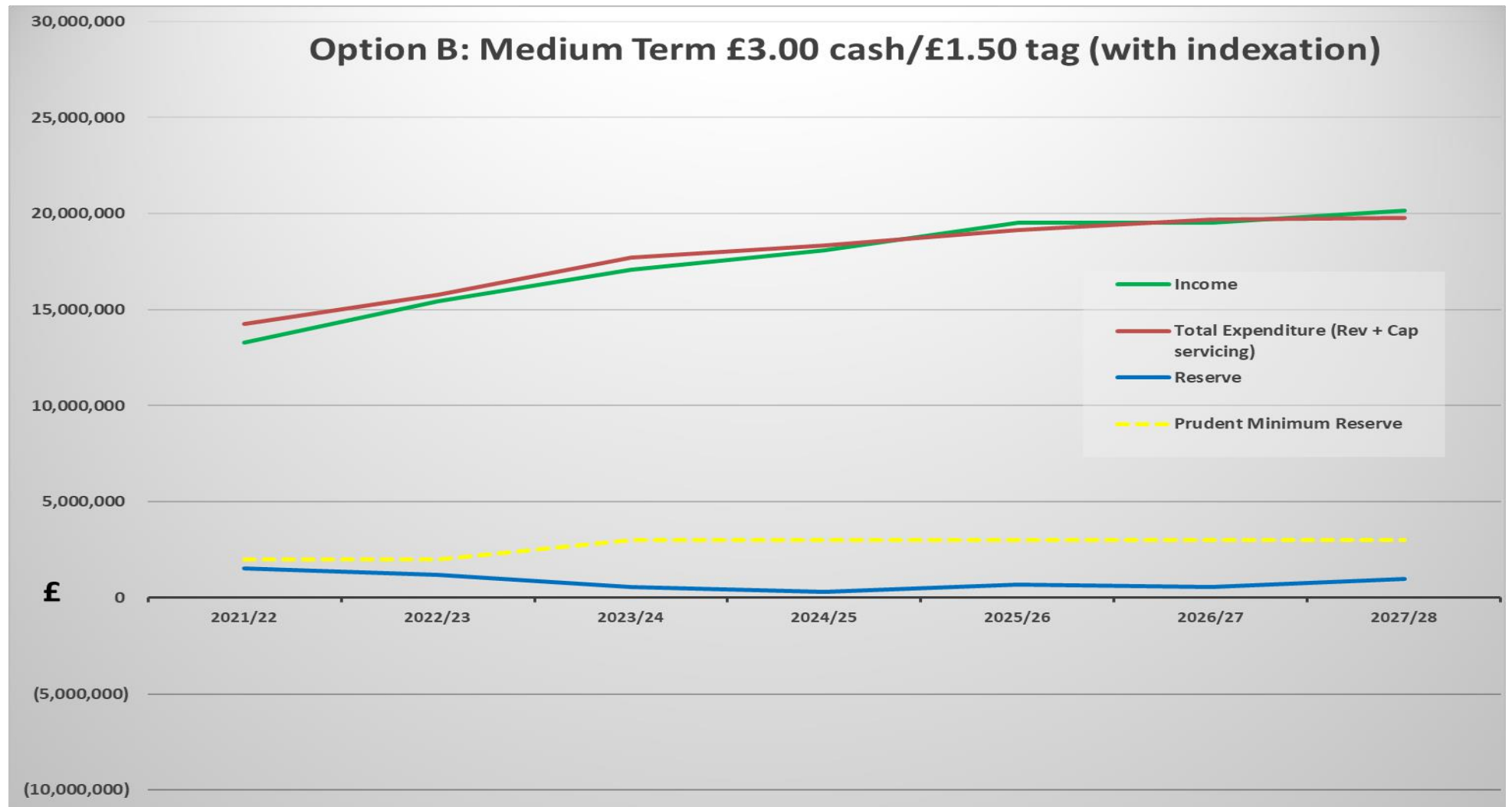
APPENDIX 3

KEY FEATURES OF TOLL REVISION OPTIONS

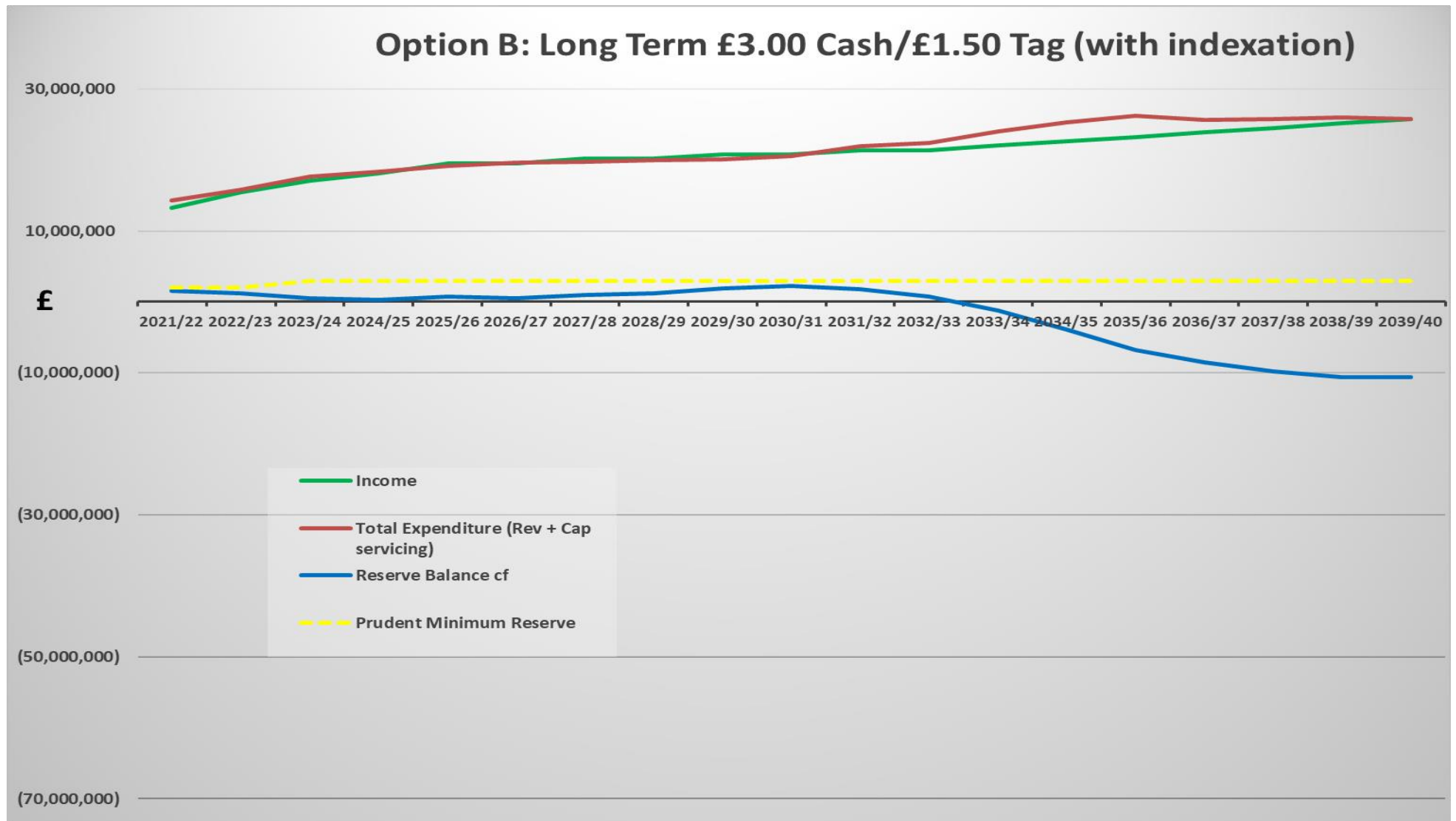
OPTION		CASH TOLL November 2024		DISCOUNT TOLL November 2024		FINANCIAL YEAR CURRENT PRUDENT MIN ACHIEVED & Reserve		CASH TOLL Apr 2030		DISCOUNT TOLL Apr 2030		RESERVE POSITION Mar 2030
		B	F	B	F			B	F	B	F	
A	do nothing	£2.60	£2.60	£1.30	£1.30	NOT ACHIEVED		£2.80	£2.80	£1.40	£1.40	-£13,601m
B	£3 cash/ £1.50 tag	£3.00	£3.00	£1.50	£1.50	NOT ACHIEVED		£3.20	£3.20	£1.60	£1.60	£1.935m
C	£3 cash/£1.80 tag	£3.00	£3.00	£1.80	£1.80	2025/26	£2.98m	£3.20	£3.20	£1.92	£1.92	£10.872m
D	£3.20 cash/£1.60 tag	£3.20	£3.20	£1.60	£1.60	2025/26	£2.447m	£3.50	£3.50	£1.75	£1.75	£8.621m
E	£3.20 cash/£1.60 tag & ferry supplement	£3.20	£4.20	£1.60	£2.10	2025/26	£3.323m	£3.50	£4.70	£1.75	£2.35	£12.744m

Toll rates listed are for class 2 (Car and Van)

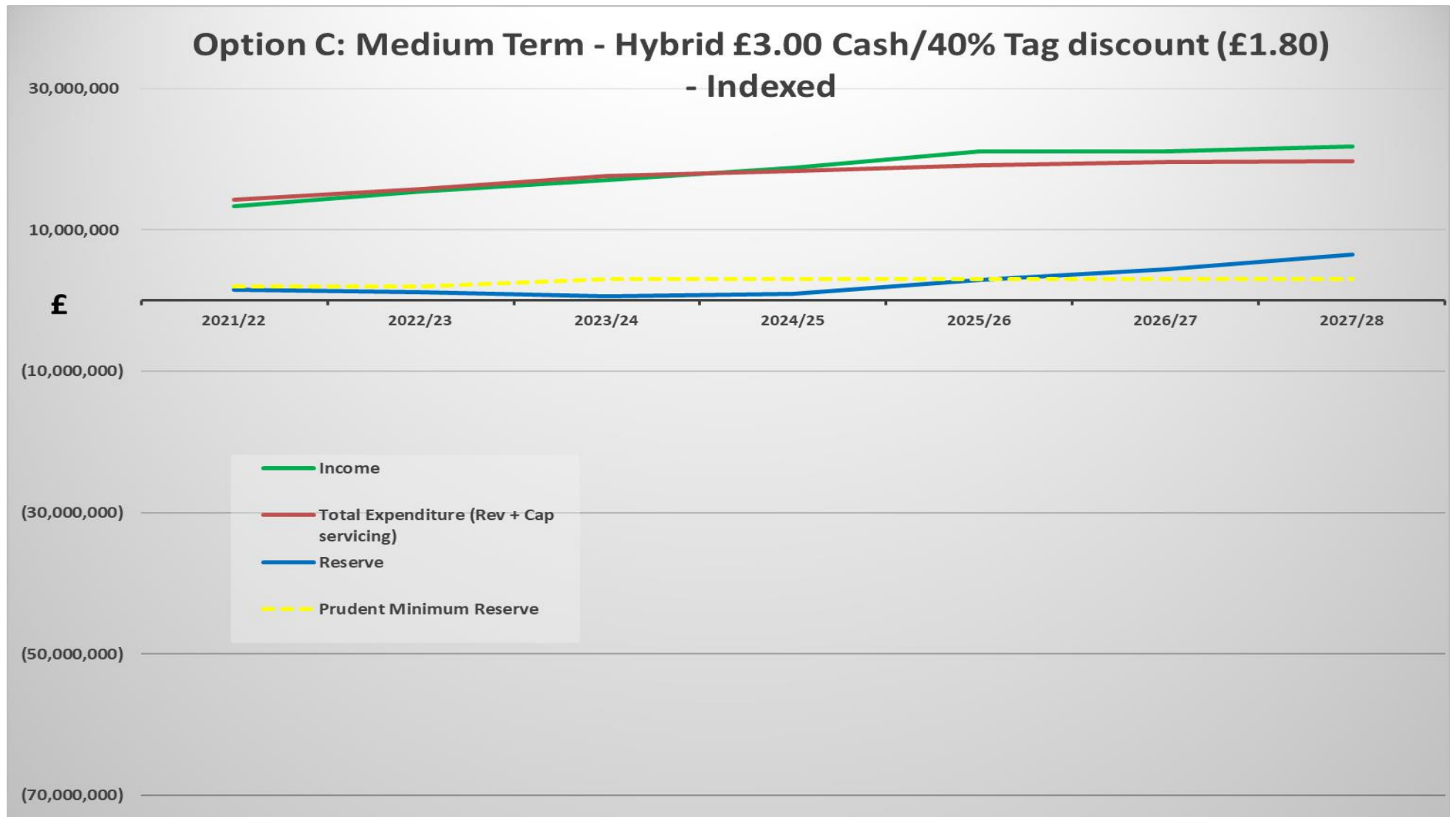
APPENDIX 4a (Option B)



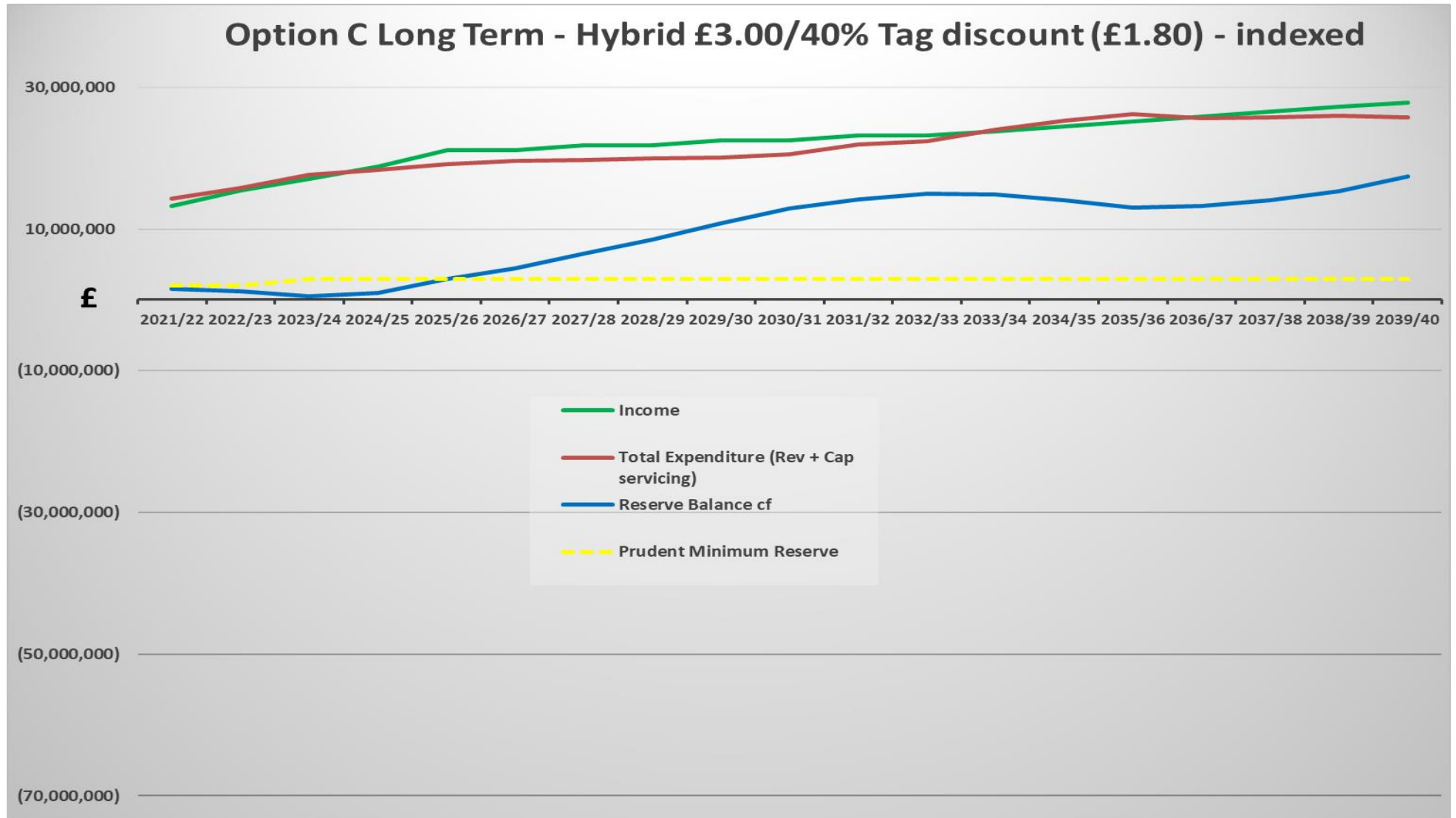
APPENDIX 4b (Option B)



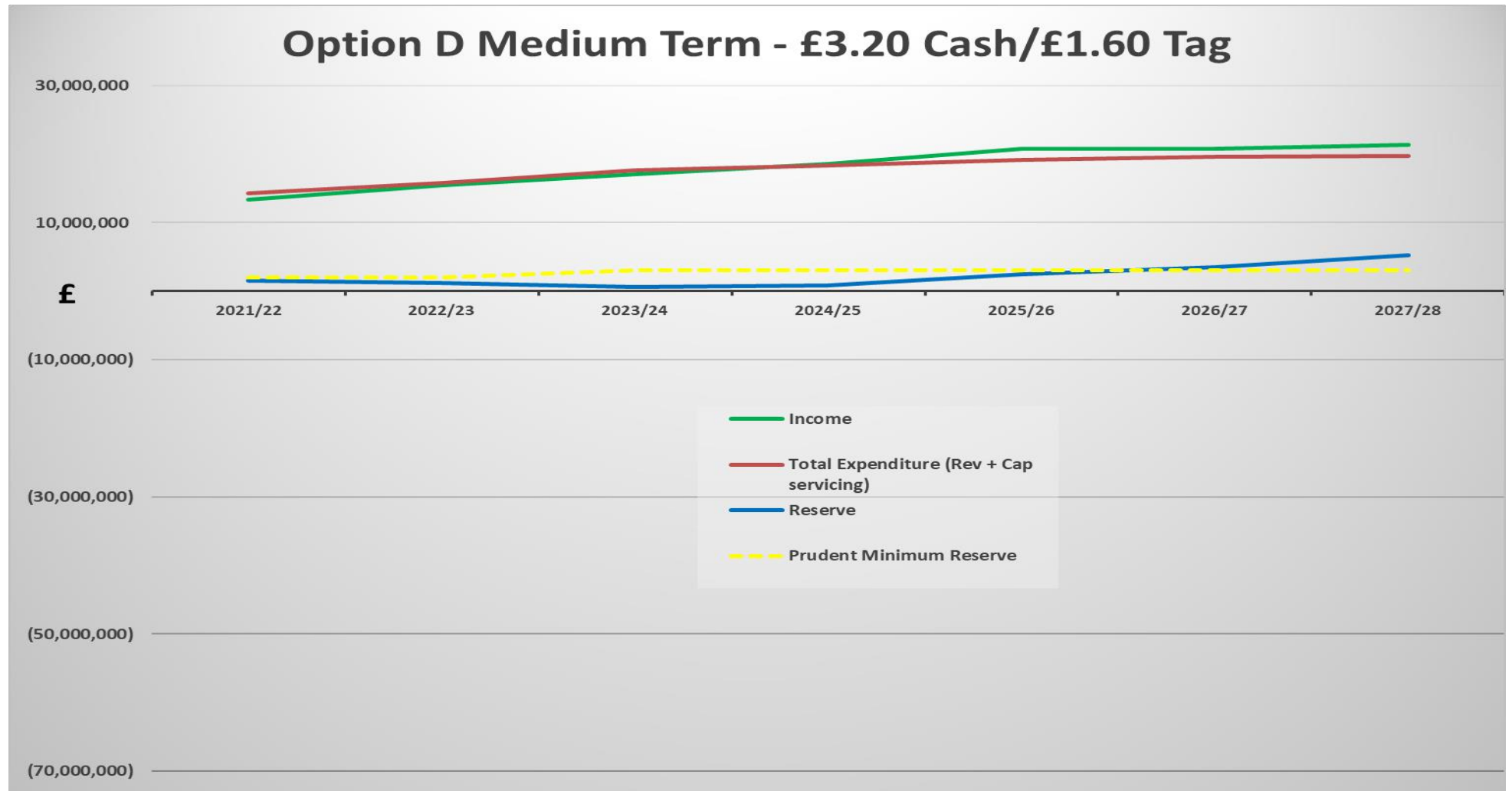
APPENDIX 5a (Option C)



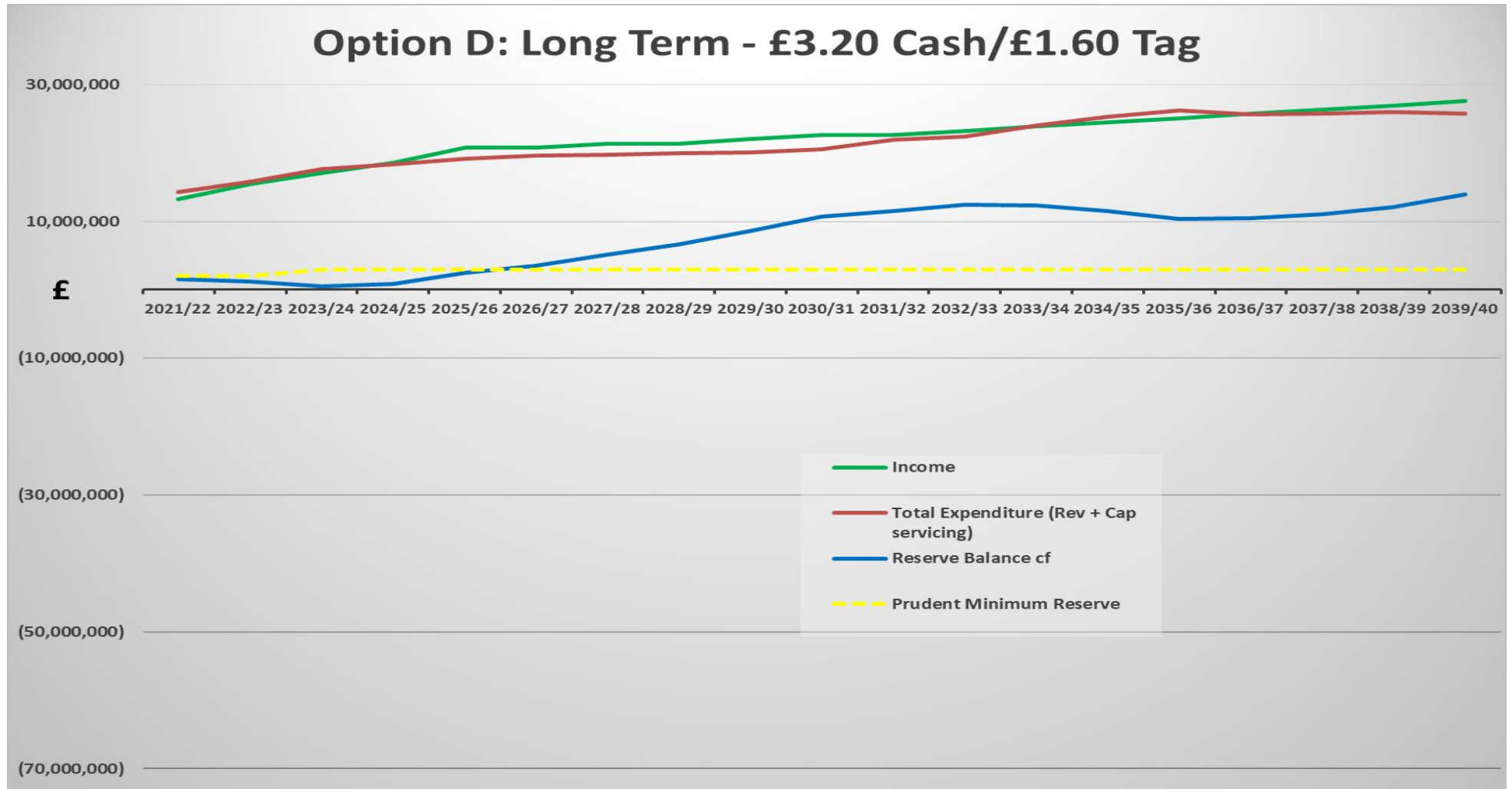
APPENDIX 5b (Option C)



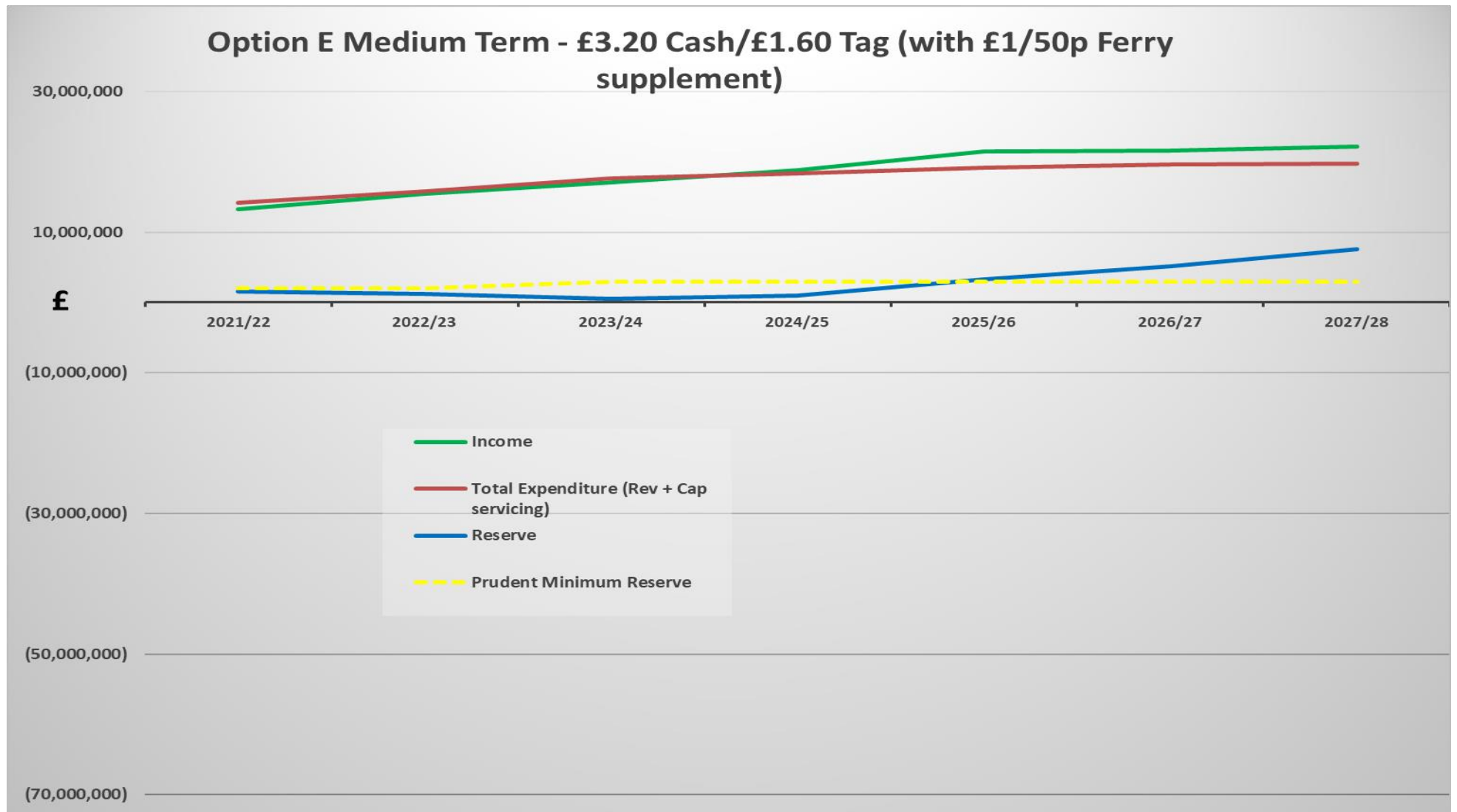
APPENDIX 6a (Option D)



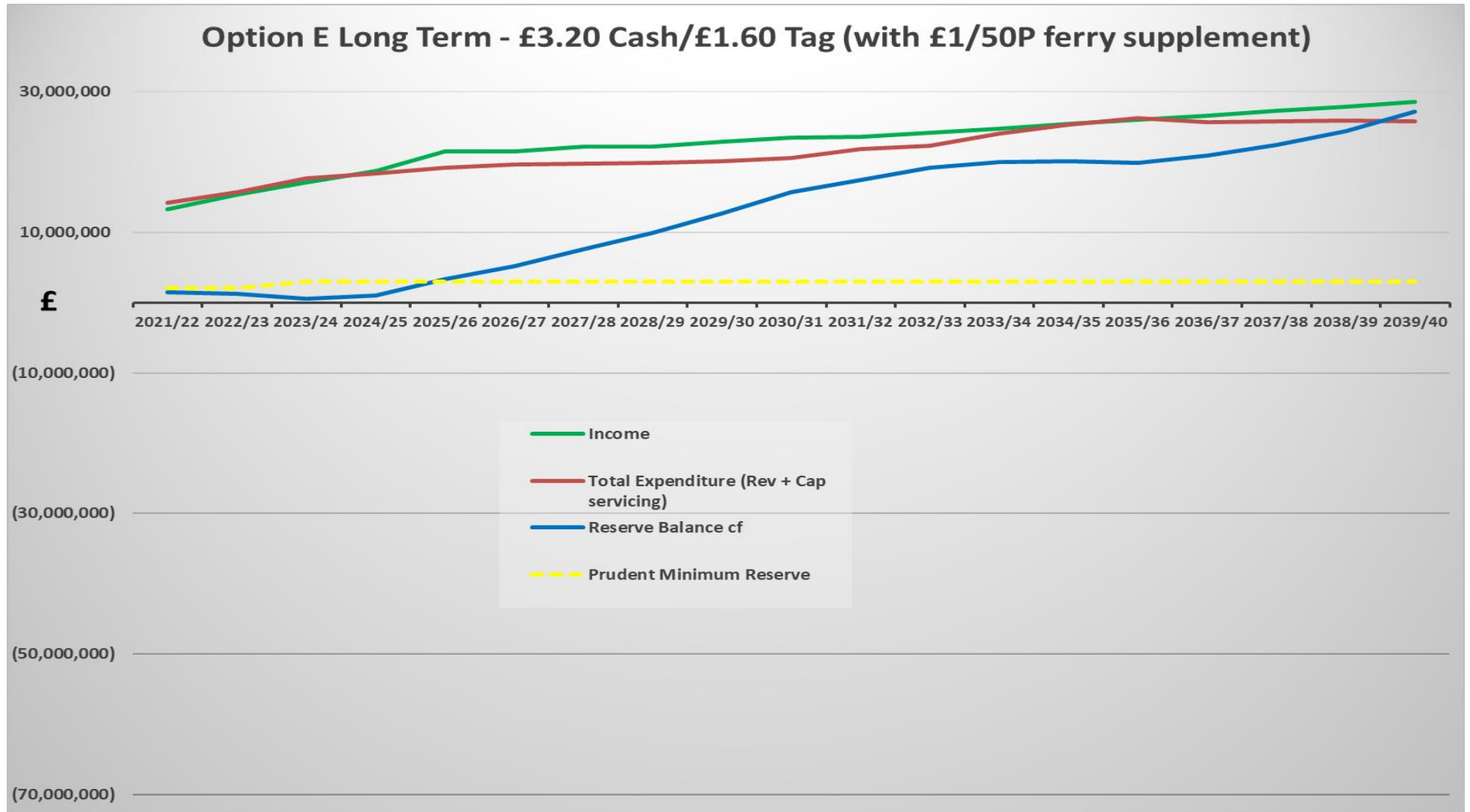
APPENDIX 6b (Option D)



APPENDIX 7a (Option E)



APPENDIX 7b (Option E)



ACCELERATED PROCESS – EARLY SEPTEMBER AND NOVEMBER 2023 JOINT COMMITTEES	APPENDIX 8
Finalise LP Report and ensure that it is capable of inclusion in public JC sessions	Before mid-August 2023
Joint Committee Meeting – Committee asked to make decisions on its preferred option for toll revision upon which to consult and to carry out a public consultation	7 September 2023
Consultation exercise	Mid Sept – mid October 2023
Compile consultation findings	wk 3-4 October 2023
Joint Committee Meeting – Committee asked to consider the feedback from the public consultation and make a decision on whether or not to recommend to Full Councils via Cabinets its preferred option for toll revision.	17 November 2023
Plymouth Cabinet	11 December 2023
Cornwall Cabinet	13 December 2023
Cornwall Full Council	16 January 2024
Plymouth Full Council	29 January 2024
<i>Earliest date for separate increase in concession rates (indicative date only)</i>	14 February 2024
Public Notice and submission of application to DfT	14 February 2024
Objection period +42 days	15 April 2024
Public Inquiry – Assume +3 months, (5 days of sitting Inquiry)	15 July 2024
Inquiry Report preparation – Assume requires 6 weeks (sent to Minister & not published)	2 September 2024
Ministerial Decision – Assume + 6 weeks from receipt of report (no allowance for 2 weeks conference recess - to 14/10/24)	21 October 2024
Forecast date for TRO/cash rate implementation	Monday 6 November 2024

