



WEST MIDLANDS
COMBINED AUTHORITY

Board Meeting

Date	20 January 2017
Report title	2017-2018 Transport Levy
Cabinet Member Portfolio Lead	Councillor Roger Lawrence – Transport
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Report to be/has been considered by	West Midlands Metropolitan Leaders

Recommendation(s) for action or decision:

The Combined Authority Board is recommended to:

1. Agree that in accordance with the Local Government Finance Act 1988 (as amended) and the Transport Levying Bodies regulations 1992, and subject to the recommendations below, to make a levy of £121,542m for the year 2017/18 without affecting any existing policies.
2. Agree that the Treasurer be authorised to issue the levy for 2017/18 to the West Midlands Districts Councils on the basis of the apportionment set out in section 5.

3. Agree the amount of levy to be paid by the Authority by the Councils by ways of 12 equal instalments, each to be received on the last banking day of each calendar month during 2017/18.
4. Approve an Annual Net Expenditure Budget for 2017/18 as summarised in paragraph 3.2.
5. To note that the Authority and its delegated sub-committees, will receive regular monitoring reports throughout the year.

1.0 Purpose

1.1 To provide Leaders with an update on the Transport Levy to meet the requirements of TfWM for the 2017/18 financial year, and subsequent two years.

2.0 Background

2.1 In January 2016 the ITA set a levy of £124.83m for the 2016/17 year as part of a three year settlement proposal reflecting a 5% reduction from 2015/16 which was in addition to the £25.2m (17%) reduction achieved since 2011/12.

2.2 Prior to that meeting papers were taken to Leaders in September and November 2015 outlining savings options that identified how savings of up to 15% could be achieved.

2.3 Those papers identified that savings of £5.617m (4.3%) in 2016/17 and further savings of £4.183 (3.1%) over the following two years could be achieved without changing existing ITA transport policies, which would deliver total savings of 9.8m (7.4%) by 2018/19.

2.4 Additional savings of £9.9m, representing a further 7.5% reduction were presented to the ITA. These further savings could only be achieved by making serious inroads into the long held core policy provisions relating to

- Rail & Metro Concessions
- Child Concessions
- The socially necessary bus Network (subsidised bus) and
- Accessible Transport

2.5 Following consideration of the policy saving options the ITA decided that no policy changes were to be considered over the three year term at that stage.

3.0 Current Position

3.1 The forecast plan has been updated to reflect the up to date position relating to the expenditure categories which indicate that the three year position can be improved as a result of the pension revaluation.

3.2 The latest medium term forecast is summarised below.

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NOT PROTECTIVELY MARKED

	2017/18 Draft Revenue Budget		2018/19 Revised Revenue Forecast		2019/20 Revised Revenue Forecast	
Expenditure Category	£'000	%	£'000	%	£'000	%
National Policy						
English National Concessions Travel Scheme	52,659	43.33%	52,085	43.09%	51,493	42.74%
Finance Related						
Debt Interest Repayments	10,550	8.68%	10,215	8.45%	9,976	8.28%
Capital Debt Charge (MRP)	5,220	4.30%	5,370	4.44%	5,370	4.46%
Deregulation Pension Deficit	1,856	1.53%	1,856	1.54%	1,856	1.54%
Transport Development	1,500	1.23%	1,500	1.24%	1,500	1.24%
		15.74%		15.67%		15.52%
TFWM Policies						
Child Concessions	9,609	7.91%	9,359	7.74%	9,384	7.79%
Subsidised Services	8,858	7.29%	9,016	7.46%	8,980	7.45%
Accessible Transport	7,369	6.06%	7,170	5.93%	7,171	5.95%
Passenger Information	6,010	4.94%	6,186	5.12%	6,350	5.27%
Rail and Metro Concession	4,409	3.63%	4,585	3.79%	4,769	3.96%
Bus Services	4,121	3.39%	4,053	3.35%	3,946	3.28%
Rail Services	1,916	1.58%	1,956	1.62%	1,994	1.65%
Safety and Security	1,122	0.92%	1,131	0.94%	1,139	0.94%
Sustainable Travel	25	0.02%	41	0.03%	42	0.03%
		35.74%		35.98%		36.33%
Other						
Corporate Services	3,446	2.83%	3,610	2.99%	3,697	3.07%
TfWM Policy & Strategy	2,006	1.65%	2,060	1.70%	2,107	1.75%
Elected Members	301	0.25%	308	0.25%	314	0.26%
West Midlands Rail	566	0.47%	385	0.32%	404	0.34%
		5.20%		5.26%		5.41%
Total	121,542	100.0%	120,887	100.0%	120,491	100.0%
Surplus / (Deficit)	0		(768)		(372)	
Proposed Levy	121,542	100.0%	120,119	100.0%	120,119	100.0%

3.3 As can be seen in the table 43% of the Transport budget is used to fund the English National Concession Policy, 16% is committed to historic finance charges, 36% for TfWM policies and 5% for the other corporate and strategic support costs.

3.4 Detailed below is a brief explanation of what each expenditure area covers.

English National Concessions Travel £52.6M

3.5 This represents free travel for all those entitled to the national pass which is currently everyone over 63.5 years old.

3.6 For 2017/18 and 2018/19 figures have assumed a patronage decline of 3.5% and a fares increase of 2.4%.

3.7 Reimbursement for ENCTS is regulated by the Secretary of State with guidance provided by the DfT which provides a formulaic approach which ensures that per journey reimbursement increases are governed by inflation levels rather than operator own fares.

3.8 The current scheme extends entitlement from 11pm to the last bus which has been assumed to continue for the next two years.

Finance Charges £18.91

- 3.9 Loan interest: this represents the interest charges on the existing loan book. All loans are at fixed interest rates ranging from 3.87% to 8.37% with £43m of principle repayable over the next 4 years.
- 3.10 The minimum revenue provision represents the charge applied to repay the debt principle. The historical MRP charge of 4% was halved to 2% with effect from the 2016/17 financial year.
- 3.11 The deregulated pension costs relate to the pension commitments arising from deregulation in 1986, when a significant number of employees transferred from the Transport Authority to Travel West Midlands, but their pension rights accrued to that date remained an obligation of the Passenger Transport Executive now West Midlands Combined Authority.
- 3.12 The recent pension's revaluation has identified that the ongoing deficit reduction payment can be reduced by approximately £5m. £2m of this reduction was always anticipated and had been built into Budget and levy forecasts
- 3.13 The proposed pension contribution therefore represents a reduction of £3m in excess of that previously planned for.
- 3.14 Further to discussions with Metropolitan leaders it has been agreed that £1.5m of this reduction should be passed back to the districts by way of a further decrease in the levy; and the other £1.5m should be used to fund Transport development requirements.

Child Concessions £9.6m

- 3.15 The provision of approximately half fare travel concession is offered to children aged five to 15 and young adults aged 16-18 in full-time education and resident in the West Midlands. This concession is only available on weekdays before 9.30am and between 15.00 and 18.00. Passenger numbers continue to rise and are currently 25 million trips per annum. The reduction in 2017/18 results from a change in the calculation methodology for term pass holders as agreed last year.

Subsidised Services £8.9

- 3.16 The subsidised services is a service provided by the Authority where one would not commercially be available and is a statutory obligation. There are however no statutory criteria laid down and the Authority have therefore set their own criteria (which was last changed in April 2014) which are.
- A minimum of 8 passengers per journey
 - A maximum cost per passengers of £1.60
 - Access criteria of 400M (7am-7pm) 700M (all other times)
- 3.17 In 2015/16 there were nearly 11 million journeys made on the subsidised network at an average of £0.68 per journey. The subsidised network represents 10.3% of the total network kilometres operated.

Accessible Transport £7.4m

- 3.18 This expenditure funds services for 18,000 registered users, making 0.87m journeys per annum. A review of Ring and Ride led by Councillor Cooper in 2015 saw the reinstatement of some Sunday services the continuation of the current service levels for Monday to Saturday and an agreed 3 year funding profile as follows:
- 2016/17 £7.5m
 - 2017/18 £7.3m
 - 2018/19 £7.1m

- 3.19 In addition to the Ring and Ride service, a Walsall and Birmingham shopper's service is provided for older people who are primarily based in sheltered housing and a prison visitors service provides assistance for families, especially mothers with young children, to visit family members in prison. These cost £0.07m.

Passenger Information £6.0m

- 3.20 Passenger information expenditure relates to providing real time information across the network; customer information at bus stops, bus stations, on line, and includes the customer services teams and telephone support. This is provided in conjunction with the operators as part of the network commitments, which also includes a number of promotional campaigns throughout the year, and the operators contribute approximately £0.5m p.a.

Rail and Metro Concessions £4.4m

- 3.21 In the West Midlands the free national bus scheme has been extended to residents to include local rail and Metro services within the region, enabling cardholders to travel after 9.30am up to midnight on weekdays and all day at weekends and bank holidays. The recent extension to Grand Central has seen an overall weekly increase in Metro patronage of up to 40% year on year. A further metro concessions patronage increase of 5% has been assumed for the next 2 years.

Bus services £4.1m

- 3.22 These costs cover the operation of bus stations and all management and maintenance associated with bus stations, as well as over 12,200 stops and shelters. The increase results from the reduction in advertising revenue as traditional Bus shelter adverts are not attractive in the current digital market.

Rail Services £1.9m

- 3.23 Rail and Metro car parks are provided free of charge within the Metropolitan area and provide in excess of 9,000 parking spaces. This cost represents the enforcement of the considerate Parking Policy; management and maintenance of the car parks; and Metro costs relating to commitments made under the concession deed relating to insurance and maintenance.

Safety and Security £1.1m

- 3.24 Safety and security expenditure relates to the Safer Travel Police Team CCTV at Bus Stations and Rail Stations and the CCTV centre based in 16 Summer Lane. During 2017/18 the CCTV centre should continue to be expanded as part of the drive to utilise this facility across the districts.

Corporate Services £3.4m

- 3.25 This covers 16 Summer Lane and the provision of ICT, Legal, Procurement, Health and Safety, Equalities, Programme Management, Finance, Human Resources, Business Management and the general business infrastructure and support.

TfWM Policy and Strategy £2.0m

- 3.26 This covers the Transport Policy and Strategy teams delivering the statutory transport functions; shaping the delivery plans for devolution and the investment programme; developing business cases and securing funding for the strategic economic plan transport proposals.

West Midland Rail £0.6m

3.27 This cost relates to the management of West Midlands Rail working with the DfT and the rail franchise operator.

4.0 Policy Saving Areas

4.1 As previously highlighted in November 2015 Leaders considered policy options needed to achieve a further levy reduction of 7.5% being a further £9.9m cut.

4.2 It was acknowledged that any further reductions could only be achieved by policy changes to any of the Child concessions, Rail and Metro Concession, the subsidised network, or the provision of Ring & Ride.

4.3 As can be seen from the table in 3.2 the Child Concession Policy is the only single policy that could deliver further material savings, otherwise such a saving would need to be from a combination of policies.

4.4 At the January 2016 ITA meeting the Leaders confirmed that there was no appetite to change any policies, and this was reaffirmed at the December 2016 meeting

5.0 Levy and Reserves

5.1 A Levy of £121.542m based upon recommendations (i) in 2017/18 would result in the following contributions and savings by District. The levy is calculated based upon the 2016 published population statistics, which is why the savings by district vary.

	Resident Population mid-2015	2017/18 Levy £'000	% split	2016/17 Levy £'000	Change £'000	% change
Birmingham	1,111,300	47,667	39.22%	48,955	-1,288	-2.63%
Coventry	345,400	14,815	12.19%	14,999	-183	-1.22%
Dudley	316,500	13,576	11.17%	14,037	-461	-3.29%
Sandwell	319,500	13,704	11.28%	14,078	-374	-2.65%
Solihull	210,400	9,025	7.43%	9,330	-305	-3.27%
Walsall	276,100	11,843	9.74%	12,187	-344	-2.82%
Wolverhampton	254,400	10,912	8.98%	11,245	-333	-2.96%
West Midlands	2,833,600	121,542	100.00%	124,830	-3,288	-2.63%

5.2 As at 31 March 2016 the usable reserves were as follows

31 £'000	March	2016
General fund balance		2,522
Earmarked reserves		9,093
Capital grants unapplied reserve		247
Total		11,862

- 5.3 The anticipated use of reserves in 2016/17 will reduce the general fund balance by £924,000 to £1,598,000.
- 5.4 The forecast general fund balance of £1.6m represents only 1.3% of the proposed 2017/18 levy. The Audit Commission recommend that general fund reserves should be between 5% and 7.5% of expenditure.
- 5.5 The proposed balance is significantly below this recommended level.
- 5.6 This Transport budget and Levy will form part of the wider Combined Authority Finances which are being considered by the Authority.

6.0 Legal implications

- 6.1 Setting the levy is a statutory responsibility of the WMCA and needs to be set by 14th February 2017.

7.0 Equalities implications

- 7.1 A detailed Equality Impact Analysis was completed as part of the 2014/15 consultation and Levy setting process. This has been updated to reflect the proposals in this paper, in particular the reduction in the Ring and Ride West Midlands grant.

8.0 Financial implications

- 8.1 These are included in the body of the report.

9.0 Schedule of background papers

- 9.1 Policy savings option 2017/18 and 2018/19 - 18 November 2015.
West Midlands ITA 2016/17 Budget and levy – 27 January 2016.
West Midlands Metropolitan leaders meeting- 16 December 2016