

# GREATER MANCHESTER INTEGRATED TRANSPORT AUTHORITY

## REPORT FOR INFORMATION / RESOLUTION

**DATE:** 18 December 2009

**SUBJECT:** Proposed response to Department for Transport consultation on Local Authority special grant funding in 2010/11 for the national bus concession in England

**REPORT OF:** The Clerk to the Authority

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### PURPOSE OF REPORT

To present to members a proposed response to the Department for Transport (DfT) consultation.

### RECOMMENDATIONS

Members are recommended to:

1. Note the consultation; and
2. Approve, or otherwise amend, the response attached at Appendix 1

### BACKGROUND DOCUMENTS

Information held on file in GMITA offices

### CONTACT OFFICER

|              |           |  |
|--------------|-----------|--|
| Mike Ormston | Telephone | 0161 244 1121  |
|              | Email     | <a href="mailto:mike.ormston@gmpte.gov.uk">mike.ormston@gmpte.gov.uk</a>     |
| Rod Fawcett  | Telephone | 0161 234 3023  |
|              | Email     | <a href="mailto:r.fawcett@manchester.gov.uk">r.fawcett@manchester.gov.uk</a> |

## 1. Introduction

- 1.1 This consultation relates to the distribution of the 2010/11 special grant funding to meet the extra costs of the improved statutory national bus concession in England. Funding for the pre-existing elements of the concession continues to be provided via formula grant to Districts.

## 2. Revised Distribution

- 2.1 A review by the DfT found that whilst the total additional special grant funding provided to authorities since 2008 was sufficient to meet the extra costs of the extended concession, some 'distributional issues' are evident. Therefore a revised distribution is outlined in the DfT consultation, with views sought specifically on whether this better balances the distribution of costs with grant across authorities. Emphasis is placed on the limited scope of this technical consultation which will close on the 30 December.
- 2.2 The effect of the proposed revised distribution for London and PTE areas is:

| Upper tier | Local Authority Name | Original 10/11 Special Grant Funding | New Distribution 10/11 Special Grant Funding | Difference    |
|------------|----------------------|--------------------------------------|--|---------------|
| London     | All London           | 58.32                                | 29.69  | <b>-28.63</b> |
| PTE        | Greater Manchester   | 11.07                                | 11.07  |               |
| PTE        | Merseyside           | 6.86                                 | 8.01   | <b>1.15</b>   |
| PTE        | South Yorkshire      | 5.41                                 | 5.41   |               |
| PTE        | Tyne And Wear        | 5.65                                 | 5.67   | <b>0.02</b>   |
| PTE        | West Midlands        | 12.99                                | 12.99  |               |
| PTE        | West Yorkshire       | 9.12                                 | 9.12   |               |

- 2.3 The consultation notes that the most significant change from the revised distribution will be experienced in London. This is because it was originally anticipated that London would require a very significant grant to meet the cost of concessionary passengers from the surrounding counties now travelling for free on the extensive London Bus Network. It now transpires that there have been far fewer of these trips than anticipated and consequently the funding requirement in London is much lower than provided for under the original grant distribution.
- 2.4 This consultation has been expected and PTEG has been lobbying DfT for some time to not reduce the grant payable to the PTEs, given the existence of three year commitments which most PTEs have made to operators on the basis of the perceived certainty of funding until 31 March 2011.
- 2.5 Although it appears to be reasonable for DfT to request information on expenditure on the national bus concession, this will need to be considered in the context of the provision of funding. PTEG will be considering this issue in detail. It will also be

necessary for the provision of details of reimbursement arrangements entered into with bus operators to be dealt with in a way that will allow TCAs to comply with commercial confidentiality provisions which are routinely included in such agreements.

2.6 A draft response to this consultation is attached at Appendix 1.

### **3. Recommendations**

3.1 These can be found on the front page of this report.

**Sir Howard Bernstein**  
**Clerk to the Authority**

## Local Authority special grant funding in 2010/11 for the national bus concession in England

### CONSULTATION RESPONSE FORM

#### PART 1 - Information about you

|  |   |
|--|---|
| Name   | Roderick Fawcett / Mike Ormston   |
| Address  | Room 308, Town Hall, Albert Square, Manchester  |
| Postcode   | M60 2LA   |
| Telephone  | 0161 234 3023 / 0161 244 1121   |
| email  | <a href="mailto:r.fawcett@manchester.gov.uk">r.fawcett@manchester.gov.uk</a> <a href="mailto:mike.ormston@gmpte.gov.uk">mike.ormston@gmpte.gov.uk</a> |
| Company Name or Organisation (if applicable)   | Greater Manchester Integrated Transport Authority / Greater Manchester Passenger Transport Executive  |
| Please tick one box from the list below that best describes you /your company or organisation. |   |
| <input type="checkbox"/>   | Small to Medium Enterprise (up to 50 employees)   |
| <input type="checkbox"/>   | Large Company   |
| <input type="checkbox"/>   | Representative Organisation   |
| <input type="checkbox"/>   | Trade Union   |
| <input type="checkbox"/>   | Interest Group  |
| <input checked="" type="checkbox"/>  | Local Government  |
| <input type="checkbox"/>   | Central Government  |
| <input type="checkbox"/>   | Police  |
| <input type="checkbox"/>   | Member of the public  |
| <input type="checkbox"/>   | Other (please describe):  |

*If you are responding on behalf of an organisation or interest group how many members do you have and how did you obtain the views of your members:*

The GMITA comprises of 33 councillors drawn from the ten local authorities in Greater Manchester, and are charged with setting local public transport policy. They receive a range of reports on all aspects of public transport, and given their role, they have a particular interest in any changes that might affect tram, bus and rail services or their regulation and funding. The GMPTE is the body that implements the policies of the Authority.

If you would like your response or personal details to be treated **confidentially** please explain why:

N/A

**PART 2 - Your Comments**

|   |  |                                    |  |
|---|--|------------------------------------|--|
| <p><i>1. Is the proposed revised distribution of special grant funding for 2010/11 preferable to the original distribution?</i></p>   | <p>Yes <input checked="" type="checkbox"/></p> | <p>No <input type="checkbox"/></p> | <p>Does not affect me<br/><input type="checkbox"/></p> |
| <p>The impact of the introduction of the ENCTS in April 2008 on the costs of reimbursement of individual TCAs was extremely difficult to forecast, particularly at district level within what were effectively County level schemes, and it has subsequently become apparent that specific local factors can have exceptional impacts on the numbers of journeys for which some TCAs are responsible for reimbursing operators. In these circumstances, we believe that it is appropriate for DfT to consider methods of ensuring that such TCAs are not financially disadvantaged as a result of the introduction of the ENCTS.</p> <p>It is difficult for us to comment on the detail of the methodology used by DfT to establish which TCAs have incurred exceptionally large increases in costs and which have received grant allocations that are significantly higher than the additional costs that they have incurred. The comparison of reported outturn expenditure in 2007/08 and 2008/09 would appear to be reasonable. We believe, however, that when making these decisions it is important that recognition is made for the likelihood that costs in both 2009/10 and 2010/11 will increase by more than the approximate 2.5% increase in the Special Grant in those years. We strongly believe that the costs of reimbursement will continue to increase at rates significantly greater than 2.5% pa in the period beyond 2010/11.</p> <p>In Greater Manchester, the effect of further increases in the numbers of ENCTS journeys and operators' commercial fare increases is expected to result in the cost of reimbursement increasing by approximately 7% pa during these two years. In order to manage the potential impact of these risks, GMPTE has entered into three year agreements with a number of operators. These agreements provide for reimbursement to increase by broadly equal amounts over the three years 2008/09 – 2010/11, at a rate significantly greater than the 2.5% increase in the Special Grant.</p> |  |                                    |  |

|  |                                     |   |
|--|-------------------------------------|---|
| <p><i>2. Are there any factors which mean the revised distribution does not accurately reflect the additional costs of the improved concession being incurred by individual authorities? If yes, please provide details (you can use the form at the end of this document to provide details or alternatively you can provide evidence in whatever form you wish).</i></p> | <p>Yes <input type="checkbox"/></p> | <p>No <input checked="" type="checkbox"/></p> |
| <p>The proposal that there should be no change to the amount of special grant payable to GMITA / PTE is appropriate for the period to March 2011. However, as noted in question 1, we have serious concerns about the likely levels of funding relative to the likely costs of operating the scheme in the period beyond 2010/11.</p>                                      |                                     |   |

|  |  |                                    |
|--|--|------------------------------------|
| <p><i>3. Are there any reasons why quarterly returns on year-to-date actual and full-year forecast spending on the statutory minimum concessionary travel scheme could not be provided?</i></p>  | <p>Yes <input checked="" type="checkbox"/></p> | <p>No <input type="checkbox"/></p> |
| <p>We are fully supportive of the need to provide DfT with meaningful information on the costs of concessionary travel, and would be happy to discuss in more detail the methodology and nature of potential data returns with the Department. However it is not clear from the consultation that what is being proposed will result in the provision of consistent, comparable and meaningful information.</p> <p>For example, the proposed approach could well result in significant undercounting of the costs to the Authority of continuing to support the national scheme with local discretionary elements – which include a flat fare concession on bus in the morning peak and a free off-peak concession on both Metrolink and local rail services to holders of a GMPTE-issued ENCTS concessionary pass. These local discretionary concessions mean that fewer ENCTS bus journeys are made in Greater Manchester than would be the case if passholders were required to pay the commercial fares for their ‘local discretionary concessionary journeys’.</p> <p>In addition, the value of completing quarterly returns on actual spending may be outweighed by difficulties in collating data. For example, there is often a lag of several months before the data, from which operator reimbursement is calculated for a period, is available and fully validated. The use of judgement is thus needed in calculating ongoing payments to operators and in the preparation of management accounting information. It is the latter which will produce a more meaningful estimate of the costs for a particular period. We would suggest that the provision of annual budget spending on concessionary travel, updated with forecast spending after six months, could provide a reasonable basis on which DfT can monitor the ongoing costs of concessionary travel.</p> |  |                                    |

|   |  |                                    |
|---|--|------------------------------------|
| <p>4. <i>Are there any reasons why annual returns providing details of the reimbursement arrangements entered into with bus operators could not be provided?</i></p>  | <p>Yes <input checked="" type="checkbox"/></p> | <p>No <input type="checkbox"/></p> |
| <p>Providing officials within the Department with information on reimbursement arrangements annually in itself should not cause an issue, provided that the Department are mindful that premature public disclosure of specific operator details could potentially impact upon any local negotiations and arrangements and in turn inhibit GMPTE from securing best value.</p> <p>To put this issue into its context, there are some 50 bus operators in Greater Manchester and the nature of their services varies significantly. For example, some operate local, relatively short distance services whilst other operate only longer-distance cross-boundary services. Reimbursement rates will vary significantly between operators as a result of such differences. Therefore, even publishing an average rate for Greater Manchester could result in requests for higher reimbursement from those operators being reimbursed at a rate below the average.</p> <p>As explained above, GMPTE has entered into agreements with a number of operators for a fixed period. The nature of these agreements means that it is not always meaningful to calculate reimbursement rates for a particular period. Operators have also insisted that the details of these agreements are kept confidential, which would make it difficult to provide DfT with a detailed description of the approach to reimbursement.</p> |  |                                    |

Please send this completed form to:

Concessionary Travel  
 Department for Transport  
 3/11 Great Minster House  
 76 Marsham Street  
 London, SW1P 4DR  
 Tel: 0207 944 2297  
 Fax: 0207 944 2212  
 Email:

[concessionaryfares@dft.gsi.gov.uk](mailto:concessionaryfares@dft.gsi.gov.uk)

The deadline for responses is: **5.30pm on 30 December 2009.**