



Tyne and Wear Integrated Transport Authority

**Meeting to be held at Committee Room, Civic Centre, Newcastle upon Tyne
on Thursday 23 September 2010 at 10.00 am
(Labour Group meeting at 9:00am) (Opposition Group meeting at 9:30am)**

Contact Officer: Victoria Miller (0191) 211 5118 victoria.miller@newcastle.gov.uk

SUPPLEMENTAL AGENDA

	Page
7. Consultation of Concessionary Travel Funding Formula Response	1 - 14
Response to CLG Consultation Paper on - Local Government Finance Formula Grant Distribution	
8. Department for Transport Consultation on Local Transport Funding	15 - 20
19. Draft Minutes of the 8 September 2010 meeting of the Metro Sub- Committee (for information)	21 - 24
For information	
24. Draft Confidential Minutes of the 8 September meeting of the Metro Sub-Committee (for information)	25 - 26
For information	

NOTE: Under the Local Government (Access to Information) Act 1985 members of the public have a right to inspect any non-confidential background papers used in the production of a non-confidential report to the Authority. Requests for information should be made to the Department originating the report.

This page is intentionally left blank



Tyne and Wear Integrated Transport Authority

23 September 2010

TITLE: RESPONSE TO CLG CONSULTATION PAPER ON - LOCAL GOVERNMENT FINANCE FORMULA GRANT DISTRIBUTION

REPORT OF THE DEPUTY CLERK AND TREASURER (ITA)

District Implications-all

1. **Summary / Purpose of Report**

- 1.1 The purpose of this report is to provide members with an update on proposals to change the funding arrangements for concessionary fares from 2011/12 and to agree the basis of the ITA's response to the consultation paper.
- 1.2 An extract from the CLG consultation paper setting out the proposals is set out at Appendix A. A summary of the potential financial implications of the proposals is contained in the main body of the report.
- 1.3 It is important to note that the exemplifications of the impact of the changes have been updated and corrected by CLG since the consultation report was originally published, the figure in this report are those as published by 15 September. CLG are continuing to work on alternative options and have just published another set of options and further information may be published before the end of the consultation period on 6 October. It is intended to give a short presentation and an update on the further options at the ITA meeting.
- 1.4 This report sets out a draft response to the proposals and the ITA is asked to delegate the completion of the response to the Treasurer of the ITA in consultation with the Chair, following a consideration of the latest set of options. The draft response has been discussed with District Council and the final response will be circulated to districts prior to being submitted.

2. **Recommendations**

- 2.1 The Authority is recommended to note the content of the consultation paper; to consider and agree the content of the draft response as outline in this report, and to delegate the completion of the response to the Treasurer in consultation with the Chair of the ITA.

3. Introduction / Background

- 3.1 On July CLG published a consultation paper on Local Government Finance Formula Grant Distribution. Chapter 12 of the consultation paper included proposals to change the way concessionary fare funding was distributed to councils. The date for responding to the consultation paper is 6 October 2010.
- 3.2 This formula grant review is mainly looking to update and fine tune the existing system, which includes updating data and accommodating changes to the concessionary fare funding arrangements. The consultation paper and additional material runs to well over 500 pages and can be found on the CLG at www.local.communities.gov.uk/finance/1112/sumcon/index.htm. The latest extract relating to Concessionary Fare funding is given at Appendix A, with a summary of the exemplifications of the potential impact of the changes given in section 4 below.
- 3.3 Since the consultation paper was published CLG have continued to update their exemplifications on the options and to publish material about additional options. The latest updates are given on the Web site with the latest update on 15 September. The position has been changing on a frequent basis over recent weeks and it is possible that further changes could be made before the end of the consultation period.
- 3.4 As the CLG paper makes clear there are two steps to the changes in funding. The first is to implement a decision by the previous Government to move funding responsibility from district councils to upper tier County councils. This means that two of the funding formulae that determine the grant received by the 5 district councils in Tyne and Wear will change. For metropolitan districts councils the Government is proposing to make this transfer neutral by simply moving the same amount of money between the two formula that each councils receives. In practice there may be slight differences in grant between the options, due to the way in which CLG adjust floors, scaling factors and weights – and the impact of this is uncertain.
- 3.5 The main change comes with the potential for the transfer of specific grant funding current received by the ITA into the formula grant received by the 5 districts. This proposal was raised by CLG and the previous Government and have been exemplified in the consultation paper. The Consultation paper asks for responses to specific questions, as shown below –
- Question 18:** Which of the four options for removing concessionary travel from lower-tier authorities do you prefer (CONCF1, CONCF2, CONCF3, CONCF4)? **(potentially CONCF4)**
- Question 19:** Which of the six options for rolling in concessionary travel to upper-tier authorities do you prefer (CONCF5, CONCF6, CONCF7, CONCF8, CONCF9, CONCF10)? **(potentially CONCF8)**
- Question 20:** Should concessionary travel have its own sub-block? **(YES)**

NOTE: Under the Local Government (Access to Information) Act 1985 members of the public have a right to inspect any non-confidential background papers used in the production of a non-confidential report to the Authority? Requests for information should be made to the Department originating the report.

- 3.6 The level of concessionary fare grant funding that Tyne and Wear receives has been a long standing issue, particularly the failure of the formula grant changes in 2006/07 to adequately reflect the costs of the ITA relating to the Statutory changes in the concession fare scheme. Despite considerable lobbying, this issue has not been adequately addressed. The latest changes give an opportunity for Tyne and Wear ITA to secure a better funding solution for Concessionary Fares. We will therefore seek to include other points in our submission including –
- Ensuring that the formula grant adjustment reflects the full level of funding made available from 2006/07, not just the total currently being spent by local authorities; and
 - That the formula grant distribution more directly reflects the cost pressure caused by the level of concessionary fare trips.
- 3.7 This consultation paper makes no assumption about any reduction in the level of specific grant to be transferred into formula grant. The March national budget indicated that there would be efficiency savings made in concessionary fare costs in future years and there is the potential for a significant reduction in the level of specific grant to be transferred into formula grant in 2011/12. This is a major issue for the ITA and the districts. While this is not the subject of this consultation paper, the opportunity will be taken to cross reference it to representation that the ITA will make about the level of any specific grant funding transfer.
4. **Removing Concessionary Fare funding from District EPCS**
- 4.1 This proposal to transfer funding out of the district funding formula is set out in paragraphs 30 to 51 of the consultation paper, with the main points set out in Appendix A. It is important to note that because the Tyne and Wear districts receive both the district and county level EPCS formula funding the impact of the choice of the 4 options should be neutral, before any CLG adjustment for floors etc. In financial terms the choice of options is critical for shire districts and shire counties, but not for the Tyne and Wear Authorities.
- 4.2 There are two approaches to deal with the formula and two options for adjusting the base grant, which gives 4 options in all – options CONCF1 to CONCF4.
- 4.3 The formula options are either to leave the formula unchanged, or to go back to the district formula as it was in 2005/06, before it was adjusted to try to better reflect the impact of adding in the extra concessionary fare funding. Given the change now propose the fairest option would appear to be to revert to the previous formula – shown in options CONCF3 or CONCF4.
- 4.4 The two options for adjusting the base grant position are - to notionally adjust the prior year's formula grant based on each authority's net revenue expenditure (NRE) on concessionary travel or prorate to the change to the district-level EPCS RNF. Changing it pro rate to actual spend could penalise authorities spending

NOTE: Under the Local Government (Access to Information) Act 1985 members of the public have a right to inspect any non-confidential background papers used in the production of a non-confidential report to the Authority? Requests for information should be made to the Department originating the report.

more of their own money on concessionary fares and reward those that are spending less than the resources that they have been allocated for concessionary fares.

- 4.5 The exemplifications that have been produced by CLG for these options show the level of spending at authority level on concessionary fares in 2008/09 being used to provide a revised base position for 2010/11. The total level of spending for Tyne and Wear in 2008/09 (NRE) is shown as £39.1million. The exemplified difference between spend and the transfer before damping is shown as either £16.6million under options CONCF1&2 or £13.2million under options ZONCF3&4. After the damping adjustments the change ranges from £3.2million to £21.0million. The level of the implied funding transfer ranges from £22.5m to £25.8m. This clearly shows the significant difference between the level of funding in the current formula and the level of spending in Tyne and Wear.

	2008/09 NRE (Spend) £m	Before Damping		After Damping
		Exemplified Difference £m	Implied Transfer £m	Lower Tier Reduction Difference £m
CONCF1	39.1	16.6	22.5	3.4
CONCF2	39.1	16.6	22.5	21.0
CONCF3	39.1	13.2	25.8	3.2
CONCF4	39.1	13.2	25.8	13.9

- 4.6 As the impact for Metropolitan districts is proposed to be simply reversed in the Upper tier EPCS formula by CLG, the impact between the 4 options should be neutral. On technical grounds the ITA could support option CONCF4 or, given the potential neutral impact, it could decide not to express a particular preference.

5 Adding concessionary travel to the county-level EPCS RNF

- 5.1 There are three basic formula options. The first two options are based on regressions against past expenditure (the 2008-09 Concessionary Travel Net Current Expenditure) and the third is based on regression against the estimated concessionary travel trips data. The second of these uses relevant indicators that were suggested by Tyne and Wear ITA, including, -

- POPULATION SPARSITY FOR PEOPLE AGED 60 AND OVER
- INCAPACITY BENEFIT AND SEVERE DISABLEMENT ALLOWANCE
- PEOPLE AGED 60 AND OVER WITH NO CAR OR VAN

The second regression which produces options CONCF7 and 8 is our preferred option, based on indicators suggested by Tyne and Wear ITA using indicators with much clear relevance as potential cost drivers - people aged 60 and over

NOTE: Under the Local Government (Access to Information) Act 1985 members of the public have a right to inspect any non-confidential background papers used in the production of a non-confidential report to the Authority? Requests for information should be made to the Department originating the report.

with no car or van; and incapacity benefit and severe disablement allowance.

- 5.2 The third formula uses concessionary trip data as a dependant variable in the regression and produces options CONCF9 and 10, which include a country of birth indicator for the whole population as a key indicator. The use of this indicator as a major cost driver is illogical and unacceptable. we believe that its significance is coincidental, linked to the high cost of concessionary fares in London, which is driven by other factors, including access to a good transport network and other more general deprivation factors.
- 5.3 In terms of the basis for transferring the specific grant, there is a slight preference for using the formula rather than the 2010/11 specific grant, which was adjusted to reflect spend.
- 5.4 Of the six options for adding funding into the country level formula (CONCF5 to CONCF8 included in the list of questions in the consultation paper), we would recommend options CONCF7 and CONCF8, with a preference for CONCF8. The impact of this is summarised below. This indicates a potential net gain after floor damping of £3.8million under option CONF8 for the Tyne and Wear area.

Before Damping

	CF5 £m	CF6 £m	CF7 £m	CONCF8 £m	CF9 £m	CF10 £m
Gateshead	0.048	0.048	0.900	0.900	-1.389	-1.389
Newcastle	0.710	0.710	1.767	1.767	0.217	0.217
North Tyneside	0.315	0.315	1.031	1.031	-1.087	-1.087
South Tyneside	0.108	0.108	0.762	0.762	-1.254	-1.254
Sunderland	-0.394	-0.394	1.224	1.224	-2.988	-2.988
	0.787	0.787	5.684	5.684	-6.500	-6.500

After Damping

	CF5 £m	CF6 £m	CF7 £m	CONCF8 £m	CF9 £m	CF10 £m
Gateshead	0.300	0.623	0.406	0.681	0.511	0.423
Newcastle	0.476	0.982	0.642	1.009	0.807	1.057
North Tyneside	0.247	0.389	0.399	0.529	0.422	0.170
South Tyneside	0.257	0.556	0.347	0.571	0.436	0.356
Sunderland	0.217	0.465	0.759	1.038	0.210	-0.135
	1.497	3.014	2.552	3.828	2.387	1.871

- 5.5 CLG has been asked to use concessionary fare trip data more directly in the distribution of funding. A further set of options CONCF29 to CONCF35 has just been published on the CLG website. These are based on the use of a further independent variable - a measure of bus service density from the Department of Transport's National Public Transport Data Repository. "The data for the new variable – the estimated number of bus service journeys per year per head - comes from a snapshot of all Travel line timetable, route and operator data for

NOTE: Under the Local Government (Access to Information) Act 1985 members of the public have a right to inspect any non-confidential background papers used in the production of a non-confidential report to the Authority? Requests for information should be made to the Department originating the report.

buses and other public transport modes, taken in October 2009. From this, DfT have estimated counts of the number of bus service journeys in each LA, where a bus service journey is defined as a single route trip by a single vehicle. This is a yearly measure of bus service journeys, taking into account service variations such as bank holidays, school holidays, service start and end periods and exceptional running periods. We have then divided this by the 2008 population estimates to obtain a per head figure for each authority.” This option and the exemplifications that have just been released are being evaluated and will be circulated at or just prior to the ITA meeting.

6 Other Points to be Raised

- 6.1 There is a key question that is not asked here; - which is the size of the funding transfer. We would strongly argue that the deduction should not simply be actual total spend of £813m, but should in fact include the full amount of resources provided by DfT and CLG for the additional cost of concessionary fares, making a transfer of at least £870m. This is critical if a separate control total is to be established or if a significant saving is to be taken from the specific grant to be transferred into formula revenue grant, in order to help protect funding levels for statutory expenditure on concessionary fares.
- 6.2 Ideally authorities like Newcastle and the other Tyne and Wear authorities that did not receive adequate funding in 2006/07 would like to see an adjustment which was not simply neutral, but corrected the major funding problems created in 2006/07 when CLG attempted to allocate funding through formula grant to meet the increased cost of the new statutory changes to the concessionary fare scheme. The recent correction to the specific grant to better reflect actual costs only helped address the problems caused by the introduction of national concessionary fare scheme arrangements in 2008/09. However, the original problems have not been addressed. The transfer and review of the concessionary fare funding arrangements give an excellent opportunity to correct this key funding allocation.
- 6.3 The ITA will support the establishment of a separate RNF formula for concessionary fares so that the funding issue is more transparent than it currently is.
- 6.4 The ITA will make a separate submission about the scale of any assumed efficiency savings that may reduce the level of the specific grant to be transferred into formula grant for 2011/12.
- 6.5 It will be critical to the funding of concessionary travel that the levy paid to the ITA by the 5 district councils is adjusted appropriately for any funding transfer. This is an issue that is being discussed with the 5 district councils and will need to be resolved before the ITA sets its budget in January .
7. **Further comments by the:**

NOTE: Under the Local Government (Access to Information) Act 1985 members of the public have a right to inspect any non-confidential background papers used in the production of a non-confidential report to the Authority? Requests for information should be made to the Department originating the report.

- **Clerk** none
- **Treasurer** see main report
- **Legal Advisor** none
- **Director General** none

8 Background Papers

8.1 Information set out on the CLG website –see section 3.2

9 Contact Officer (s)

9.1 Paul Woods 0191 277 7527

This page is intentionally left blank

Appendix A

Extracts from Chapter 12

“Transfers and Adjustments

1. A transfer occurs when money either moves in to or moves out of the settlement due to changes in funding or function. Changes in funding typically involve transfers into formula grant of funds previously distributed to local government via a specific grant route; or vice versa. Changes in function typically involve local authorities taking on extra duties or responsibilities, or the transfer of these away from local government to another body.
2. Once we have identified the transfers that will be occurring, we then have to consider:
 - (i) what is the most appropriate Relative Needs Formula (RNF) for the service to which the transfer relates;
 - (ii) whether we need to adjust this formula to take into account the different relative need to spend between authorities of the function being transferred in; and
 - (iii) how to notionally adjust the base position for the purposes of floor damping. (A description of floor damping can be found at Chapter 13.)
3. In deciding what is the most appropriate RNF for a new service to be reflected in, we need to consider:
 - (i) the type of service that is being transferred; and
 - (ii) what tier of government will be providing the service. For example, if this new service is going to be provided by shire districts in two-tier areas then we would normally transfer this into the District-level EPCS RNF.”

Concessionary Travel

25. Concessionary travel is one of the services currently covered by the district-level EPCS formula. Since the original judgements on weightings were reached for 2003-04, there have been two further substantial policy changes in the area of this sub-block.
26. First, the Budget 2005 announced a free concessionary bus fare scheme for people aged over 60 and disabled people, which was funded by an extra £350 million added to formula grant in 2006-07. This led to us increasing the judgemental weightings on population density, pensioners on income support and incapacity benefit/severe disablement allowance.
27. Second, the Budget 2006 announced a further extension of this scheme starting in 2008-09 to enable concessionaires to travel for free anywhere in England. The extra funding for this extension is currently distributed through a special grant.

28. From 1 April 2011 responsibility for concessionary travel in two-tier areas will move from the district councils to the county councils. In order to reflect this in the Local Government Finance Settlement we will move concessionary fares from the district-level formula to the county-level formula. This can be thought of as a two transfers – a transfer out of formula grant for shire districts and a transfer in to formula grant for shire counties.

Amount of grant to be transferred

29. The amount of grant transferred is likely to be decided during the Spending review. For the purposes of the exemplifications we have used the 2008-09 Net Revenue Expenditure for Concessionary Travel i.e. £813.388 million.

Removing concessionary travel from the district-level EPCS RNF

30. There are two basic options.

31. In the first option the district-level EPCS RNF control total would be reduced by an amount to reflect the concessionary travel NRE. No other changes to the formula would be made.

32. However, Budget 2005 announced a free concessionary bus fare scheme for people aged 60 and disabled people, which was funded by an extra £350 million added to the district-level EPCS sub-block.

33. The district-level EPCS formula was re-weighted, increasing the weighting on:

- population density from £5.88 to £5.90;
- pensioners on Income Support from £131.82 to £240.00; and
- Incapacity Benefit / Severe Disablement Allowance from £131.82 to £240.00.

34. The second option is therefore to reverse this change to the weightings.

Adjusting the base position for lower-tier authorities

35. Again there are two basic options.

36. We could notionally adjust the prior year's formula grant based on each authority's net revenue expenditure (NRE) on concessionary travel or prorate to the change to the district-level EPCS RNF.

37. This therefore leads to four potential options for transferring concessionary travel from the lower-tier authorities."

These are called Options CONCF1, CONCF2, CONCF3, CONCF4. A technical explanation is given in sections 38 to 51, with exemplifications shown on the website.

"Adding concessionary travel to the county-level EPCS RNF

52. There are three basic options.

53. The first two options are based on regressions against past expenditure (the 2008-09 Concessionary Travel Net Current Expenditure) and the third is based on regression against the estimated concessionary travel trips data.

54. The partial formula for the first of the regressions against past expenditure is given below.

Basic amount

COUNTY SERVICES EPCS BASIC AMOUNT 1.3006

Top-ups

COUNTY SERVICES EPCS DEPRIVATION TOP-UP

17.5151 *multiplied by* **INCOME SUPPORT/ INCOME BASED JOBSEEKER'S ALLOWANCE/ GUARANTEE ELEMENT OF PENSION CREDIT CLAIMANTS**; *minus*

3.3142 *multiplied by* **WEALTHY ACHIEVERS**

COUNTY SERVICES EPCS CAR OWNERSHIP TOP-UP

3.1365 *multiplied by* **SICK AND DISABLED PEOPLE IN HOUSEHOLDS WITH NO CAR OR VAN**

55. The partial formula for the second of the regressions against past expenditure is given below.

Basic amount

COUNTY SERVICES EPCS BASIC AMOUNT 1.4533

Top-ups

COUNTY SERVICES EPCS DENSITY TOP-UP

-2.5719 *multiplied by* **POPULATION SPARSITY FOR PEOPLE AGED 60 AND OVER**

COUNTY SERVICES EPCS DEPRIVATION TOP-UP

17.1294 *multiplied by* **INCAPACITY BENEFIT AND SEVERE DISABLEMENT ALLOWANCE**

COUNTY SERVICES EPCS CAR OWNERSHIP TOP-UP

5.1353 *multiplied by* **PEOPLE AGED 60 AND OVER WITH NO CAR OR VAN**

56. The concessionary trip estimates for county councils, unitary authorities, metropolitan transport authorities and London were derived by applying an estimate of the proportion of journeys that are concessionary (older/disabled/young people) derived from the 2008/09 PSV survey to the National Indicator figures of total patronage.

57. The concessionary trip data has been provided for the following modes of transport:

- Buses;
- London Underground;
- and light rail.

58. The partial formula for the regression against estimated concessionary trips is given below.

Top-ups

COUNTY SERVICES EPCS DEPRIVATION TOP-UP

22.8808 multiplied by **COUNTRY OF BIRTH OF RESIDENTS**; minus

3.6705 multiplied by **WEALTHY ACHIEVERS**

COUNTY SERVICES EPCS CAR OWNERSHIP TOP-UP

6.8381 multiplied by **SICK AND DISABLED PEOPLE IN HOUSEHOLDS WITH NO CAR OR VAN**

59. We are additionally considering another independent variable – a measure of bus service density from the Department for Transport’s National Public Transport Data Repository. If this data meets the conditions for use in formula grant we will test this against the dependent variables.

Adjusting the base position for upper-tier authorities

60. There are two parts to the transfer into the county-level EPCS – the first part reflects the Net Revenue Expenditure (NRE) which is being transferred from the district-level EPCS and the second part reflects the transfer of the concessionary travel special grant into formula grant.

61. For the transfer from the districts, we believe that the adjustment to the base position for the upper-tier authorities should simply be the same as the transfer from the lower-tier authorities, summed where appropriate.

62. For the transfer from special grant there are two options – adjusting the base position by the allocation of the special grant or adjusting the base position pro-rata to the new concessionary fare formula. The 2010-11 Concessionary Travel Special Grant was revised on 3 March 2010; the 2009-10 allocations therefore differ from the revised 2010-11 allocations. This should be born in mind when looking at the exemplifications.

63. In illustrating these options we have used a separate Concessionary Travel RNF for convenience. However in practice there is no reason that the concessionary travel coefficients could not be simply added to the county level EPCS coefficients to provide a single formula that allocates concessionary travel along with the other upper-tier EPCS services.

64. We have previously shown 4 options for transferring concessionary fares out of the lower-tier authorities. Since there are 6 options (3 formula options x 2 special grant transfer options) this means that there are a total of 24 potential concessionary travel combinations. Due to resource constraints it is not possible to exemplify all 24 options within this consultation paper. We are therefore intending to choose one lower-tier transfer option – Option CONCF3 – and exemplify the six upper-tier transfer options against this.

Option CONCF5

65. We have used the first formula derived from regression against Net Current expenditure and adjusted the base position for the Special Grant transfer by the 2009-10 Special Grant allocation.

66. The average grant increase on a like-for-like basis for authorities with responsibility for education and personal social services has increased from 2.78% to 3.07%. We have therefore adjusted the level of the floor from 1.5% to 1.8% which gives broadly the same scaling factor as at settlement.

67. The average grant change on a like-for-like basis for shire districts has decreased from 1.34% to -2.42%. We have therefore adjusted the level of the floor from 0.5% to -4.1% which gives broadly the same scaling factor as at settlement.

Option CONCF6

68. We have used the first formula derived from regression against Net Current expenditure and adjusted the base position for the Special Grant transfer prorata to the new concessionary travel formula.

69. The average grant increase on a like-for-like basis for authorities with responsibility for education and personal social services has increased from 2.78% to 3.07%. We have therefore adjusted the level of the floor from 1.5% to 1.9% which gives broadly the same scaling factor as at settlement.

70. The average grant change on a like-for-like basis for shire districts has decreased from 1.34% to -2.42%. We have therefore adjusted the level of the floor from 0.5% to -4.1% which gives broadly the same scaling factor as at settlement.

Option CONCF7

71. We have used the second formula derived from regression against Net Current expenditure and adjusted the base position for the Special Grant transfer by the 2009-10 Special Grant allocation.

72. The average grant increase on a like-for-like basis for authorities with responsibility for education and personal social services has increased from 2.78% to 3.07%. We have therefore adjusted the level of the floor from 1.5% to 1.9% which gives broadly the same scaling factor as at settlement.

73. The average grant change on a like-for-like basis for shire districts has decreased from 1.34% to -2.40%. We have therefore adjusted the level of the floor from 0.5% to -4.0% which gives broadly the same scaling factor as at settlement.

Option CONCF8

74. We have used the second formula derived from regression against Net Current expenditure and adjusted the base position for the Special Grant transfer prorata to the new concessionary travel formula.

75. The average grant increase on a like-for-like basis for authorities with responsibility for education and personal social services has increased from 2.78% to 3.07%. We have therefore adjusted the level of the floor from 1.5% to 1.9% which gives broadly the same scaling factor as at settlement.

76. The average grant change on a like-for-like basis for shire districts has decreased from 1.34% to -2.40%. We have therefore adjusted the level of the floor from 0.5% to -4.0% which gives broadly the same scaling factor as at settlement.

Option CONCF9

77. We have used the formula derived from regression against estimated concessionary trip data and adjusted the base position for the Special Grant transfer by the 2009-10 Special Grant allocation.

78. The average grant increase on a like-for-like basis for authorities with responsibility for education and personal social services has increased from 2.78% to 3.07%. We have therefore adjusted the level of the floor from 1.5% to 2.0% which gives broadly the same scaling factor as at settlement.

79. The average grant change on a like-for-like basis for shire districts has decreased from 1.34% to -2.42%. We have therefore adjusted the level of the floor from 0.5% to -4.1% which gives broadly the same scaling factor as at settlement.

Option CONCF10

80. We have used the formula derived from regression against estimated concessionary trip data and adjusted the base position for the Special Grant transfer prorata to the new concessionary travel formula.

81. The average grant increase on a like-for-like basis for authorities with responsibility for education and personal social services has increased from 2.78% to 3.07%. We have therefore adjusted the level of the floor from 1.5% to 2.0% which gives broadly the same scaling factor as at settlement.

82. The average grant change on a like-for-like basis for shire districts has decreased from 1.34% to -2.42%. We have therefore adjusted the level of the floor from 0.5% to -4.1% which gives broadly the same scaling factor as at settlement.



Tyne and Wear Integrated Transport Authority

Date: 23 September 2010

TITLE: DEPARTMENT FOR TRANSPORT CONSULTATION ON LOCAL TRANSPORT FUNDING

REPORT OF ITA TREASURER & NEXUS DIRECTOR OF FINANCE AND RESOURCES

Reasons for confidentiality: Not confidential

District Implications: All

1. Summary / purpose of report

- 1.1 This report provides members with information on the current Department for Transport (DfT) consultation on local transport funding, which is open until 6 October 2010. Also provided for members consideration is a draft joint ITA/Nexus response to the consultation questions.

2. Recommendations

- 2.1 Members are recommended to note the report and agree as a basis of a response to the draft consultation response provided at **Appendix A**.

3. Introduction

- 3.1 Government provides capital funding to local transport authorities to support the development of transport services and the improvement and maintenance of local infrastructure. This funding is issued by DfT in a variety of ways, from needs-based allocations to bid-based grants.
- 3.2 The DfT is currently consulting on future plans for the distribution of this funding to local authorities and Integrated Transport Authorities (ITAs) outside London. It is important to note that the consultation does not discuss future transport budgets following the Comprehensive Spending Review, but seeks views on the specific ways in which future available funding is distributed to local authorities and ITAs. Consultation responses are invited by 6 October 2010

4. Key issues for consultation

- 4.1 The DfT consultation identifies a number of potential changes to the way local

transport funding is allocated, including:

- Changes to the formulae used to distribute local transport capital funding, including an option to disregard road condition from the highways maintenance formula.
- A refresh of the data underpinning the distribution formula
- Proposals to merge the stand-alone Primary Route Network (PRN) and detrunked road funding grants into the maintenance block formula from 2011/12.
- Potential to vary the future balance between grant funding and supported borrowing.
- Proposals to pay Integrated Transport and Highways Maintenance block funding directly to ITAs.
- Whether existing flexibilities for distributing funding in joint LTP areas should be retained, including the option to vire integrated transport block between local authority areas.

4.2 The consultation provides indicative figures for changes to district allocations, both for formula changes and the data refresh. Whilst variations of between -9% and +7% are indicated, the figures do not illustrate the future impact of any changes in funding as a result of the Comprehensive Spending Review (CSR).

5. ITA and Nexus response

5.1 Under current Tyne and Wear arrangements, Integrated Transport block funding is paid directly to the ITA and then distributed to local transport plan partners according to a locally agreed formula. Highways Maintenance block is paid directly to the local highways authorities (in Tyne and Wear, the five districts). It should also be noted that Metro maintenance funding comprises part of Nexus' Integrated Transport block allocation.

5.2 Provided at **Appendix A** is a draft ITA and Nexus response to the consultation. Each of the Tyne and Wear district authorities are also expected to submit their own responses to the consultation.

6. Background Papers

6.1 Consultation on Local Transport Funding, DfT, August 2010. Available from <http://www.dft.gov.uk/consultations/open/2010-32/>

7. Contact Officer(s)

7.1 Paul Woods, ITA Deputy Clerk & Treasurer, 0191 277 7527

John Fenwick, Director of Finance and Resources, Nexus, 0191 203 3248

Tobyn Hughes, Director of Strategy, Nexus, 0191 203 3246

Draft Tyne and Wear ITA and Nexus response to consultation questions

Question 1 - The only change that the Department is considering in either of the two formulae in advance of this year's Local Government Finance Settlement is the option to disregard road condition in the maintenance block formula. What are consultees' views on this approach?

Given the amount of data available, we agree that there should be no change to either formula.

Question 2 – What are consultees views on possible longer term changes to the formulae, in particular on the comments above on potential developments to the IT Block?

To support national policy by assisting the economy and reducing carbon emissions, we believe that greater emphasis on investment in sustainable transport such as electric vehicles, cycling and public transport – so for example, proportionately more funding should be directed towards areas with high public transport patronage. If any changes are proposed based on new data sources or changing objectives then it is important that any data used is readily available across all LTP authorities, it is easily and consistently collected, and that it analysed in a consistent way.

Question 3 – Do consultees agree that there should be a data refresh?

We agree that there should be a data refresh in order to better match resources to current circumstances.

Question 4 – Do consultees have any comments on the refreshed data as set out in Annex G?

We have no additional comments to make regarding the above question.

Question 5 – Do consultees wish to see transitional arrangements to mitigate the impact of the data refresh, and if so, what should these be?

The background context to this consultation is one of great uncertainty, and it is probable that a reduction in the overall funding available in the IT and maintenance block are likely to occur. It is likely that any transitional arrangements would be 'lost' in changes to funding levels made by reduced resources. We therefore do not believe it is appropriate for transitional arrangements to occur.

Question 6 – Do consultees agree with the Department's approach for merging funding for structures on the Primary Route Network and for detrunked roads within the maintenance block formula from 2011/12?

We have no comment to make on this question as we are not responsible for any highway maintenance.

Question 7 – Would local authorities prefer to receive funding as grant or supported borrowing, and what are consultees' views on the priorities for paying out grant if there is a mix of grant and supported borrowing?

We are strongly of the opinion that there should be a continuation of the current method of a direct quarterly capital grant paid direct to the Tyne and Wear Integrated Transport Authority, given that ITAs are not allowed to receive Formula Grant, nor therefore supported borrowing. Any change from grant to supported borrowing would be a risk to the ITA and Nexus since there is a risk that such may not be hypothecated to Nexus and therefore may be a funding risk.

Question 8 – What are consultees' views on the option to allocate the IT and maintenance blocks solely to Integrated Transport Authorities in the six Metropolitan Areas?

Tyne and Wear recently conducted a governance review of local transport arrangements. The review did not result in the ITA taking on any additional powers over local highways. It is therefore appropriate in Tyne and Wear for current arrangements to continue.

The LTP partners in Tyne & Wear already have a well established process for jointly funding Tyne & Wear wide initiatives as a separate programme. Allocating funding direct to the ITA will only introduce a new process to claim money down from the ITA as each partners programme is agreed or delivered.

Question 9 – Should Metropolitan Areas and other areas producing Joint Local Transport Plans be allowed to retain the flexibility to vire IT Block funding between authorities as permitted in the last funding settlement?

In principle we support the retention of flexibility. Nexus manages the LTP programme for public transport schemes in order to ensure that if there were any schemes across Tyne & Wear which were not delivering to programme, for reasons unforeseen or outside control of the promoting LTP partner, then the local partnership approach in the LTP allows for a reallocation exercise to take place in order to keep the overall LTP spending profile and programme on track. Flexibility allows for short term problems with deliverability issues to be addressed.

Question 10 – Do consultees have any other issues they would like to raise about the calculation or distribution of the integrated transport or highways maintenance blocks, including on the overall size of the blocks relative to other capital funding and relative to each other?

Nexus, as owners of the Tyne and Wear Metro does not receive its own capital maintenance allocation from the LTP. The funding for Metro capital maintenance is taken from the LTP integrated transport block allocation.

Nexus has recently secured funding from the DfT for delivery of the Metro Asset Renewal Plan (often referred to as "Metro Reinvigoration") covering the period 2010/11 to 2020/21. Over this period, Government will provide Nexus with a total of £350m in the form of Metropolitan Rail Grant (capital). A 10% minimum local contribution per annum is required as a grant condition. This amounts to on average, £3.5m per annum across the eleven year period in question, of which a significant element is funded from the IT block. It is therefore important to Nexus and the ITA that the relative balance between the integrated transport block and the highway maintenance block is (as a minimum) is retained as now. A shift to a bigger allocation to highway maintenance to the detriment of the IT block would give Nexus serious concerns in seeking to fully meet the local 10% contribution to the Metro Asset Renewal Plan.

This page is intentionally left blank



Tyne & Wear ITA - Metro Sub Committee

8 September 2010
(10.00 - 11.50 am)

DRAFT

Present:

Councillor: D Wood (Chair)

Councillors: McElroy, Lott and Stone

In Attendance

B Garner	Director General of Nexus
J Fenwick	Director of Finance and Resources, Nexus
K Mackay	Director of Rail and Infrastructure, Nexus
R McClean	Managing Director, DBTW
R Johnstone	Nexus Rail Director, Nexus
H Martin	Rail Procurement Director, Nexus
V Miller	Democratic Services, Newcastle City Council

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Maughan, Hodson and Blackburn.

2. DECLARATIONS OF INTEREST OF MEMBERS OR OFFICERS

Councillors Lott and D Wood declared a personal interest as holders of a concessionary travel pass.

3. QUARTERLY PERFORMANCE DATA

The Director General explained that the performance data provided in the reports dealt with operational and engineering performance of DBTW and Nexus Rail. The aspect of performance, which was not included in the public reports, related to market performance with regard to fares income, market shares and overall financial management of the concession. He considered much of this as commercially confidential but had prepared a template report to be considered in the confidential section of the agenda, which he felt would meet the needs of the Authority whilst protecting the commercial confidentiality of the contractual relationships between Nexus, the Department for Transport and DBTW and Metro's position in the commercial market place. The Committee agreed to receive this report under the confidential section of the agenda.

Submitted:

(i) Report by the Director of Rail and Infrastructure, Nexus (previously circulated and attached to Official Minutes);

(ii) Possession Plans 2010/11 (due to the timetables involved, with the permission of the Chair circulated at the meeting and attached to Official Minutes).

K Mackay, H Martin, R Johnstone and R McClean spoke to the report, which provided performance information for the Metro Operating Concession, Nexus Rail and Metro Asset Renewal Programme.

Questions/Comments

1. Metro Operating Concession

- In response to a member's question, K Mackay confirmed that members would, as on this occasion, be informed at the earliest opportunity of any Improvement Notices served upon Nexus which could impact on service delivery.
- With regard to the Metro Operating Concession contract, H Martin and R McClean confirmed that there were no major areas of concern that were outstanding. Work was currently ongoing to clarify various details, including the allocation of responsibilities, and building successful working relationships between DBTW and Nexus.
- Members noted improvements in terms of cleanliness and an increased presence of uniformed staff at gates and on trains.

2. Nexus Rail

- Members noted the operating particulars of the signalling system.
- A member queried the forecasting of Staff Accidents. R Johnstone explained that the forecasting was linked to the previous year's figure and incorporated projected gradual improvements.
- In respect of the 27 June 2010 incident (Summary of Major Incidents), it was confirmed that DBTW were recovering cost from the driver's insurance. Members suggested that the results should be included in future reporting and be published.
- A member queried the operational particulars of the CCTV system on Metro, including staffing, capacity and capabilities. It was confirmed that on a number of occasions the system had contributed to resolving crime.
- Members questioned the planning around possible industrial actions. K Mackay outlined Nexus' position and indicated that the impact would depend on the scale of action and could vary significantly. He reassured members that the long-term funding that had been secured from Nexus minimised the chance of an industrial

action taking place. It was confirmed that when Nexus were unable to provide network due to an industrial action, they were still contracted to pay to DBTW.

3. Metro Asset Renewal Plan

Possession Plans

- In response to members' queries, it was confirmed that:
 - work was ongoing with local communities to keep them involved and informed about the scheduled works;
 - the preparation for a possession plan included cooperation with major partners, including the Police;
 - bus replacement services would be put in place to support all possession plans;
 - longer possessions allowed more efficient engineering programmes to be developed and provided better value for money.
- The Committee noted that there were teams of professionals, including partner organisations, working to ensure that all possession plans and associated elements were well co-ordinated and managed. All major possessions were subject to rigorous forward planning.
- Members recommended that a high level of attention should be given to communication with the public and also to the provision of a suitable, high quality replacement service of a good capacity.

RESOLVED – That the progress information be noted.

4. REVIEWING THE OUTPUTS OF PROJECT ORPHEUS

Submitted:

(i) Report by the Director General of Nexus (previously circulated and attached to Official Minutes);

(ii) Project Orpheus Corridor Recommendations (with the permission of the Chair, due to timetables involved, circulated at the meeting and attached to Official Minutes).

B Garner presented the report reminding members about the outcomes of Project Orpheus in 2004 and recommending an update of the Project outcomes in line with the development of a long-term strategy for Metro.

RESOLVED – That:

- (i) the approval be given to a refresh and update of the Project Orpheus;

- (ii) the Tyne and Wear Authorities be advised about the intention to commence the refresh and update of the Project Orpheus to assist in the development of a long-term strategy for Metro;
- (iii) consideration be given to applying a consistent Tyne and Wear approach when researching funding opportunities for options to extend the catchment of Metro;
- (iv) further updates be brought to the Committee.

5. **DATE AND TIME OF THE NEXT MEETING**

The date and time of the next meeting would be agreed at a later date.

6. **EXCLUSION OF PRESS AND PUBLIC**

RESOLVED – That, by virtue of paragraphs 3 and 4 of part 1 of Schedule 12A of the Local Government Act 1972, press and public be excluded from the consideration of the Metro Fares report.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank