

Nottingham City Council Delegated Decision



Nottingham
City Council

Reference Number:	3940
Author:	Martin Williams
Department:	Development and Growth
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Subject: Further Financial Support for the Tram

Key Decision (decision valued at more than £1million):	Yes
Total Value:	Up to £12million (Type: Revenue)

Decision Being Taken:

- 1) To accept grant funding from the Department for Transport to support the continued operation of the tram as a result of reduced usage due to the Coronavirus pandemic.
- 2) To transfer the grant money received from the Department for Transport to Tramlink, for the purpose of supporting the continued operation of the tram and to assist services being fully restarted.

Reasons for the Decision(s)

In 2011, the Council entered into a Private Finance Initiative contract with Tramlink to build the NET Phase Two and operate the extended tram system in Nottingham until 2034. As a result of the Coronavirus pandemic, the tram usage has reduced significantly, which has had a direct impact on the fare income received by Tramlink. The Department for Transport (DfT) recognised this and identified a support grant for the tram worth £3.7million to cover 12 weeks from 17 March. Since then, the DfT has indicated that it will be providing further support up to £404,000 per week, based on an actual calculation of operating losses being incurred by Tramlink and to support them in restarting services fully. This support is currently agreed until 5 August 2020, but it is expected to continue beyond this date while Government is advising people to use public transport for essential journeys only, so this decision anticipates receipt of additional funds (up to a maximum amount of £12million) from the DfT to be used for this same purpose. As and when further money is received by the Council, it will be transferred to Tramlink to fund the ongoing operation of the tram system in Nottingham. Only money received from the DfT after the required information has been provided to them and actual figures reconciled will be passed on to Tramlink.

Other Options Considered:	<p>1) As part of the work undertaken by DfT, a review was carried out into the provision and funding of an alternative bus service to the tram. However, this was ultimately discounted by the DfT.</p> <p>2) To not accept the DfT grant: If the Council chose not to accept the grant, this could lead to financial issues for the tram and its ability to assist the citizens of Nottingham in making essential journeys. For this reason, this option was discounted.</p>
Background Papers:	None
Published Works:	Decision 3900 - Financial Support for the Tram (https://committee.nottinghamcity.gov.uk/ieDecisionDetails.aspx?ID=5242)
Affected Wards:	Citywide
Colleague / Councillor Interests:	None
Consultations:	Those not consulted are not directly affected by the decision.
Crime and Disorder Implications:	There are no crime and disorder implications resulting from this decision.
Equality:	EIA not required. Reasons: The decision does not set out proposals for changes to a policy, service or function.
Decision Type:	Leader's Key Decision
Subject to Call In:	Yes
Call In Expiry date:	04/08/2020
Advice Sought:	Legal, Finance

Legal Advice:

This report seeks authority to accept money from the Department for Transport (DfT) for payment to Tramlink to support the operation of the tram and the pressures upon it as a consequence of Coronavirus and, more specifically, to support in its upscaling of services to ensure that services can be fully up and running as soon as possible. This is in addition to £3.7million provided in May 2020.

On this occasion, the DfT has notified the Council that subject to reporting and actual spend reconciliation, it will receive 4-weekly payments over the scheme period, but it has not guaranteed when money will be received, how much in total or how long for, and so the report seeks to capture that it is anticipated that further sums will be received in the future. The Council will pass the money received from DfT (up to £12million) on to Tramlink as and when received from the DfT for the same purpose.

As with the earlier monies, the Council must ensure that the grant is provided to Tramlink in accordance with the terms set out within the DfT grant funding letter to the Council. This is necessary to do as the Chief Executive and Chief Internal Auditor will be asked to sign a declaration that the grant has been paid and used in accordance with those terms. Legal Services colleagues will work with the Major Programmes team to agree any necessary documentation with respect to the transfer of the grant to Tramlink.

Advice provided by Dionne Claire Screamon (Solicitor) on 10/07/2020.

Finance Advice:

The additional funding is from the Department for Transport (DfT) to Tramlink of £12million over a 12-week period, to support the tram's adverse financial running costs, resulting as a consequence of Coronavirus. The funding from DfT is in line with the Council's Financial Regulations, Section E, relating to central Government grant funding as part of external funding and contract arrangements. The payments to Tramlink relate to the Concession Contracts Regulations 2016, which are included in the Council's Financial Regulations.

Once the funding has been received from the DfT, into Council accounts, then the Council will provide the appropriate level of weekly/cumulative funding as set out in the DfT guidance and will distinguish this funding from the normal monthly funding provided currently. Finance Team colleagues will work with the Major Programmes team and Council's Tramlink contact lead to ensure funding is received from DfT and passed forward to Tramlink in a timely manner. The risk of any overpayment/non compliance resulting in funding clawback sits with Tramlink. The DfT are monitoring returns on a 4-weekly basis to understand the financial/operational environment facing Tramlink.

The additional £12million funding from DfT is to provide ongoing financial support to the passenger sector, and this funding specifically relates to Tramlink - to help it remain solvent during the covid period. The essence of the funding is to support passenger transport companies such as Tramlink to continue to operate once lockdown is ended. The previous Decision 3900 relates to this funding, which is essentially a continuation of that funding. The risks associated with the funding lie with the Tramlink, there is no liability arising with the Council. The funding is paid on a 4-weekly basis, linked to the returns provided by Tramlink.

Advice provided by Bapon Bhakri (Head of Finance) on 25/06/2020.

Signatures:

David Mellen (Leader/ PH Regeneration, Schools, Communications)
SIGNED and Dated: 28/07/2020
Chris Henning (Corporate Director for Development and Growth)
SIGNED and Dated: 20/07/2020