

Local Transport Fund (LTF) Grant Determination Letter - Nottingham City Council



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Department for Transport
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10 May 2022

Dear Local Transport Authority,

The Local Transport Fund (LTF) is provided under Section 31 of the Local Government Act, 2003. Funding is provided by the Department for Transport (DfT) on behalf of the Secretary of State in respect of socially necessary bus services and light rail services, as applicable.

Local Transport Fund

The Local Transport Fund (LTF) is effective from 6 April 2022 until 4 October 2022 and is a successor grant scheme to the Bus Recovery Grant paid to local authorities (hereafter LTA BRG) and the Light Rail and Tram Recovery Grant (LRTRG). The LTA BRG was in place between 1 September 2021 – 5 April 2022 and the LRTRG was in place between 20 July 2021 – 5 April 2022.

For the purposes of this grant agreement letter, definitions are provided in **Annex A**.

Payment

The Secretary of State, having obtained consent from the Treasury, has approved the LTF.

Two fixed amounts of the overall Grant will be paid over the course of the funding period. The total LTF allocation for **Nottingham City Council** is **£3,457,208**. Refer to **Annex B** for a breakdown of funding as well as an explanation of how the individual authority allocation has been apportioned.

Deliverables

This funding is provided to Local Transport Authorities (LTAs) for the provision of bus services which require local authority support, including tendered bus services and, for applicable areas, light rail/tram services. The funding is provided solely for these two transport services. LTAs will receive a single combined Grant for both transport modes, which LTAs will have autonomy over allocating.

The Grant provides funding in addition to, but not as a replacement of, any normal funding the LTA receives for the running of tendered bus services or light rail/tram services. The Grant is provided for the following “Deliverables”:

- A. Continued provision of socially necessary tendered bus and light rail/tram services. See, **Annex A**, 'Network Provision' section for details
- B. Development of local area network reviews. See **Annex A**, 'Network Reviews' section for details.
- C. For light rail/tram operators, continued engagement with the fare's taskforce. See **Annex A**, 'Fares Taskforce' section for details.

Further terms and conditions of funding, including data provision requirements can be found in **Annex A**.

This letter and its Annexes, (the "Agreement") sets out the terms and conditions of the Secretary of State's offer of a Grant. If you wish to accept this offer of Grant (on the terms and conditions set out in this Agreement), please sign, and return a copy of this Agreement to the Department at BRG@DfT.gov.uk by **13 May**.

You can contact the Department at BRG@DfT.gov.uk if you have any questions about the above.

Yours faithfully,

Signed



Matthew Crane, Deputy Director,
Bus Recovery Division
Department for Transport

Signed (Grant Recipient)

Print Name and Local Authority

Enclosed:

- **Annex A** – Terms and Conditions
- **Annex B** – Payment Breakdown

Annex A: Terms and Conditions

1. Definitions

In this Agreement, except where the context otherwise requires:

“Deliverables” means the requirements set out above and further below.

“Grant” means the amount up to and not exceeding the amount allocated to each Local Transport Authority provided by the Secretary of State for the purposes of the Deliverables.

“Grant Recipient” means the LTA which, having accepted this offer of Grant, is responsible for receiving, expending and accounting for funds paid under it for the purposes of the Deliverables and for ensuring compliance with all the terms and conditions of this Agreement.

“Local Authority” means a local transport authority in England, outside London.

“Service Providers” means those responsible for the delivery of bus or light rail and tram services.

2. Purpose of the Grant

The purpose of the Grant is to allow the Grant Recipient to deliver the Deliverables set out in the ‘Deliverables’ section of this Agreement.

The Department reserves the right to amend these terms and conditions at its discretion.

3. Network Provision

Whilst in receipt of the LTF, LTAs must ensure their local transport network provision meets local needs. This process should have regard to the objectives of the National Bus Strategy and locally agreed Bus Service Improvement Plans.

Local network provision means socially necessary bus and light rail/tram (where applicable) services but does not mandate a specific or minimum level of service for either mode.

4. Eligible use of funding

The LTF can be used for:-

- (a) Light rail/tram services (where applicable)
- (b) For claims for tendered services procured by the LTA that are valued at £29,999 or more, irrespective of the size of the LTAs supported bus services budget
- (c) To cover losses where an LTA, or lower Tier Authority, takes the revenue risk on a tendered service
- (d) To cover losses where an operator takes the revenue risk on a tendered service
- (e) To ensure the provision of a replacement service where a commercial service has been withdrawn, subject to prior agreement with the Department.
- (f) To provide additional tendered services or to alter existing tendered services
- (g) To support community transport services
- (h) To provide bespoke support such as, but not limited to, rates relief to individual bus operators where the LTA believes that additional support is required, and

withdrawal of services by a specific operator would result in increased costs to the taxpayer, subject to prior agreement with the Department.

The LTF **must not** be used for:-

- (i) activities of a political or exclusively religious nature
- (j) input VAT reclaimable by the Grant recipient from H.M. Revenue & Customs and for the avoidance of doubt any irrecoverable VAT associated with the scheme will be met with this Grant
- (k) gifts
- (l) entertaining
- (m) statutory fines, criminal fines, or penalties

Grant recipients and/or service providers are permitted to make an operating surplus whilst in receipt of LTF funding.

Grant recipients and/or service providers are permitted to make changes to their current fares and fare structures.

Light rail services will no longer be subject to the 'cost cap' included under the Light Rail and Tram Recovery Grant (LRTRG). However, in allocating funding to Light Rail services, LTAs should work with operators to ensure that funding continues to be used efficiently.

LTAs/operators must clear any outstanding debts with the Department before accessing this Grant.

LTAs/operators must maintain and operate effective monitoring and financial management systems for the Deliverables to ensure that the application of the Grant for delivering the Deliverables can be clearly identified.

5. Network Reviews

As part of receiving LTF funding, LTAs must ensure they, along with bus and light rail/tram operators, carry out network reviews. LTAs will be required to produce a single review incorporating all bus and light rail/tram operators as well as LTA tendered services which will outline a plan to ensure for the sustainability of its commercial, as well as tendered network, following the end of funding. These plans should be user focused and consider what the 'new normal' service requirements look like for their area. Where an operator runs a service across LTA boundaries, LTAs will work to agree with neighbouring LTAs who should be the lead for nominated routes.

6. Fares Taskforce

Light rail/tram operators and/or LTAs must continue to engage with the fares taskforce and monthly workshops as well as implement the universal method to monitor fare evasion in its various iterations, in order to be eligible for funding.

Light rail/tram operators and/or LTAs should provide monthly data into fare evasion rates recorded using the universal method and share best practice on revenue protection measures.

7. Data Provision

LTAAs will be asked to provide DfT with information on the services that the Grant has been used to support. This will include:

- Bus, light rail/tram services supported by the Grant, including the financial contribution (as appropriate).
- Frequency of service/service level or kilometres operated (as appropriate).
- Patronage levels on a monthly basis.

In addition, for local authorities responsible for light rail and tram services, DfT reserves the right to request further financial information, including but not limited to:

- Actual and forecast revenue achieved (farebox, commercial and other),
- Actual and forecasts costs (fixed, semi fixed, variable).

Forecasts supplied to the Department should be based on modelling carried out by the local authority which takes into consideration a range of local exogenous and endogenous factors impacting future demand and revenue.

DfT will request this data, and any additional information that may be required by the Department on reasonable notice, toward the end of the 6-month LTF scheme.

DfT reserves the right to carry out an open book reconciliation exercise with operators should the Department need to seek clarity on the financial impact of the LTF as well as to assure future forecasts. Operators/ LTAs will be required to cooperate with the Department and its advisors, including all reasonable data requests, as part of any reconciliation exercise.

DfT reserves the right to amend the information being requested from operators.

DfT reserves the right to use this information to inform the broader Government local Public Transport policy.

All deadlines for data provision are final. Submissions after the deadline may result in no further funding being provided and will only be accepted in exceptional circumstances and at the discretion of DfT.

8. Payment arrangements

Subject to the conditions set out in this Agreement the Secretary of State's funding will be paid by Grant to the Grant Recipient.

Payments will be made in 2 equal instalments, in arrears. Payment 1 will be provided after this Grant Agreement has been signed and returned, payment 2 will be provided subject to:

- (i) the requirements for network provision in this Annex,
- (ii) the requirements for the fares taskforce (for light rail/tram) in this Annex,
- (iii) the requirements for network reviews in this Annex, as well as associated guidance, and share a final version of the network review with the Department publishing this, so as to be accessible to local residents, and
- (iv) the provision of data requested in this Annex.

The Grant Recipient/s are required to sign and return to the team leader of the Bus Recovery Division of the Department for Transport this Agreement.

If a Grant Recipient/s fails to comply with any of the conditions contained within this Agreement, the Minister of State may-

- a) reduce, suspend or withhold grant; or
- b) by notification in writing to the authority, require the repayment of the whole or any part of the grant.

9. Conflicts of interest and financial or other irregularities

Officers, members, and employees of the Grant Recipient must be careful to avoid conflicts of interest. The Grant Recipient must set up formal procedures to require all such persons to declare any personal or financial interest in any matter concerning the Deliverables and to be excluded from any discussion or decision-making relating to the matter concerned.

If the Grant Recipient has any grounds for suspecting financial irregularity in the use of any Grant paid under this Agreement, they must notify the Secretary of State immediately, explain what steps are being taken to investigate the suspicion, and keep the Secretary of State informed about the progress of the investigation. For these purposes "financial irregularity" includes fraud or other impropriety, mismanagement, and the use of the Grant for purposes other than the purposes of the Deliverables.

10. VAT

The Grant Recipient shall not charge the Secretary of State VAT in respect of any expenditure made to deliver the Deliverables as grants are outside the scope of VAT.

11. Escalation of disputes

In the event of a dispute about the Grant or the payment of the Grant, the matter will be referred to the Department's Deputy Director, Bus Recovery and the Grant Recipient's Chief Financial Officer who will work together to resolve the dispute.

12. Invoicing

Appropriate independent evidence, as reasonably specified by the Secretary of State of the delivery of the Deliverables is required to support any Grant claimed via the invoicing process for the associated Deliverable. Invoicing will take place following completion of the Deliverables.

Appropriate independent evidence as reasonably specified by the Secretary of State will be sent with the invoice requesting payment linked to those Deliverables.

13. Compliance

The Grant Recipient will comply with all applicable procurement laws when procuring goods and services in connection with the grant and the Department shall not be liable for the [LTA name]'s failure to comply with its obligations under any applicable procurement laws.

The Grant Recipient will ensure that its use of the funding complies with State Aid laws, the UK's international obligations in relation to subsidy control and any UK subsidy control legislation.

The Grant Recipient will maintain appropriate records of compliance with the relevant subsidy control regime and will take all reasonable steps to assist the Department to comply with the same and respond to any proceedings or investigation(s) into the use of the funding by any relevant court or tribunal of relevant jurisdiction or regulatory body.

The Grant Recipient acknowledges and represents that the funding is being awarded on the basis that the use of the grant will not affect trade in goods and electricity between Northern Ireland and the European Union and shall ensure that the funding is not used in way that affects any such trade.

The Secretary of State may require repayment of any of the grant already paid, together with interest from the date of payment, if the Secretary of State is required to do so as a result of a decision of the European Commission or the Court of Justice of the European Union by reason of a breach of State Aid Law through its application under Article 10 of the Northern Ireland Protocol and/or a decision of a court, tribunal or independent body or authority of competent jurisdiction by reason of breach of the UK's obligations under the Trade and Co-operation Agreement or the terms of any UK subsidy control legislation.

The Grant Recipient will ensure they comply with the 2010 Equality Act and the Public Sector Equality Duty. This includes considering impacts of the project on protected characteristic groups in the monitoring and evaluation stage.

Annex B - Payment Breakdown

The Department will pay 50% of an LTAs LTF allocation at the beginning of the scheme following the return of a signed Grant Agreement.

LTAs will be eligible for the remaining 50% of their LTF allocation at the end of the scheme, provided LTAs meet the conditions listed in paragraph 8 of Annex A. Table ii) shows an indicative payment schedule for LTF.

Your allocation can be found in Table i). Please note that, if relevant, allocations are inclusive of Light rail funding. For ease, Light rail allocations have been separated out in the final column. The Department reserves the right to amend this allocation in the event a Grant Recipient or Service Provider fully suspends or significantly reduces their light rail, tram or bus service before the beginning of the LTF start date or at any time within the period of funding.

DfT has opted not to ringfence money between transport modes, giving LTAs autonomy to decide how best to spend this funding across their transport system. The total allocation has been based on a calculation taking into consideration the following factors:

- the application of inflationary increases to local transport systems due to emerging cost pressures,
- estimated passenger demand recovery on local transport systems, and
- local transport funding allocations under LTA BRG and LRTRG
- size of the supported bus network in the LTA area

Table i)

LOCAL TRANSPORT AUTHORITY	TOTAL LTF ALLOCATION	LIGHT RAIL ALLOCATION if relevant (INCLUDED IN LTF ALLOCATION)
Nottingham City Council	£3,457,208	£3,300,000

Table ii) Indicative payment schedule

LOCAL TRANSPORT AUTHORITY	First instalment May 2022	Second instalment
Nottingham City Council	£1,728,604	£1,728,604