

**BACKGROUND REPORT TO INFORM A DECISION TO BE MADE
BY THE MAYOR OF GREATER MANCHESTER**

Date: 19 May 2017

Title: The administration of Bus Services Operators Grant for commercial services in Greater Manchester

Report of: Richard Paver, Treasurer, GMCA and Steve Warrener, Director of Finance and Corporate Services, Transport for Greater Manchester

PURPOSE OF REPORT

1. To provide an overview of the Bus Service Operators Grant (BSOG);
2. To update on current activity between the DfT and TfGM to transfer responsibility for the BSOG grant payments for eligible commercial services in Greater Manchester to the GMCA pursuant to the Greater Manchester Combined Authority (Functions and Amendment Order) 2016; and
3. To seek support and agree to the release of funds by the GMCA Treasurer to TfGM to administer payment of approved BSOG payments for eligible commercial services in Greater Manchester by TfGM.

RECOMMENDATIONS

The Mayor of Greater Manchester is recommended to:

- i) approve the first tranche of Bus Service Operator Grant payments proposed to be paid to eligible bus operators for commercial services as set out in the attached schedule; and
- ii) delegate authority to GMCA Treasurer, Richard Paver, to release the necessary funding for these grant payments to TfGM, and to delegate

authority to TfGM to make the necessary arrangements for payment of the grants to the approved operators.

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BACKGROUND PAPERS:

The Greater Manchester Combined Authority (Functions and Amendment Order) 2016 (Article 11)

The Transport Act 2000, Section 154

1 EXECUTIVE SUMMARY

- 1.1 The Decision to be made by the newly elected Mayor of Greater Manchester relates to the administration of Bus Services Operators Grant (BSOG) to eligible Greater Manchester bus operators for commercial services. This decision is pursuant to Article 11 of the Greater Manchester Combined Authority (Functions and Amendment Order) 2016 (the Order), made on 22 December 2016.
- 1.2 The devolved funding and administration of BSOG from the Secretary of State to the Greater Manchester Combined Authority (GMCA) is a Mayoral function.
- 1.3 There are regulations and conditions in place from the Secretary of State (pursuant to The Bus Services Operators Grant (England) Regulations 2002) and therefore these govern the eligibility requirements and conditions to be met by operators prior to receiving a grant. There is therefore no discretion involved in the calculation of the grant for each bus operator.
- 1.4 The Government's established administration procedures, pursuant to Section 154 of the Transport Act 2000 and the 2002 regulations, must be followed by the Mayor. The devolved function is seen as a strategically useful function to increase engagement between commercial bus operators and Transport for Greater Manchester as the region seeks to use new powers included in the Bus Services Act 2017 to reform the region's bus market.
- 1.5 Once the grant has been paid to the eligible commercial operators, the operators must continue to adhere to the eligibility requirements and conditions outlined in Clause 3 of The Bus Services Operators Grant (England) Regulations 2002.

2 INTRODUCTION

- 2.1 Following on from the Greater Manchester Devolution Agreement, signed in November 2014, and the Cities and Local Government Devolution Act 2016, the GMCA conducted a consultation in 2016 on the proposed exercise of number of functions of the Secretary of State by the GMCA. This comprised of a number of schemes that would be developed into orders and the exercise of the Section 154(1) of the Transport Act 2000 function relating to BSOG, was included in this consultation.
- 2.2 Devolving BSOG was seen as a useful means of encouraging engagement between Greater Manchester's Transport Executive and the commercial operators in the region. Whilst administrative in its nature, it will provide a useful channel of engagement for all parties and provide the GMCA with useful insight into the commercial mileage operating in the region. It is also the intention, following public consultation by the GMCA in 2016, that a Greater Manchester

order later in 2017 will also devolve bus registration administration powers from the Traffic Commissioner to GMCA to further enhance communication with commercial operators and to provide the GMCA with increased knowledge of the network.

- 2.3 Greater Manchester has a strong Vision for Bus as outlined in its new local transport plan, the 2040 Strategy and has ambitions to utilise the new powers in the Bus Services Act 2017, which received Royal Assent on 27 April 2017. Assuming responsibility for the administration of BSOG in the Greater Manchester region only is part of a natural progression towards the region's plans for an improved bus network.
- 2.4 Article 11 of the Greater Manchester Combined Authority (Functions and Amendment Order) 2016, made on 22 December 2016, provides for the Greater Manchester Combined Authority (GMCA) to have a function corresponding to the function in section 154(1) of the Transport Act 2000 (grants to bus operators) for its area, which the Secretary of State has in relation to England.
- 2.5 The Order provides that this function is a Mayoral function and that Article 11 will come into effect as from 8 May 2017. Article 15 (5) provides that the Mayor may delegate the exercise of mayoral functions to TfGM as if it were an officer of GMCA.
- 2.6 TfGM, being the Passenger Transport Executive of the GMCA and the executive body of GMCA in relation to its transport functions, requests that the Mayor approves the first tranche of BSOG payments due to be paid to operators in the Greater Manchester area and also authorises the GMCA's Treasurer to transfer the devolved funding to TfGM and for TfGM to administer the grant payments on behalf of the Mayor.
- 2.7 This decision is likely to be made by the Mayor during the week commencing 15 May 2017 and therefore this background report is to accompany the Notice of a decision that was been published on the GMCA website on 13 April 2017 in line with the GMCA's constitution.

3 BACKGROUND INFORMATION

- 3.1 Bus Service Operators' Grant (BSOG) is the main means of funding bus services from Central Government. Although Government has occasional schemes to fund specific bus-based projects on a bidding system, BSOG is the only universal and continuous form of Government financial support for bus services. BSOG is paid to bus operators at a flat rate based on the fuel used on local services. BSOG is fiscal recognition of the fact that the bus is a sustainable and inclusive mode of transport.

- 3.2 BSOG is a grant paid to operators of eligible local bus services and community transport organisations to help them recover some of their fuel costs. The amount each bus company receives is based on their annual fuel consumption. The aim of BSOG is to benefit passengers. It does this by helping operators keep their fares down and enabling operators to run services that might not otherwise be profitable and might be cancelled.
- 3.3 Bus Operators currently receive Bus Service Operators Grant (BSOG) at a basic rate of 34.57p per litre of fuel which applies to the operation of registered local bus services that they operate on a commercial basis as an offset against tax paid on fuel.
- 3.4 In order to qualify for BSOG, services must be registered with the relevant Traffic Commissioner, be open to all passengers and have fares that are available to all. The full list of eligibility requirements are set out in Clause 3 of the Bus Services Operators Grant (England) Regulations 2002. Responsibility for the payment of BSOG in respect of tendered subsidised services passed to local authorities in November 2013.
- 3.5 Operators claim BSOG using a heavily audited process which is based around their declarations on mileage operated, fuel use and an average mpg figure for their fleet. The payment process is currently the responsibility of the DfT managed by a specialist team in Hastings which covers the entire country. As well as administering the payments, this team also acts as a point of contact for bus operators and carries out monitoring on an ongoing basis to ensure that services that operators claim for meet the requirements of BSOG (e.g. are not 'closed' school or works services). Some of this activity however is necessary due to the relative remoteness of the management of the payments which could be, in part, circumvented if managed locally by the local transport authority.
- 3.6 Operators can currently also claim enhancements to their payments in relation to the use of smartcard and AVL technology as well as for introducing Low Carbon Emission Vehicles to their fleet. The responsibility for the payment of these enhancements will remain the responsibility of the DfT.
- 3.7 The Greater Manchester Combined Authority (Functions and Amendment Order) 2016, made on 22 December 2016, provides for the GMCA to have a function corresponding to the function in section 154(1) of the Transport Act 2000 (grants to bus operators) for its area, which the Secretary of State has in relation to England.

4 ADMINISTRATION OF BSOG BY TFGM

- 4.1 Article 11 of the Order confirms that grants made in accordance with this Order must be calculated in accordance with such method as may be provided by any

regulations made by the Secretary of State by virtue of section 154(2) of the Transport Act 2000.

- 4.2 The grant shall be of such amount and subject to such conditions (including conditions requiring repayment in specified circumstances) as may be determined by the Secretary of State by virtue of section 154(3) of the Transport Act 2000 and notified to the GMCA. Grants must not be made to the extent that eligible bus services operate outside the GMCA's area and 'eligible bus services' has the meaning given by section 154(5) of the Transport Act 2000 and the Bus Services Operators Grant (England) Regulations 2002.
- 4.3 The administration of BSOG is therefore a prescribed process and requires strict adherence to the Secretary of State's grant calculation method and rates.
- 4.4 Each bus operator has a different BSOG calendar cycle and at the start of each operator's BSOG year, an estimate is made as to the total BSOG amount that they will be eligible for. At the end of each operator's BSOG year, the actual BSOG amount is calculated and the second tranche of grants paid in the next BSOG year are used to reconcile any underpayment or overpayment to each operator. This means that when GMCA/TfGM take over the administration, each operator will be at a different point in their BSOG calendar year.
- 4.5 The GM Order made in December last year confers on GMCA 'the function corresponding to the function in section 154(1) of the 2000 Act (grants to bus service operators) which the Secretary of State has in relation to England.'
- 4.6 GMCA and TfGM are receiving all BSOG information for each eligible operator in its area directly from the Hastings office (that is currently responsible on behalf of the SoS for all national BSOG payments). The fact that GMCA/TfGM are taking on the administration powers at a time when they will inevitably have to 'reconcile' two different calendar years of payments, for some operators, should not be an issue as the procedure followed will replicate that of the Hastings administration office.
- 4.7 GMCA and TfGM will be complying wholly with the regulations and conditions set by the Secretary of State (pursuant to The Bus Services Operators Grant (England) Regulations 2002). TfGM will work closely with the Hastings office in order to ensure there is a smooth transition process and to ensure that they have a full schedule of payments already received by eligible operators this year.
- 4.8 TfGM is sufficiently resourced to manage the administration of BSOG payments on behalf of the Mayor in the Greater Manchester region. It is proposed that TfGM will administer the first tranche of devolved BSOG payments on or around 15 June 2017.

5 RECOMMENDATIONS

5.1 As set out in the front of this Report.

SCHEDULE 1

The operator list below includes all those that operate commercial mileage in Greater Manchester. The DfT's BSOG team will transfer responsibility for the grant payments to these operators to the GMCA over the next six months on a phased basis.

The first payments due to be made by GMCA relate to operators whose mileage is within the Greater Manchester boundary only and the payments are expected to be made on or around 15th June 2017. Individual payment totals will be finalised on a per-operator basis in the coming weeks.

In the table below, operators running mileage solely in Greater Manchester are shown in yellow, those with either the majority or minority of their mileage in the area are in green and those in blue are those where the split between Greater Manchester mileage and an area outside is more equal or is complex due to their nature of their operation.

Operator list provided by TfGM	Licence Number	Claim Year
R Bullock Buses	PC0001115	1 Jan - 31 Dec
Finch Coaches	PC0003179	1 Jul - 30 Jun
Diamond Bus	PC0004417	1 Nov - 31 Oct
Jim Stones Coaches	PC1104641	1 Nov - 31 Oct
Warrington Borough Transport	PC0001977	1 Mar - 28 Feb
High Peak Buses	PC0001086	1 Mar - 28 Feb
First Manchester	PC0003680	1 Apr - 31 Mar
First Manchester	PC0004846	1 Apr - 31 Mar
Stagecoach Manchester	PC0003681	1 Apr - 31 Mar
Stagecoach Manchester	PC0001668	1 Apr - 31 Mar
Transdev	PC0005248	1 Apr - 31 Mar
Stagecoach Merseyside	PC1033334	1 Apr - 31 Mar

First West Yorkshire	PB0000815	1 Apr - 31 Mar
Burnley & Pendle Travel Ltd	PC0005249	1 Apr - 31 Mar
Huddersfield Bus Company	PB1078487	1 May - 30 Apr
Travel Assist Services	CB000683	1 May - 30 Apr
Rosendale Transport	PC0001838	1 Mar - 28 Feb
Arriva	PC0002598	1 Apr - 31 Mar
National Express	PD0000738	1 Apr - 31 Mar
Cumfybus	PC1015222	1 Jul - 30 Jun
RS Tyrer	PC1087927	1 Sep - 31 Aug