

## Cabinet

16 March 2022

### Bus Service Improvement Plan and Concessionary Fares Budget



## Report of Corporate Management Team

**Amy Harhoff, Corporate Director of Regeneration, Economy and Growth**

**Councillor Elizabeth Scott, Cabinet Portfolio Holder for Economy and Partnerships**

### Electoral division(s) affected:

Countywide.

### Purpose of the Report

- 1 Currently a number of bus services across County Durham are no longer commercially viable due to uncertainty of Government support and reduced passenger numbers as a result of the Covid pandemic. The following report considers whether the County Council should support some of these services in the short-term using budget received from Government for the concessionary fares scheme which would otherwise not be required for that purpose.

### Executive Summary

- 2 In October 2021, Cabinet was advised of progress on formulating a Bus Service Improvement Plan (BSIP) in response to the Government's National Bus Strategy which highlighted our commitment to improving Public Transport. Local authorities were encouraged to submit ambitious bids to what was then heralded as a £ 3 billion investment in bus services.
- 3 At that time, it was envisaged that with an increasing return to more normal life, bus patronage would continue to recover closer to pre-pandemic levels. The current position however is that passenger numbers remain subdued, temporary Government support for the industry is set to be withdrawn and the amount of future national funding available is likely to be significantly reduced with the timing of any announcement yet to be confirmed.

- 4 Against this backdrop, bus companies across our region are starting to plan for the new financial year with no guarantees of financial support from Government either in the short or medium term. As a result, without intervention, we currently expect cuts to bus services across the region of around 10% which would impact directly on people accessing employment, education, and other essential services.
- 5 If these cuts go ahead, they will vary significantly across the County. Some areas may experience a reduction in frequencies, others a loss of evening or weekend services, and a minority will see entire services curtailed. By contrast some communities may see no change at all.
- 6 However, there are short term options for Durham to support further our bus services using savings within the Concessionary Fares budget to allow time for Government interventions to be confirmed and the full state of a post Covid transport system can start to emerge.

## **Recommendations**

- 7 Cabinet is recommended to agree that:
  - (a) the contents of the report are noted together with the potential impacts of the respective funds set to be announced in March;
  - (b) short term support is given to bus services in County Durham by redirecting funding from the Concessionary Fares budget which is forecast to underspend by £1.934 million during 2022/23.

## **Background**

- 8 Since March 2020, bus services have been protected by special Government funding paid directly to operators. As part of this scheme, local authorities have been maintaining reimbursement for concessionary services without adjustment for reduced volumes.
- 9 Three significant issues which are now coming together to be considered are the end of the Bus Recovery Grant, the assumption that funding via the Bus Service Improvement Plan (BSIP) will be insufficient, and guidance that concessionary fare reimbursement should transition in 22/23 to reflect actual travel.
- 10 It is also the case that bus operators have introduced a number of “emergency” timetable changes to deal with issues around driver shortages however, these issues are expected to be resolved by the Spring and are not addressed in this report.

## **Bus Recovery Grant (BRG)**

- 11 Currently bus operators across the County are in receipt of a Bus Recovery Grant (BRG) which replaced previous Government support in the form of Covid-19 Bus Service Support Grant (CBSSG). These payments are essentially allowing bus operators to continue to provide a national bus network against a backdrop of a significant reduction in passenger numbers as a result of the ongoing pandemic.
- 12 The current BRG funding was set at a lower rate than the preceding CBSSG as it was previously anticipated that patronage would recover following the removal of the previous Covid restrictions in mid-2021. While there was considerable recovery in summer/autumn 2021, patronage was hit by the impact of Omicron. The previous reduction in levels of Government support has already resulted in some services in County Durham being cut as operators try to stem their loss-making position, even before the impacts of Omicron had been considered.
- 13 Prior to the outbreak of Covid, bus passenger numbers had started to increase after many years of decline however, by December 2021 bus ridership was around 75% of pre-pandemic levels. Although the impact of the Omicron outbreak on ridership has yet to be fully understood, it will have further reduced demand and hence potential revenue in the short term.
- 14 BRG was to end at the start of April 2022, and plans were being made accordingly. However, the Government announced on 1 March that funding is to continue for a further six months. Operators must maintain

at least 90% of the total mileage operated before the pandemic. The intention is this will enable more time for recovery in patronage, and mean operators can avoid making premature decisions on the future scale of their viable businesses. However, it seems almost certain that there will be an ongoing material shortfall in passenger numbers.

- 15 Bus operators were already planning on the assumption that the BRG funding would end in March and preparations were well advanced to adjust their services for the reduced patronage in order to remain viable as commercial businesses. Service changes had been expected to occur in April and May. It is understood at least some of those changes are likely to proceed, especially as BRG has not been enough to prevent significant losses on routes with low profit margins pre-pandemic.

### **Bus Service Improvement Plan (BSIP)**

- 16 In October 2021 the North East Joint Transport Committee (JTC) produced a Bus Service Improvement Plan (BSIP), in line with the requirements of the Government's National Bus Strategy. The BSIP had significant input from the County Council and genuinely reflected the bus service needs of people in our County.
- 17 The BSIP set out improvements in a wide range of areas including network coverage, frequencies and fares. The vast majority of improvements were contingent on new funding being made available by Government as part of what was initially announced as a £3 billion national fund for bus improvements.
- 18 Government has now confirmed that funding for BSIP's across the 79 Local Transport Authorities will be limited to £1.4 billion over 3 years. This funding will also need to meet the Government aspirations for Zero Emission Buses. An announcement on funding had been due by the end of February but is now expected by mid-March.
- 19 In formulating the BSIP, a priority element of the bid was for funding to offset the loss of income caused by reduced patronage, enabling current services to continue. However, informal indications from the Government are that any BSIP funding is to be restricted to new and improved services, rather than providing support for existing services. Therefore, whatever Government funding is derived from the BSIP process, it seems inevitable that existing bus services will need to be cut across the region in the short to medium term to counteract the fall in passenger numbers.

- 20 The National Bus Strategy also requires that local authorities and bus operators work together in partnership, with a statutory “Enhanced Partnership” (EP) scheme being put in place.
- 21 The adverse financial environment means that the partnership will be starting from a weak position, but nevertheless it offers an opportunity to work closely to deliver better outcomes for bus passengers than by working apart. Formal consultation over implementing the Enhanced Partnership scheme has therefore begun although Government have now asked that draft partnership documents are submitted in April rather than final commitments. A formal position of the Enhanced Partnership is yet to be agreed by the North East Joint Transport Committee.

### **English National Concessionary Travel Scheme**

- 22 In normal times, funding for Concessionary travel is provided by central Government via local authorities such as Durham County Council, which then have a duty to provide appropriate reimbursement to operators. This funding is given to offset fare revenue lost by bus operators due to the concession they are obliged to provide.
- 23 As the amount of funding from Government has remained unchanged, local authorities have been reimbursing bus operators for concessionary travel at broadly pre-pandemic levels; this has been assumed by Government as part of the CBSSG and BRG arrangements.
- 24 The level of ridership by concessionary passengers has currently reduced to around 65% of pre-pandemic levels. Although it is likely to recover, it is thought that it may remain at somewhat lower levels than other passengers due to more material behaviour changes including a large increase in on-line shopping by older people.
- 25 As of 1 April 2022, new Department for Transport guidance advises authorities to move concessionary payments towards actual patronage levels, with payments reducing from current levels by 5% every other month until the new appropriate rate is reached. As the grant paid to local authorities remains unchanged then perversely, we could see bus services being cut whilst local authorities receive a financial benefit.
- 26 In Durham we could potentially retain up to £ 2 million of funding next financial year which could be used to offset many of the services which would be withdrawn by bus operators as not being commercially viable.
- 27 By contrast, in Tyne and Wear it is proposed to use these savings to partially meet the financial challenges created by the termination of

emergency Covid-19 payments for the Tyne and Wear Metro. Nexus' budget for funding concessionary travel is therefore proposed to reduce by £7.5 million which would be lost to regional bus operators placing a potential further financial strain on services in County Durham.

- 28 Currently no indication has been given that the concessionary fares budget will be reduced however this cannot be discounted which would reduce further our options to intervene.

### **Subsidised Services Budget**

- 29 Currently the County Council directly supports a significant element of non-commercial public transport across the County. In the current year the budget to procure bus services sits at £4.6 million with a net cost of £2.7 million once fare income is taken into consideration. These services are a mixture of entire tendered routes and extensions of commercial services into non-commercial time periods ie late evenings. In the past year, this budget has come under pressure from a combination of reduced fare income and a greater call on support after some previously commercial services were withdrawn at the end of last year.
- 30 The way in which bus services are funded and the split between commercial and supported services is not well understood by the public and generally when bus services are reduced it is the Council which faces criticism.

### **Options/Financial Implications**

- 31 In order that bus services in County Durham have the ability to fully recover and in order to remove some of the uncertainty of Government funding, Cabinet is requested in principle to allow the forecast savings from the Concessionary fares budget to allow the County Council to procure as many of the previously commercial services which are being lost as is practicable.
- 32 In terms of concessionary fares, it has been assumed that travel returns to 80% of the pre-pandemic level, and we follow the Government guidance that reimbursement payments reduce by the 5 % taper to reach the new rate. In addition, it is the case that operators are planning to reduce the number of services they deliver across the County which will see a proportionate reduction in concessionary fare reimbursement. It is therefore predicted that funding paid to Arriva will reduce to 75% of the pre-pandemic rate and 70 % for GNE. Together with smaller bus operators (including the County Council in terms of Park and Ride) this will deliver a saving of £1.825 million.

- 33 If the County Council were to procure the majority of the non-commercial services discontinued by operators this will maintain concessionary travel opportunities for more people, with associated reimbursement forecast to be £0.47 million for the coming year.
- 34 Setting aside the planned changes above, the amount of funding available for concessionary fares already has significant headroom in the current year due to a number of bus operator reductions which have already occurred. In total it is forecast that the concessionary fare budget will underspend by £1.934 million in the coming financial year.
- 35 In terms of those services, we could choose to put back once previously commercial services are withdrawn, initial preference has been given to areas that would otherwise be without a service. Particular attention has been given to preserving times that allow key travel opportunities (eg capacity at school time, or journeys largely used for travel to work). Where the frequency of a main service may have been reduced for commercial reasons it is not envisaged that previous frequencies are restored.
- 36 In addition to the cost of procuring additional bus services account needs to be taken of the existing £ 4.6 million of existing commitments which are facing inflationary costs with contracts being renewed. Our current contracts will continue until the end of October and it is assumed that a cost increase of 5% is likely thereafter.
- 37 Assuming a cautious approach to any income that will accrue from both existing and planned subsidised services and allowing for inflation, then a net increased spend of £1.77 million is forecast for the coming year.
- 38 Once new services have been tendered should the forecasts costs be above the budget available from concessionary fares, the number of services ultimately secured could be reduced to match.

## **Conclusion**

- 39 The short term option is available for Durham to support bus services across the County using savings within the Concessionary Fares budget to allow time for Government interventions to be confirmed and the full state of a post Covid transport system can start to emerge.
- 40 It is concluded that funding which is given to the County Council for the reimbursement of Concessionary fares to bus operators, which can no longer be paid due to reduced demand, is used to subsidise bus services which have become loss making, for the remainder of 2021/22 and in to 2022/23.

**Background papers**

None.

**Other useful documents**

None.

**Author(s)**

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## **Appendix 1: Implications**

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### **Legal Implications**

None.

### **Finance.**

As set out in the report

### **Consultation**

No consultation required however information will be provided to the newly formed bus board and ultimately local members in the areas impacted.

### **Equality and Diversity / Public Sector Equality Duty**

Failure to act is likely to have a disproportionate effect on the elderly and people with limited mobility who rely on public transport.

### **Climate Change**

Failure to act is likely to increase the number of people travelling by private car.

### **Human Rights**

No impact.

### **Crime and Disorder**

No impact.

### **Staffing**

No impact.

### **Accommodation**

No impact.

### **Risk**

Failure to act is likely to have a negative impact of people's ability to access employment, education and health.

### **Procurement**

Additional services will follow well established procurement methodologies.