

**Cabinet**

**12 October 2022**

**Concessionary Fares (ENCTS) Budget**

**Key Decision No. REG/09/22**



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## **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 not commercially viable. This reflects a number of compounding issues including the forthcoming ending of Government support, increased operational costs and continued reduced passenger numbers as a result of the Covid pandemic.
- 2 In March, Cabinet approved redirecting funding from the English National Concessionary Travel Scheme (ENCTS) budget to assist DCC in funding additional local bus service contracts during 2022/23. Reflecting the continued trends in bus usage, this report sets out the proposal to redirect funding during 2023/24 to sustain public transport services subject to annual review.

### **Executive Summary**

- 3 In March 2022, Cabinet was advised of the uncertainty of the continued Government support which had previously been offered through the pandemic support packages, which had sustained bus services during the reduced passenger numbers which were drastically reduced during the pandemic.
- 4 At that time, Cabinet agreed additional support for financial year 2022/2023 for bus services in County Durham, this additional supported

was delivered by redirecting funding from the ENCTS budget, which at that time was forecast to be under claimed by £1.934 million due to the reduction in passengers travelling.

- 5 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 and temporary Government financial support for the industry is set to end in October 2022. This report is therefore being presented in order to ensure bus services can be secured for 2023/24.
- 6 Against this backdrop, bus companies across our region are responding to the new patronage and financial position that they face. As a result, without intervention by the County Council, we currently expect cuts to bus services across the county of approaching 20% compared to the pre-pandemic network, which would impact directly on people accessing employment, education, and other essential services.
- 7 The commercial cuts that have emerged to date have varied significantly across the County subject to patronage on different routes. Some places have seen a reduction in frequencies, others a loss of evening services, and a minority have seen entire services ceasing to be provided commercially. By contrast some communities have so far seen no change at all.
- 8 However, to mitigate the impacts, action has been taken by the County Council to support replacements for key services and parts of services, using the savings within the ENCTS budget in 2022/23.
- 9 In reflecting the commercial context for the operation of bus services and the benefits of public transport to our communities, it is now necessary to determine medium term arrangements into 2023/2024.

## **Recommendations**

- 10 Cabinet is recommended to agree:
  - (a) the forecast savings from the ENCTS budget to be redirected during 2023/24 to support bus services across the county, and subsequently reviewed annually;
  - (b) the County Council to transfer to the local bus services the revenue support to procure the previously commercial services, wherever resources allow;

- (c) delegate authority to the Corporate Director of Regeneration, Economy and Growth, in consultation with the Cabinet Portfolio Holder for Economy and Partnerships to finalise the service proposals.

## Background

- 10 Prior to the pandemic a comprehensive network of bus services operated across almost all the county, although frequencies and coverage were reduced during later evenings and on Sundays, reflecting lower demands for travel. Services operating without subsidy from Durham County Council (“commercial services”) provided a high proportion of the network in most of County Durham and reflecting a highly rural geography.
- 11 Most of the main towns of County Durham had at least two operators providing locally significant services without subsidy. Go North East (53%) and Arriva (42%) provide the majority of the services across the county., with three other bus operators delivering locally significant bus services without subsidy.
- 12 Additionally, the County Council directly supported a significant element of non-commercial public transport across the County reflecting the balance of the importance of accessibility for a rural area. In 2019/20, the budget to procure bus services was £4.6 million with a net cost of £2.7 million (once fare income was taken into consideration). services were a blend of entire tendered routes and extensions of commercial services into non-commercial time periods for example late evenings.
- 13 Since March 2020, the start of the pandemic, bus services have been protected by special Government funding direct to operators. As part of this scheme local authorities have been maintaining reimbursement for ENCTS journeys without adjustment for reduced volumes. Local authorities have also received grant funding to assist with maintaining non-commercial public transport services.
- 14 In March 2022, Cabinet was advised of the uncertainty of Government support and the reduced number of passenger numbers as a result of the Covid pandemic. At that time Cabinet agreed short term support to bus services in County Durham by redirecting funding from the ENCTS budget which at that time was forecast to underspend by £1.934 million during 2022/23.
- 15 At that time, it was envisaged that with an increasing return to more normal life, bus patronage would continue the recovery closer to pre-pandemic levels. The current position however is that passenger numbers remain subdued and temporary Government financial support for the industry is set to be withdrawn.
- 16 Since that time the Government has confirmed that the financial support provided to the industry will come to an end in October 2022,

subsequently extended for a minimum of at least three months but has made clear this will be the final pandemic related support package the Government will provide to the sector. The DfT expects local authorities and bus operators to work together to achieve a sustainable future network, reflecting the pressures in the commercial environment and the availability of additional funding, including ENCTS budget underspend, that authorities can provide to sustain services.

- 17 Prior to the outbreak of Covid, after many years of slow decline, bus passenger numbers had started to increase in the region. However, as a result of the impact of the pandemic, bus passenger numbers are currently between 80 - 90% of pre-pandemic levels. The level of ridership by ENCTS passengers has been materially depressed currently reduced to around 65-75% of pre-pandemic levels. Industry forecasts, from organisations such as Transport Focus, predict the bus ridership will not recover to pre-pandemic levels for several years.
- 18 In addition to reduced overall demand for services, pressures in the labour market have created challenges with shortages of drivers causing journeys to fail to operate and at times emergency timetable changes have been necessary to stabilise the operation. While workforce pressures continue at present, ongoing recruitment and some reduction in the scale of the network is expected to restore normal reliability performance.
- 19 Bus operators are also facing significant cost pressures, with large increases in fuel prices likely to endure and many other costs increasing at above the level of general inflation. Recruitment and retention issues mean that it seems likely wage costs will rise to at least take account of inflation in the economy. The cost pressures naturally impact on the cost of subsidised service contracts.
- 20 These three significant issues which are now coming together to be considered are:
  - (a) the end of Government pandemic related financial support for the sector;
  - (b) passenger numbers are not recovering to pre pandemic levels and are not forecast to do some for some time;
  - (c) increased costs for bus operators.

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

- 21 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.

- 22 The BSIP set out improvements in a wide range of areas including network coverage, frequencies and fares. Many improvements were contingent on new funding being made available by Government as part of the initial announcement of £3bn national fund for bus improvements.
- 23 Government has now confirmed indicative funding for the North East BSIP of £163.5 million compared to £803.9 million.
- 24 It is expected this funding will deliver:
- a package of fares offers;
  - enhancements to regional bus network;
  - regionwide central website and app for transport information, ticket sales and journey planning,
  - additional transport staff at major interchanges;
  - improved multi-modal information provision at interchanges;
  - opportunities to have a community bus champions within the local areas;
  - measures to improve bus journey time and reliability
- 25 Initial informal indications from the Government were that any BSIP funding is to be spent on new and improved services, rather than providing support for existing services. However, it now appears possible that some of the funding might be able to be used to address pressures emerging as operators reduce the networks they can maintain without funding, but formal confirmation of the same is still awaited.
- 26 Whatever Government decision on use of BSIP funding, there will be a difficult balance to achieve between maintaining existing services and providing meaningful bus service improvements that Government and local residents will expect from the BSIP funding. It should also be noted that the BSIP funding period is to March 2025 unless Government determines that it can be applied over a longer time period.

## English National Concessionary Travel Scheme

- 27 In normal times funding for ENCTS 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.
- 28 Throughout the pandemic, as the amount of funding from Government has remained unchanged, local authorities have been reimbursing bus operators for ENCTS travel at broadly pre-pandemic levels; this has been assumed by Government as part of their pandemic financial support arrangements to the sector.
- 29 The level of ridership by ENCTS passengers has been materially depressed currently reduced to around 65-75% 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.
- 30 Recently issued Department for Transport guidance advises authorities to transition ENCTS payments towards actual patronage levels rather than the pre-Covid enhancements.
- 31 However, it should be noted that correspondence dated 19 August 2022 DfT stated:
- We know that in some areas patronage levels for concessionary passengers remains lower than for fare-paying passengers. If concessionary patronage does not increase, and the funding spent on local bus services declines, we have to be clear that Local Authorities should expect funding from the Revenue Support Grant to decrease in future Spending Reviews to reflect this position. We would therefore further encourage Local Authorities, working closely with bus operators, to work proactively to get concessionary passengers back on board. I will also be writing to bus operators to set out the role the Government expects them to play.*
- 32 In County 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 commerciality viable. Cost modelling is currently being undertaken both in terms of a reduction in ENCTS payments and likely contract costs. This budget sits outside of the current REG cash limit.

## Funding

- 33 Funding and subsidising public transport services in order to support connectivity for business and communities in areas that are not commercially viable requires careful consideration. Local authorities and passenger transport executives, alongside Government can play a vital role to support services that would otherwise not be viably provided by a bus operator as a business, but it must be clear that bus operations are a private sector business and local authority resources are constrained.
- 34 It is prudent alongside the support offered to give further consideration in determining the local strategy to supporting services in the short, medium and long term with a view to supporting the most effective public transport options for our communities with the resources available.
- 35 Throughout the pandemic the local transport authorities, including the County Council, have received grant funding to assist with maintaining non-commercial public transport services during the pandemic.
- 36 Whilst the Council and local bus operators do work closely to deliver better outcomes for bus passengers and the Council does receive advance notice of commercial services that operators believe are no longer financially viable, it is not possible for either operators or the Council to accurately forecast services to be withdrawn over a number of years as the financial viability of services is dependent upon a number of differing factors.
- 37 Additionally, it is difficult to forecast future costs given uncertainties around future contract prices and fares income the Council can retain to offset costs. However, it is estimated that the net cost for support will be £2 million (once fare income is taken into consideration) over the forthcoming 12 month period. Redirecting funding from the ENCTS budget as approved by Cabinet and utilising already awarded Government pandemic related bus funding will meet this cost for 2022/23. From April 2023 the Council has the following options:
- (a) cease financial support for the services, which would cease to operate with effect 30 October 2022;
  - (b) utilising some BSIP funding will continue financial support until March 2025 and then cease financial support for the services;

- (c) utilising some BSIP funding will continue financial support until March 2025 and then allow £2 million forecast savings from the ENCTS budget to allow the County Council to transfer to the local bus service revenue support budget on a permanent basis;
- (d) allow £2 million forecast savings from the ENCTS budget to allow the County Council to transfer to the local bus service revenue support budget and be reviewed on an annual basis.

38 Option (d) allows financial support to be provided to local bus services that would otherwise not be viably provided by a bus operator as a business, ensuring local residents can access key services, work and education but reviews this position on an annual basis to ensure the wider economic position of the council can also be considered.

### **Background papers**

None

### **Other useful documents**

[North East Bus Service Improvement Plan - Transport North East](#)

CMT report 16 March 2022

### **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 bus board.

### **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.