

## Mayoral Combined Authority Board

06 June 2022

### Supporting at-Risk Bus Services

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<b>Is the paper exempt from the press and public?</b>	No
<b><i>Reason why exempt:</i></b>	Not applicable
<b>Purpose of this report:</b>	Funding Decision
<b>Is this a Key Decision?</b>	Yes
<b>Has it been included on the Forward Plan?</b>	Yes

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**Director Approving Submission of the Report:**

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**Executive Summary**

The impact of Covid-19 has had a substantial effect on the viability of public transport services in the United Kingdom. During the pandemic, government funding has been provided to ensure bus services remained operational even with significantly lower passenger demand due to national restrictions since April 2020.

Whilst restrictions are now at an end, and patronage is showing signs of recovery, a number of services have been identified in South Yorkshire which remain commercially unsustainable even following the recent extension of DfT Covid-19 recovery funding (BRG) to 4 October 2022. This paper seeks approval to support a policy decision to intervene to protect these services, and in doing so utilise up to £1.9m of funding to secure these services in the short-term. Decisions on the specific use of the funding will be delegated to the Chief Executive in consultation with the Mayor and Chair of the Transport and Environment Board Chair to enter into arrangements with operators for services up to the stated value.

By committing to support the at-risk services in the short-term, this would allow SYMCA to undertake a bus network review as required by the funding conditions set out by DfT.

This report seeks a funded budget variation and officer delegations to facilitate this intervention.

### **What does this mean for businesses, people and places in South Yorkshire?**

If approved, the recommendation provides greater protection over existing bus services to ensure their continued operation through to October 2022.

### **Recommendations**

1. Approve a policy decision to prevent near-term reductions in bus services in South Yorkshire by intervening with additional financial support.
2. Approve the variation to the operational bus services budget by up to £1.9m.
3. Approve the delegation to the Director for Public Transport in consultation with the Mayor and Chair of TEB to enter into arrangements to secure services.

## **1. Background**

- 1.1 The Department for Transport have extended Covid-19 recovery funding (Bus Recovery Grant, BRG) for bus operators through to 4 October 2022. This funding allows bus operators to continue to operate services at a higher level than would otherwise be possible in a normal commercial context and provides the environment to encourage further patronage recovery to enable city regions to maintain a sustainable bus network from October 2022.
- 1.2 Even with the provision of this additional funding, bus operators have indicated that some existing services are not commercially viable during this period of funding and hence further local funding support is required to protect the current network.
- 1.3 Therefore, the request is to vary the available budget and delegate authority to named officers in consultation with the TEB co-Chairs to enter into arrangements to secure at-risk services. This will allow MCA officers to ensure that services can remain in place and be delivered through the most appropriate funding route, using local and regional operators to deliver these services.
- 1.4 This report proposes that the associated budget variation be underwritten in the first instance from the 'Protection of Priority Services Reserve' that was created to support targeted interventions such as this.

## **2. Key Issues**

- 2.1 The challenging commercial environment in which bus operators are currently operating continues to apply financial pressure such that aspects of their network remain under significant pressure. This includes lower levels of passenger demand, and hence lower levels of income on their services due to patronage not yet fully recovering to pre-Covid levels. Operators are also experiencing the effect of inflationary pressures which is impacting the cost of retention of tendered services.
- 2.2 In order that SYMCA are able to agree a sustainable bus network beyond the end of this funding window from October 2022, network stability remains a priority to

ensure that the whole network is considered in totality. Without a change to budget this stability will be put at risk as operators make commercial decisions.

### **3. Options Considered and Recommended Proposal**

#### **3.1 Option 1**

Support the policy decision to prevent near-term reductions in bus services in South Yorkshire by intervening with additional financial support and increase the budget by £1.9m. This will allow SYMCA to agree and protect the bus services at risk during the DfT funding period and to delegate authority to the Corporate Director of Public Transport in consultation with the Mayor and the Chair of TEB to enter into arrangements with operators for services up to the stated value.

#### **3.2 Option 1 Risks and Mitigations**

There remains a risk that the funding request remains insufficient to protect at risk bus services. However, officers have assessed the routes and their viability based on information shared by operators, along with the costs of operation, and believe that the budget amendment is both reasonable and proportionate.

#### **3.3 Option 2**

Do not support the policy or vary the budget and await the outcome of bus operator decisions on what they would do in respect of their non-viable commercial services.

#### **3.4 Option 2 Risks and Mitigations**

This option would give little opportunity for mitigation for SYMCA officers to deal with operator decisions.

#### **3.5 Recommended Option**

Option 1

### **4. Consultation on Proposal**

4.1 SYMCA officers have already engaged with partner authority transport officers on the services at risk.

### **5. Timetable and Accountability for Implementing this Decision**

5.1 Should the recommendation be approved, the funding will be made available to protect services from June through to October 2022.

### **6. Financial and Procurement Implications and Advice**

6.1 This report proposes varying the budget to accommodate potential interventions into the bus market to secure the continued provision of a number of services.

6.2 The risk of commercially unviable services being withdrawn by operators was a key planning issue in the formation of the budget for financial year 2022/23, with

£7m set aside in a 'Protection of Priority Services Reserve' to support targeted mitigations.

- 6.3 Whilst this resource is available to support the proposal its use now will reduce the MCA's capacity to further protect services when Government funding is withdrawn in October.

## **7. Legal Implications and Advice**

- 7.1 The funding will be used to support bus services in accordance with the specific legislative proposals relating to service subsidies and concessionary fares.

The PTE has power to enter into an agreement providing for service subsidies for the purpose of securing the provision of bus services; but the power to do so shall be exercisable:

- 1 Only where the service in question would not be provided or would not be provided to a particular standard, without subsidy; and
- 2 Subject to sections 89 to 92 of the Transport Act 1985.

Under the Transport Act 1985 the PTE has 3 options to secure services via public service contracts that are de-registered. The PTE may:

- 1 Award de-minimis contracts (if sufficient headroom is available)
- 2 Award emergency 3-month contracts; or
- 3 Tender in accordance with s.89.

Any payments to operators for carrying Concessionary fare passengers needs to comply with the provisions set out in the Transport Act and Regulations. At present the restriction from re-imbursing operators such that they are in "no better" a financial position by carrying concessionary passengers is suspended by Regulations until March 2023.

## **8. Human Resources Implications and Advice**

- 8.1 Not relevant to this paper.

## **9. Equality and Diversity Implications and Advice**

- 9.1 Retaining bus services will be equality positive given the demographic of users. Members are reminded of their s.149 Equality Act duty to have due regard when taking decisions, even if it is at a high level i.e. losing services will disproportionately impact certain groups with protected characteristics, in particular the elderly and those with disabilities.

## **10. Climate Change Implications and Advice**

- 10.1 Board should note that a reduction in available bus network will likely have a detrimental impact on air quality given the benefits of buses in reducing vehicle emissions by removing trips from private cars.

**11. Information and Communication Technology Implications and Advice**

11.1 Not relevant to this paper.

**12. Communications and Marketing Implications and Advice. Please also refer to consultation undertaken as per Section 4**

12.1 Early service reductions are likely to be received unfavourably by passengers. Any service changes and conclusions from a network review would be subject to engagement with stakeholders and partners

**List of Appendices Included**

None

**Background Papers**

None