

Mayoral Combined Authority Board

25 July 2022

South Yorkshire Bus Network – Approval of Funding for SYMCA Tendered Services

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

Director Approving Submission of the Report:
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Executive Summary

This report seeks approval to use of tendered services budget to mitigate against reductions in bus services as a result of commercial operator decisions. This is in accordance with the tendered service criteria operated by SYMCA Public Transport team and will make use of approved budget and available reserves.

The report further recommends that the MCA Board agrees the decision to allocate additional funding to support provision of non-statutory school transport to meet the needs of students and pupils for the academic year from September 2022 to July 2023.

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

The award of Tendered Bus Service Contracts seeks to provide bus services within the Tendered Services Criteria in those areas, for those communities, and groups which would otherwise be un-served by a commercial transport network.

The availability of a comprehensive and sustainable network is crucial for residents and businesses within South Yorkshire to access education, employment, and leisure facilities, and provides a means of reducing social and physical isolation.

Recommendations:

That:

- Board approves the use of the remaining tendered services revenue funding - further supported by the use of up to £5.1m from reserves - for the inclusion of non-statutory school services into the tendered service activity for two academic year to July 2024.
- Board notes the risk that we may not receive any tender returns for some routes to be provided, and hence irrespective of budget allocation, these routes would be unserved from the start of October 2022 as SYMCA cannot compel bus operators to provide services in the current commercial market.

Consideration by any other Board, Committee, Assurance or Advisory Panel

Transport and the Environment Board

30 June 2022

1. Background

- 1.1 The bus network operating in South Yorkshire is predominantly made up of commercial networks operated by private sector commercial Bus operators. The Covid pandemic had a pronounced effect on the bus network in South Yorkshire in March 2020 when services virtually ceased as the country was subject to lockdown measures, reducing patronage by over 90% in the financial year 2020/21.
- 1.2 In support of transport industries, including national and regional bus operators, the Government provided significant but temporary financial assistance during the pandemic and continued support during the period of recovery. A final round of funding for bus and light rail was agreed for the period from April to October 2022, after which support will cease.
- 1.3 The impact of the pandemic on the bus industry has been to bring into sharp focus the fragile nature of the commerciality of many services, which have witnessed passenger decline in recent years, and it has created a structural change in the use of public transport. Patronage has still not recovered fully, having reached approximately 75% of pre-covid levels across all passenger categories, with ENCTS recovery patronage reaching only 62%.
- 1.4 In South Yorkshire this has created a response from bus operators in respect of the commercial network, choosing to either de-register a significant number of those commercial services or change time and frequency of operation with effect from the end of the government support funding in October 2022.
- 1.5 Commercial operator decisions to reduce their network from October 2022 will result in a reduced network of both coverage, time of day, day of week and service

frequency across the region, potentially isolating communities and reducing access to education and employment opportunities.

- 1.6 Where there is no commercial operator prepared to run services, SYMCA operates a transport revenue budget aimed at supporting those communities and individuals requiring access to transport to meet a variety of needs such as access to education, healthcare and employment. The budget is used to support those needs by procuring and providing tendered bus services across the region in accordance with its tendered service criteria, which identifies the key needs to be met by use of the available budget.
- 1.7 In previous years the available budget has been sufficient to cover those services required to meet the needs of the tender criteria (in financial year 2020/21 this was £6.9m). The approved budget for 2022/23 is £11.9m, recognising the anticipated additional pressures likely on bus services.

Analysis of the services due to be withdrawn following the end of Government funding indicates a total cost to replace those services as well as existing tendered services of £22.8m. This estimated cost reflects both the extent of the withdrawn services as well as increases in prices which have been witnessed in recent tender exercises, not least due to inflationary cost pressures.

- 1.8 In the latest emergency tender exercises in 2022 we have also seen an increase in the number of contracts for which we have received no bid returns which constitutes a further risk to the full provision of required services.
- 1.9 Among the proposed service withdrawals and reductions are a number of dedicated commercially operated services which provide transport for children going to and from school. These services do not form part of the Authority's tendered service criteria and are not therefore eligible for the use of the current budget. However, it is recognised that the absence of these services would cause hardship and difficulties for many pupils and families across the region.

2. Key Issues

- 2.1 The scale of proposed network reductions is such that the cost of purchasing back through tendered services the full extent of cuts is unaffordable based on current approved budget limits. Just to procure the services which would be covered by SYMCA tendered service criteria would cost an estimated £22.8m full year. Purchasing the services not covered by SYMCA would cost an additional estimated £20.02m full year. Appendix A describes our existing commitments alongside additional cost pressures from these service reductions relative to our annual budget.
- 2.2 In addition, the existing tendered service criteria does not cover the requirement to provide home to school transport for non-statutory pupils. These pupils make up the vast majority of school and college age children who make daily trips to their place of education each day during term time.
- 2.3 Even if there was budget available, SYMCA has no route by which it can buy back enhanced frequency of services direct from the incumbent operator. This means

that outside of our tender specification, we cannot increase frequencies of commercial services operating during the daytime.

- 2.4 In addition to the £11.9m for tendered services detailed, SYMCA has a reserve of £5.1m in the Protection of Priority Services Reserve for use to ensure bus services can continue to operate. However, should SYMCA recommend committing the full reserve for the period October 2022 to end of March 2023 on tendered services, this will result in services being reduced at the end of March 2023 - unless equivalent additional revenue funding can be allocated as part of a levy increase in financial year 2023/24.

This would simply be delaying the reduction of services and expending the full reserve which could otherwise be used more prudently to protect services over a longer period.

- 2.5 There remains a risk that, as SYMCA's cost assumptions are derived from best known information from bus operator intelligence and more recent short-term and emergency tender work, prices may not be wholly accurate relative to those quotes which bus operators will submit for evaluation.
- 2.6 Furthermore, there remains a significant risk that for certain tenders no bids are received from commercial bus operators. We cannot compel operators to participate in a tender exercise. This is a greater risk for evening and weekend work where typically we are seeing less interest.
- 2.7 Given that the budget is insufficient to cover all aspects of service reductions or losses, we will need to prioritise which routes are protected through tendered services.
- 2.8 Ensuring that the views of the travelling public of South Yorkshire are considered and incorporated into the decisions, prioritisation will be critical. We are therefore planning to conduct an engagement and consultation exercise which will seek the views of the travelling public of South Yorkshire on what is most important to them and use this to inform and support the contract award process.

3. Options Considered and Recommended Proposal

3.1 Option 1

Make use of the approved tendered services budget to cover a short-term protection of services for the remainder of the financial year 2022/23. This would see SYMCA use its available budget to protect services on the basis of existing priorities as set out in SYMCA tendered services criteria and informed by the public engagement and consultation exercise being undertaken and described in section 4.

- 3.2 In addition, SYMCA could deploy any remaining revenue budget during 2022/23 to protect the non-statutory school trips at an estimated cost of £2.2m per academic year. Thereafter these school trips will be covered through use of the £5.1m reserve which will be deployed to support services for two years to the end of the academic year in July 2024.

3.4 **Option 1 Risks and Mitigations:**

As non-statutory school services are not part of the established tendered services criteria, this option would be funding services in preference to other existing priorities, and these would ultimately not be covered due to budget limits.

The reserve will only fund home to school transport for a period up to July 2023, at that point unless additional funding is secured the services may cease to operate.

3.5 **Option 2**

Make use of the approved tendered services budget to cover a short-term protection of services for the remainder of the financial year 2022/23 and retain the reserve of £5.1m to offset wider budget pressures on the levy in 2023/24. This would see SYMCA only use its available budget to protect services only on the basis of existing priorities as set out in SYMCA tendered services criteria.

3.6 **Option 2 Risks and Mitigations:**

Significant reduction in services across all districts. Access to and from schools, access to employment, and evening services would be severely curtailed with effect from October.

3.7 **Option 3**

Make use of the approved tendered services budget to cover a short-term protection of services for the remainder of the financial year 2022/23 and commit the use of the full reserve of £5.1m for the same period. This will provide a significant increase in budget for the remainder of the financial year 2022/23.

In doing so, this will provide cover for a larger proportion of the service losses from October 2022 to March 2023.

3.8 However, this approach presents two distinct options and challenges. At the end of the current financial year 2022/23, we have either the option to reduce services due to the longer-term unaffordability of sustaining tendered services budget at this increased or significantly increase the levy in 2023/24 to accommodate an increase in the cost of the tendered services.

3.9 **Option 3 Risks and Mitigations:**

This option presents a potential increase of up to £10m full year on the tendered services budget, which should be assumed to be directly applied to levy in future years.

Alternatively, the budget in 2023/24 would remain fixed in line with current plans which would result in bus services cuts occurring in April 2023 instead of them occurring in October 2022. This is therefore only temporarily sustaining services for a further six months, and unless there is a credible intention to increase the levy the reserve would be exhausted without any longer-term benefit.

3.10 **Recommended Option**

Option 1

4. **Engagement on Proposal**

- 4.1 In order to adequately engage with residents of South Yorkshire on the scale of the reductions and proposed priorities, a public engagement exercise will be conducted.

This exercise will be used to directly inform the prioritisation of contract awards up to the financial limits this paper is seeking approval for.

- 4.2 The exercise will be managed by a third party to ensure independence and to adopt industry best-practice on public engagement. We will, in partnership with the third party, use a range of engagement approaches to raise awareness of the proposals, including online, through social media, press and in person to ensure that all residents have suitable access to the exercise and an opportunity to comment.
- 4.3 SYMCA will also be undertaking an exercise to engage with elected members across local authorities and MPs to ensure that they are suitably briefed as to the rationale and background to the process of engagement, but so that they also understand the wider funding and commercial context, namely that this is in response to commercial bus operator reductions and SYMCA seeking to deploy its maximum available budget to mitigate as far as possible the impact of the reductions.

5. Timetable and Accountability for Implementing this Decision:

- 5.1 Public engagement and consultation will inform future contract awards, details of which are described in section 4.

Service changes must be registered no later than 19 August 2022 for a service change date of Sunday 02 October 2022. Communication of service changes and timetables for school services will begin in July for School services (with service changes commencing in September) and begin in late August for October commercial services.

6. Financial and Procurement Implications and Advice

- 6.1 The recommended proposal seeks to only use existing approved financial resources agreed as part of the existing transport revenue budget and as such does not require specific approval. Board should however note that there is an expectation and requirement to use as efficiently as possible available budget not just within the tendered services budget but also within wider transport funding (e.g. concessionary travel) as well as to maximise use of temporary government Covid funding to ensure that the MCA has the maximum available funding at its disposal for the remainder of 2022/23.
- 6.2 Where revenue resources are exhausted in year, at this point the proposal seeks to deploy the use of the “protection of priority services reserve” to ensure that the recommendation to ensure continuity of non-statutory school services are delivered to the end of the academic year in July 2024.
- 6.3 Board should also note that the recommended option – whilst not having a direct impact on the budget planning for 2023/24 – needs to ensure that inflationary cost pressures are incorporated into next year’s budget. Furthermore, should the

reserve be deployed as proposed to protect non-statutory school services, this will only protect services for the duration of two academic years (2022/23 and 2023/24). Thereafter, a policy decision will need to take place to either phase out non-statutory school bus services no later than September 2024, or put in place adequate financial support through an approved budget to continue these services thereafter.

7. Legal Implications and Advice

- 7.1 The powers relating to expenditure on public passenger transport services are contained in sections 88 -92 of the Transport Act 1985.

8. Human Resources Implications and Advice

- 8.1 There are no known HR implications as a result of this paper.

9. Equality and Diversity Implications and Advice

- 9.1 It is clear that the commercial decisions of bus operators reducing the bus services they operate will have negative impacts on persons with protected characteristics, particularly in relation to their age and disability.

As detailed above SYMCA mitigates some of this impact by securing tendered bus services to provide bus services where there is no commercial operation.

The recommended proposal will mitigate some of the negative impacts created by the bus operator cuts and, in particular, will assist young people, including young disabled people and young disadvantaged people access education, increasing their life chances. An equality impact assessment has been undertaken and is appended to this report (Appendix B).

- 9.2 In making the decisions contained in this report, Members are reminded of their legal **duty** under section 149 of the Equality Act 2010 to have *due regard* to the need to:
- I. Eliminate discrimination, harassment and victimisation.
 - II. Advance equality of opportunity between those who share a protected characteristic and persons who do not share it; and
 - III. foster good relations between those who share a protected characteristic and persons who do not share it.

In having due regard to the need advance the equality of opportunity between persons who share a protected characteristic and persons who do not, Members should have *due regard* to the need to:

- a. remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
- b. take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;
- c. encourage persons who share a relevant protected characteristic to participate in public life or in any activity in which participation by such persons is disproportionately low.

An equality impact assessment has been undertaken in relation to this approval (see Appendix B) and this shows that the proposals contained in this report will have a positive impact in that they go some way to mitigating the impact of the private sector cuts to bus services.

It is for Members to determine the weight to be given to the various factors that inform the decision, including the equality impacts and the legal duty under section 149.

10. Climate Change Implications and Advice

- 10.1 Whilst this paper does not directly have an impact on climate change or air quality, there is clearly an associated impact as a result of the anticipated change to the bus network.
- 10.2 As described earlier in the paper, the likely outcome of the tendering exercise in response to significant commercial operator service reductions is that only a proportion of reductions can be covered. As a result, fewer services will be available for passengers to use and hence they will likely need to resort to other means to fulfil necessary journeys.
- 10.3 Surface transport in South Yorkshire accounts for around 37% of our total carbon footprint and has additional impacts on air quality and road safety. Currently private car use is around 60% of that figure and modal shift from cars to public transport is critical to the delivery of the region and members net zero goals and keeping us within the 6th carbon budget.
- 10.4 Where this results in passengers resorting to private cars to make necessary journeys, this can only have a detrimental impact on our ability to meet our Net Zero ambitions given that for every car journey taken off the road and replaced by a bus trip means an associated increase in carbon emissions, air pollution and congestion.

11. Information and Communication Technology Implications and Advice

- 11.1 There are no known ICT implications as a result of this paper.

12. Communications and Marketing Implications and Advice.

- 12.1 Communications and Marketing resource will be required to support the public engagement exercise, to raise awareness of service changes, and to manage media/social media/stakeholder engagement.

List of Appendices Included

- A Summary of Bus Tendered Service Financial Implications
- B Equality and Diversity Impact Assessment

Background Papers:

None