

Mayoral Combined Authority Board

18 October 2022

Bus Network Update – Changes to the South Yorkshire Bus Network in October 2022

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

Director Approving Submission of the Report:

John Dowie, Interim Executive Director of Infrastructure and Place

Report Author(s):

Tim Taylor, Director of Public Transport Operations

Tim.taylor@southyorkshire-CA.gov.uk

Executive Summary

This report provides an update on the latest position regarding changes to the South Yorkshire bus network. The report also highlights the implications of the recently announced Bus Recovery Grant (BRG) extension for a further six months and the options of utilising additional funding and reserves to protect bus services from commercial cuts informed by a public consultation on bus priorities.

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

Any changes to the bus network in South Yorkshire will have an inevitable impact on passengers at a time when they are facing challenges on cost of living. The MCA will always look to protect as best it can the priority services through targeted intervention based on the prioritisation developed through the public consultation exercise. This mitigates as best as possible the impact of the service reductions and through continued use of BRG funding to operators, the aim is to protect as much of the network as possible.

Recommendations:

That the Board:

- Approve the use of up to £7.2m of reserves for supporting bus services to the end of July 2023.
- Note that non-statutory school services have been successfully protected for a period of two academic years by drawing on the MCA's financial reserves.
- Note that continued BRG funding will be available to part protect the network for a period of up to six months.

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

None

1. Background

- 1.1 The post-covid bus network is still operating with much reduced patronage and has been dependent on Government BRG funding.
- 1.2 In preparation for the expected end of BRG in October 2022, a public consultation on the priorities of bus services was approved by the MCA on 25 July and conducted from 1 August to 19 August 2022 and around 2,700 responses were received.
- 1.3 The MCA also approved the use of reserves to protect non-statutory school bus services for a period of up to two academic years from 1 September 2022.
- 1.4 On 19 August the Department for Transport (DfT) announced that they are reversing their decision to end Bus Recovery Grant (BRG) funding on 4 October as originally planned and extending this for a further six months to the end of March 2022. Although specific funding has only been confirmed to the end of December 2022, our judgement is that South Yorkshire will continue to receive at least this level of funding until end of March 2023.

2. Key Issues

- 2.1 The extension of BRG clearly provides an opportunity for further stability on the bus network to allow additional patronage recovery and service stabilisation. The MCA is looking to protect (through the use of BRG and local funding, including reserves) as much of the bus network from October 2022 as possible that would otherwise be lost due to commercial cuts. The required tenders are now being contracted until the end of March 2023, with new tenders will be required beyond that date. We are planning on the basis of support continuing to late July 2023 and the end of the summer school term to avoid large scale changes to services during term time.
- 2.2 Although government expect bus operators to make use of BRG funding to protect at-risk services for the six months concerned, we have been informed by First that they will not be taking BRG and instead will look to operate only their core, commercial network along with any additional tender awards, up to the limit of their available resource. The other major operator in the Region, Stagecoach, have confirmed they will continue to claim BRG and hence use it to protect as best it can their current commercial network.

2.3 Discussions have been held with DfT to allocate the portion of funding that would have gone to First to SYMCA and an agreement has been reached, in principle, that the c £1.1m per quarter of funding which would have otherwise gone to First can be made available to us to protect services. However, even with this additional funding there will still be a significant gap between the cost of the services at risk and the financial resources available to continue their operation.

2.4 Ahead of the expected end of DfT funding in October SYMCA commenced a tender exercise to seek replacement options for all the services at risk. These tenders have been reviewed against the established criteria on cost per passenger/availability of alternatives and taking account of the outcomes of the recent consultation with passengers. The estimated additional cost of supporting services is £3.1m per quarter.

In summary, between October 2022 and March 2023:

- The MCA will receive recycled First BRG funding of c £1.1m per quarter and Local Transport Authority BRG of approximately £700k per quarter, i.e., a total of £1.8m of funding per quarter to support services in addition to the BRG funding going direct to Stagecoach and the other operators.
- But will incur in total, £3.1m additional costs for tenders and concessionary reimbursement.
- So, an additional £1.3m per quarter will be required to support services which will need to come from MCA Reserves

2.5 From the end of March 2023 and the end of Government BRG, the cost to support a continuation of bus support at the same level would be c. £3.42m per quarter.

2.6 The funding requirement is in addition to the legacy tendered service budget of £10.1m; and in addition to the support previously agreed from the reserves to protect school services, for a period of up to two academic years.

2.7 **Resourcing challenges**

It should be noted that even with additional funding, it has not proved possible to protect all services:

- Shortfalls in driver resources across all operators and especially First South Yorkshire have prevented us from buying back all the lost journeys. We have therefore had to limit the services we can buy back, primarily through reducing frequencies (e.g. reducing from every 30 minutes to every 60 minutes).
- Where the preferred bidder has not been able to cover the cancellations and we have gone to the next highest bidder or in a number of cases have had to retender (16 services are currently out to retender). This is further increasing our costs. We have again sought to reflect this in the costs and service plans below.

Given the late notice from DfT of an extension to funding, it may not be possible for operators to have all services operational for the beginning of October.

3. Options Considered and Recommended Proposal

3.1 Option 1

Approve the use of up to £7.2m of reserves for supporting bus services to the end of July 2023.

3.2 In addition, further develop and refine our plans for the post-BRG funded network, ensuring that we allocate available funding to tendered services and apply the prioritisation of services indicated in the consultation exercise.

3.4 Option 1 Risks and Mitigations:

A risk remains that we cannot secure operators through the outstanding “emergency tenders”. Continued resource pressures may also result in further reductions in the actual level of service provided by operators.

By securing contracts for the provision of services the MCA will have greater certainty and control of agreed service levels for the period of support.

3.5 Option 2

The MCA could decide to limit support to the level afforded through the government provided BRG funding. This would reduce the MCA’s financial exposure, protecting reserves for use elsewhere but would also result in the loss of a significant proportion of the Region’s bus network, Due to the differences in the geographic split of services between operators this would also lead to significant differences in the level of provision in different parts of the Region.

3.6 Option 2 Risks and Mitigations:

Bringing forward reductions in this way would present a significant risk to the viability and accessibility of services across all districts. Access to and from schools, access to employment, and evening services would be affected where the MCA is unable to buy back services.

3.7 Recommended Option

Option 1 reflecting the important of bus services for accessing employment, retain and educational opportunities; and its key role in tackling the cost of living crisis.

4. Engagement on Proposal

4.1 We will continue to engage with Local Authority partners on the proposals regarding any residual network changes resulting from the BRG extension and ensure that these are communicated to stakeholders and passengers in a timely manner should they occur.

We also propose to use the newly established Enhanced Partnership Board structures to discuss our expectations with regional bus operators.

5. Timetable and Accountability for Implementing this Decision

- 5.1 As noted in Section 2.1 contracts have been placed to secure services until March 2023 and we will re-tender the relevant supported services for the April-July period. The MCA will continue to develop options for long-term arrangements to support bus services with local authority partners for further discussion.

6. Financial and Procurement Implications and Advice

- 6.1 This report proposes an increase to the tendered services budget to sustain services that would otherwise be withdrawn. The cost of this support per quarter increases by more than 2 ½ times in April 2023 as Government BRG support is withdrawn.

The report notes the intention to sustain services to July at a total cost of around £10.8m. The report further notes that funding of around £3.6m will be available, leading to a deficit of c. £7.2m. To fund this deficit in the short-term resource will need to be drawn down from reserves and budget surplus.

Available reserves and surplus could sustain this increase until around June 2023 at a cost of £6.40m, but the balance would then need to be met from reallocating unspent funding from other (non-transport related) commitments.

Should there be a need to maintain services beyond this point, the cost would be c. £3.42m for every additional 3-months. Policy decisions would be required as to whether to redeploy resource committed to other priorities and/or find more sustainable funding sources.

Appendix A to this report details available funding at the time of writing, including surpluses, reserves, and previous funding decisions that could be reconsidered. If services were protected for the remainder of the financial year, the peak level of resource being directed to tenders would be 214% higher than that committed pre-pandemic.

Sustaining this level of budget is not achievable in the medium or long-term without ongoing Government assistance and/or significantly increased contributions from the levy. Whilst reserve releases and resource redeployments can provide a softer landing, they do not represent a sustainable solution. Consideration will need to be given to which services will need to be retained and for how long, budget reallocations from other policy priorities or levy increases.

7. Legal Implications and Advice

- 7.1 The Passenger Transport Executive (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 section 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 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 the MCA will mitigate some of this impact by securing tendered bus services to provide bus services where there is no commercial operation.

The recommended proposal will at best mitigate some of the negative impacts created by the bus operator cuts. In particular, it will assist young people, including young disabled people and young disadvantaged people, access education, increasing their life chances.

10. Climate Change Implications and Advice

10.1 There are no direct implications of this paper on climate change or air quality. However, as with previous updates on this subject at MCA Board meetings, there is an associated implication as a result of the anticipated change to the bus network as this will impact the decisions people make about how they fulfil their journeys (i.e. by car or public transport).

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 As set out in 5.1 above, the changes to the bus network resulting from the six-month funding extension to BRG have been communicated to passengers and stakeholders. As with any service change activity, a timeline and communications plan were developed for this purpose and to ensure that not only general communications were issued but also customer-facing assets (e.g. online timetables, information at bus stops and interchanges and journey planning tools) were updated where possible in advance of any change.