

Transport and the Environment Board

Friday, 17 March 2023

Bus Recovery Grant Extension

Is the paper exempt from the press and public? No

Reason why exempt: Not applicable

Purpose of this report: Discussion

Is this a Key Decision? No

Has it been included on the Forward Plan of Key Decisions? No

Director Approving Submission of the Report:

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Executive Summary

This report provides the Transport and Environment Board with an update on the latest position on the current and future funding of bus services in South Yorkshire following the announcement from Government on 17 February to extend Bus Recovery Grant (BRG) funding for a further three months until end of June 2023.

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

The bus network in South Yorkshire is essential to its prosperity. It is vital that services which are not commercially viable are protected as best as possible within the constraints of available budget.

Recommendations

It is recommended that Transport and Environment Board members:

1. Note the recent funding extension by DfT of Bus Recovery Grant (BRG) and £2 fare cap and the benefits, albeit short-term, for bus services in South Yorkshire

2. Acknowledge the expected reduced pressure on the use of SYMCA reserves as a result of the funding extension announced.
3. Recognise the complexity and uncertainty of the future funding landscape, compounded by the late decisions from Department of Transport on any extension to Bus Recovery Grant (BRG) funding.

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

Overview and Scrutiny Committee

23 March 2023

1. Background

- 1.1 Since the start of the Covid pandemic in 2020, bus operators have been able to access various levels of financial support to ensure that services which would otherwise be commercially unsustainable can continue. At various points in time, there has been numerous suggestions that funding from central government would come to an end, most recently in April and then October 2022.
- 1.2 The current funding settlement continues to provide support to most bus operators in South Yorkshire with the exception of First who declined to claim this funding from October 2022. Following an announcement on 17 February 2023, a further extension to Bus Recovery Grant (BRG) funding has been confirmed through to 30 June 2023. This coincides with a funding extension to the existing £2 fare cap on bus which was also due to end on 31 March.
- 1.3 In order to protect bus services from further cuts, SYMCA agreed in Autumn 2022 to commit additional reserves of up to of £7.2m between October and July 2023, with an additional £5.1m of reserves having been agreed for protecting non-statutory school services through to July 2024. This has allowed SYMCA to temporarily retain services which would have otherwise been reduced or removed.
- 1.4 Whilst the latest funding extension clearly allows for a reduced dependency on financial reserves between April and July 2023, in the absence of a long-term funding settlement for buses from government, it merely serves to delay the potential significant reduction in bus services when this funding expires.
- 1.5 At the time of writing, SYMCA officers are in the process of undertaking briefing sessions with Executive Directors and Local Authority Leaders on the options available to the Combined Authority on how to fund future bus services.
- 1.6 Given the dynamic nature of both the funding position with DfT and decisions made through discussions with SYMCA Leaders and Officers, relative to the paper submission deadline for the paper preparation, the Director of Public Transport Operations will provide a verbal update on any matters not covered by this paper during the meeting.

2. Key Issues

- 2.1 The latest funding extension allows for SYMCA to continue to plan for a range of possible outcomes for July 2023 dependent on any agreed long-term funding arrangement.
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- 2.2 However, given the uncertainty over future funding now beyond 30 June 2023 SYMCA are still progressing with tendering more permanent (i.e. 3-year) bus service contracts to replace the existing short-term contracts which will now be extended to 23 July 2023. The timeline for this procurement activity has been shared with TEB members previously.
- 2.3 Given the extension of BRG reduces the drawn down of reserves during April – June, SYMCA has policy choices to consider on how it deploys its reserves to best services in the future. The extension of BRG is estimated to leave around £4.54m available from the £7.2m established for the protection of priority bus services.
- 2.4 There remains significant uncertainty as to what DfT will do in any further funding settlement beyond 30 June. Whilst there may be options for a longer-term funding arrangement for bus services to be put in place, this is contingent on agreement from Treasury and the wider fiscal environment. It is still likely that DfT will look to remove BRG in whole or in part at some point and it would therefore be prudent to plan on the basis that we will sooner rather than later need to make fundamental decisions about what we want as a longer-term bus network.
- 2.5 DfT also are exploring options to reform the use of Bus Service Operators Grant (BSOG) which is a rebate on fuel duty for bus operators for commercial services and for LTAs for supported services. BSOG payments are currently based on diesel use and so conflict with Net Zero objectives, so they are exploring options to change to a mileage-operated or passengers-carried basis. Whilst this doesn't change the total amount of available funding, it may mean different parts of England get a greater or lesser proportion of funding depending on the attributes of their regional bus network. Whilst South Yorkshire is probably unlikely to experience significant swings in regional level funding through BSOG reform, it may change the levels of funding allocation between our operators depending on their network.
- 2.6 Throughout this process, SYMCA officers will continue to engage with Local Authority Transport Officers to ensure they are also suitably sighted on the proposals at a local and service level and allow them to raise concerns as to any specific services which may be at risk or are contrary to local need.

3. Options Considered and Recommended Proposal

3.1 Option 1

Continue with the existing tendered services procurement process to secure longer-term stability in the network, whilst simultaneously exploring and agreeing with SYMCA Leaders our approach to dealing with the wider issues on a sustainable funding position for general network and school bus services from July 2023 onwards.

3.4 Option 1 Risks and Mitigations

There is a possibility that DfT further extend funding beyond the end of June 2023, and we enter another short-term cycle of funding at a similar level to present. This would require us either consider not awarding the longer term (3-year) bus services contracts and revert to short term extensions on existing emergency contract arrangements, or award contracts with the ability to serve notice should circumstances require. This ultimately just delays the final timing of network

reductions which are required unless equivalent levels of existing DfT funding are confirmed for a multi-year settlement.

3.5 **Option 2**

Continue to put in place short term service arrangements which temporarily extend the existing arrangements and wait for confirmation from DfT on the outcome (positive or otherwise) of funding beyond the end of June 2023.

3.8 **Option 2 Risks and Mitigations**

As we have seen from all previous short-term funding extensions from DfT, the announcement of the settlement has been made very late relative to the end of the existing funding window. As such, should funding not be extended, and a longer-term funding package not agreed, SYMCA would be faced with very little time to prepare its response to the funding reduction and ensure adequate engagement and communication of the changes with stakeholders and constituents.

3.13 **Recommended Option**

Option 1

4. **Consultation on Proposal**

4.1 Engagement with Local Authority Executive Directors for Transport has already taken place and individual sessions with Local Authority Leaders have also taken place during late February and early March. Further discussions are also planned for March with Local Authority Leaders to ensure that a more detailed understanding of the outcome and implications of policy choices are known.

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

5.1 As outlined above, the contracts for future tendered services are planned to commence from 23 July 2023. At present, BRG funding is only confirmed to 30 June so decisions on levels of service need to be taken aligned to these dates.

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

6.1 The approach set out in this paper recommends deploying existing reserves which were already allocated for the protection of priority services to maintain bus services but over a different time horizon given the benefit derived from an extension to BRG.

It also assumes a continuation of the existing tendered service revenue budget for 2023/24 and for the following two financial years, which is consistent with both the budget approved from 2023/24 but also broader assumptions about revenue budget in line with medium-term plans shared with the Mayoral Combined Authority Board.

7. **Legal Implications and Advice**

7.1 Bus tenders are procured in accordance with the Transport Act 1985 requirements.

8. Human Resources Implications and Advice

8.1 Not applicable for this paper.

9. Equality and Diversity Implications and Advice

9.1 Whilst this paper provides an outline on the proposed approach and timescales for future bus tendered services, it does not at this time define the scope and extent of what services will be in place once the full extent of funding available is known, nor the affordability of bids received from operators.

For this reason, an assessment of Equality and Diversity implications is recommended as part of the long-term tender bid returns have been received from operators in March 2023.

10. Climate Change Implications and Advice

10.1 Not applicable for this paper.

11. Information and Communication Technology Implications and Advice

11.1 Not applicable for this paper.

12. Communications and Marketing Implications and Advice

12.1 Additional reduction in bus services within the region will create media and stakeholder concern about the future viability of public transport so it's vital that we communicate the level of financial support being invested by SYMCA to continue to sustain bus services whilst additional resource and powers are secured. We will need to continue to highlight the existing SYMCA funding for services until July 2023 and the actions being taken to secure the resource and powers beyond this time.

We will also continue to press publicly and privately for a longer-term (multi-year) funding settlement for bus to allow sustainable services to be put in place.

List of Appendices Included:

None.

Background Papers

None