

Mayoral Combined Authority Board

Monday, 31 July 2023

Tendered Bus Service network approval and changes to the MCA travel concessions

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

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Executive Summary

The South Yorkshire Mayoral Combined Authority aims to protect bus services as far as possible, recognising how essential an effective bus network is to the region. In doing so, the MCA has to work within the limitations of available funding.

In January 2023, the MCA agreed to maximise available funding, by topping up the money available from the transport levy with reserves available on a one-off basis, with the aim of protecting as many services as possible for as long as possible.

With subsequent government announcements of an extended post-Covid support funding package for 2023/24 and 2024/25, although much reduced, there is now around £17m of local transport funding available over the next two years.

This funding is under pressure against the backdrop of reduced levels of passenger demand and reducing levels of post-Covid support grants from central Government. The MCA cannot protect all non-commercially viable bus services that bus operators are withdrawing from the network and all concessionary fares at present levels.

This has resulted in difficult options examining how the available local transport funding is best deployed to stabilise the network and protect concessionary fares.

This report sets out a financially sustainable approach to locally funded bus service (“tendered service”) provision for a period of around 2 years, highlighting policy changes for tendered services. These difficult policy options are a consequence of the cost of replacing all lost commercial services exceeding the local funding available.

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

An effective bus network is essential for the region to allow residents access to employment, education, healthcare and other services. It is central to supporting our communities, economic plans and our regional growth ambitions.

Any reduction in the range and effectiveness of the regional bus network is detrimental to all residents who rely upon it.

MCA discretionary fare concessions give discounted travel to specific customer groups on the public transport network, thereby making employment, education, healthcare and other services more accessible.

Recommendations

That MCA Board, within the levels of transport budget approved at the January 2023 MCA Board, approve the following:

1. Delegate authority to MCA’s Acting Executive Director of Transport, in consultation with the MCA Chief Executive and the Mayor of South Yorkshire, to award tendered service contracts that deliver a stable and sustainable tendered services network for a period of approximately 2 years. The contract awards are to be executed in accordance with the service prioritisation and contract award principles set out in Appendix A and Appendix B respectively;
2. Increase the child concessionary fare (for those aged under 18) on bus and tram journeys from 80p per trip to £1 per trip with effect from 1 November 2023;
3. Remove the discretionary concessionary fare for persons aged 18 to 21 (Zoom Beyond) on bus and tram journeys with effect from 1 November 2023;
4. Continue the fare cap on tram services in South Yorkshire (funded locally by the MCA) through to 31 October 2023 at £2.00, rising to £2.80 for around 1 year from 1 November 2023 until the end of November 2024.
5. Note that the DfT funded cap on bus fares has been extended to the end of October 2025, with an increase from £2.00 to £2.50 from 1 November 2023.

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

None.

1. Background

- 1.1 In May 2023, DfT announced a medium-term funding settlement (BSIP+) aimed at supporting bus services in England to further recover from the impact of Covid-19 and to mitigate, in part, further losses and cuts to services which impact on residents of South Yorkshire. This announcement included:
- a 2-year bus funding package to support tendered services; and,
 - an extension of the government funded flat fare for buses at £2.00 until the end of October 2023, rising to £2.50 from 1 November 2023 to October 2025.
- 1.2 DfT allocated the MCA £3.1m of BSIP+ for 2023/24 which is expected to repeat in 2024/25, which is around 50% of previous grant funding settlements. Combining this with local transport funding from the transport levy, reserve releases agreed at the January 2023 MCA Board, and a Treasury management surplus, it provides a total of around £17m of funding to protect bus services and concessionary discounts as far as possible.
- 1.3 The MCA's £6.3m allocation of BSIP+ to South Yorkshire is considerably lower than the BSIP and BSIP+ allocations seen elsewhere in England, some of which are in excess of £100m. As such, South Yorkshire's ability to adequately protect bus services from further cuts is significantly compromised.
- 1.4 Priorities for sustainably funded services (Appendix A) have been informed by public consultation undertaken in August 2022. To allow for the necessary lead-in time to implement required service changes, the MCA Board is asked to approve the implementation of required bus network changes from around 1 November 2023.

2. Key Issues

- 2.1 The bus network in South Yorkshire has seen unprecedented pressure both during and as a consequence of the Covid-19 pandemic. Services have recovered to around 75% - 80% of pre-pandemic levels, with patronage numbers of elderly and disabled passengers at around 65%.

This has had a profound impact on the financial sustainability of services for commercial bus operators in the region. As a consequence, operators are reducing or removing services that are not commercially viable.

- 2.2 Pre-Covid, the MCA's budget for tendered services was around £7m per year.

Year	Gross budget (£m)
2019/20	£6.775
2020/21	£6.948
2021/22	£6.948
2022/23	£10.948
2023/24	£ 11.890

As operators look to cut more services and routes, there has been growing pressure for greater public subsidy. To-date this has been achieved through a

cocktail of national and local funding, with the budget set aside for supporting tendered services almost doubling on the pre-Covid levels.

The MCA has also committed to deploy reserves and other funding to infill around Government funding and to support patronage priming products such as the Zoom Beyond concession.

Despite these increases the scale of the challenge to sustain the existing network in the face of the lost fare paying patronage is beyond the MCA's means on a sustainable basis.

It is, therefore, essential that the MCA considers a financially sustainable approach to managing this year and future years' budgets for protecting bus services.

2.3 The confirmation of BSIP+ along with the transport levy, use of reserves and Treasury Management surplus gives a short-term provision of around £17m for the next two years to help stabilise the bus network.

2.4 Notwithstanding the significant additional funding the MCA has made available from reserves, protecting all services in the bus network would cost almost £29m for 2024/25. Therefore, it is necessary to prioritise the services to be protected within the funding envelope.

2.5 The investment to support fare discounts to support statutory and discretionary concessionary fares, is paid from the local transport funding source that also supports tendered services. Changes to these fare schemes therefore have a direct impact on how many bus services can be protected during the 2-year period.

2.6 The MCA consulted the public in August 2022 to help identify which bus services are most critical. Alongside this, close ongoing liaison with local stakeholders offered further insight into priorities, which have informed the recommendation in this paper:

- Priorities in order of importance are to protect school services, followed by weekday (Monday – Saturday) services until 7/8 pm to secure access to education, employment, healthcare and other essential services. Evening services and Sunday services were considered a lesser priority.
- Reduced service frequencies for evenings and Sundays are preferred over losing a service altogether, maximising the network coverage. In response, options to reduce service frequencies from hourly to every 90 or 120 minutes are being explored for evening and Sunday services, where these measures could prevent the loss of routes within the funding constraints.

2.7 The provision of discretionary concessionary fare discounts has a significant budgetary impact and therefore affect the available funding to protect bus services. The child concessionary fare (for those aged under 18) has not increased since it was last raised to £0.80 in September 2016. Had this fare tracked cumulative inflation (c.42%) it would now stand at around £1.20.

If there are significantly fewer bus services available, the value of discounted fares is eroded. Consideration therefore should be given to the cost impact of the following:

- the discretionary child concessionary notified fare (Zoom fare for children under the age of 18), noting that the South Yorkshire fare is £0.80 with many other regions having increased this to £1.00. Implementing this increase is estimated to achieve a financial saving of £1.2m over 2 years to reinvest in protecting bus services.
- the discretionary Zoom Beyond concessionary fare (for 18–21-year-olds), was introduced by the MCA as a fare discount to this age group at the same price as the Zoom fare. Last year, this initiative cost around £2m.
- continued application of the bus flat fare to tram, which is not supported by national government grants. The cost of extending the flat fare to the end of November 2024 (at £2.80 from 1 November 2023) is estimated to cost around £1m.

2.8 The proposal will have a significant equality impacts on children and young persons (and their families) by increasing the cost of travel and the impact that will have on access to education, leisure and health services. An Equality Impact Assessment has been undertaken, which can be found in Appendix C.

3. Options Considered and Recommended Proposal

Option 1

3.1 Implemented bus service changes to align with reduced levels of government grant are to be effective from around 1 November 2023. Statutory school services, non-statutory school services to July 2025 (initially) and Monday to Saturday daytime services up to 7/8pm would be secured, with evening and Sunday services to be secured within the approved budget levels.

3.2 In respect of fares;

- Increasing the child notified fare from £0.80 to £1.00 in line with many other regions;
- Removing the discretionary Zoom Beyond discounted fare for 18–21-year-olds; and
- Extending the bus fare cap of £2.50 from 1 November 2023 to tram at a higher flat fare level of £2.80 until the end of November 2024.

The tram fare will be moved to an efficient price-point after this point, noting the need for the tram to be run in a manner that reduces public subsidy over time.

3.3 By funding a continuation of the tram flat fare to the end of November 2024 from Treasury Management surplus, this option gives a budget of around £7.1m per year (for 2024/25) to support Monday to Saturday evening and Sunday bus services. This will protect around 95%, on average, of patronage on those services.

A summary of the contracts to be awarded can be found in Appendix B.

Option 1 Risks and Mitigations

3.4 Since the available funding is insufficient to protect all evening and weekend services and choices have to be made, it has been essential to engage fully with Local Authorities and elected members to ensure they are engaged in the approach to prioritisation in light of the impact of any proposed service changes on their residents.

3.5 Where services have to be reduced or lost, the MCA is investigating the use of Community Transport and other Demand Responsive Transport solutions, to help support essential journeys if bus network services are no longer available. Details of any feasible options will be co-examined with Local Authority elected members in advance of the service change date around 1 November 2023.

Option 2

3.6 As with option 1:

- Fully protect school and Monday to Saturday daytime services to 7/8pm;
- Increase the child notified fare from £0.80 to £1.00 in line with other regions; and,
- Extending the bus fare cap of £2.50 from 1 November 2023 to tram at a higher flat fare level of £2.80 until the end of November 2024 from 1 November 2023.

The tram fare will be moved to an efficient price-point after this point, noting the need for the tram to be run in a manner that reduces public subsidy over time.

However, this option proposes to extend the discretionary Zoom Beyond fare discount for 18-21 year olds that was first introduced 2 years ago. There are 34,800 Zoom Beyond users and the initiative currently costs around £2m per annum.

3.7 This significantly reduces the budget available to protect tendered evening and Sunday services to around £5.7m per year when compared to option 1. This would protect around 80%-90% of patronage on evening and Sunday network services.

Option 2 Risks and Mitigations

3.8 Although this option retains the Zoom Beyond discounted fare for 18-21 year olds, it would significantly reduce the available funding for tendered services with 80%-90% of patronage protected on evening and Sunday network services as a result of a loss of routes.

3.9 This option carries the risk of more significantly reduced evening and Sunday service coverage (frequencies and routes), which could drive further decline in demand.

3.10 Where services have to be reduced or lost, the MCA is investigating the use of Community Transport and other Demand Responsive Transport solutions, to help support essential journeys if bus network services are no longer available. Details of any feasible options will be co-developed with Local Authorities in advance of the service change date around 1 November 2023.

3.11 With the tram serving communities in the region that have fewer alternative transport options a continuation of a capped tram fare would offer some support to communities affected by the increased cost of living..

3.12 Although demand for tram is recovering following Covid, it remains below pre-Covid level. As with bus, growing the usage of tram is critical to improving the sustainability of the system over the medium to long term. A complete removal of the flat fare incentive could result in a reduction of usage in the shorter term.

Recommended Option

Option 1.

4. Consultation on Proposal

4.1 Given the potentially significant impact on communities with the reduction of evening and Sunday bus services in particular, a series of drop-in sessions are being conducted by the MCA for Local Authority elected members across the region. This will allow an opportunity for members to understand the approach and methodology applied in configuring the changes to the network but also the relative costs of services and concession options to better understand the challenges faced by the MCA.

4.2 We have used the public engagement activity undertaken in August 2022 when we last faced an expected significant reduction in bus services. This process confirmed the relative importance of the attributes of bus services and the function they perform for communities in being able to access education, employment, healthcare and other services. This prioritisation can be found in Appendix A.

5. Timetable and Accountability for Implementing this Decision

5.1 Following approval of this paper, the MCA will commence the process of formally confirming the extensions of the current Evening and Sunday contracts.

Once these changes have been embedded, the recommendation is to implement the changes to concessions from 1 November to coordinate with the change to the national bus fare cap increasing from £2.00 to £2.50.

5.2 Accountability for ensuring these changes are successfully implemented rests within the Transport Directorate of the MCA.

6. Financial and Procurement Implications and Advice

6.1 Since the start of the pandemic public transport services in South Yorkshire have been sustained through a cocktail of local and national subsidy.

6.2 The MCA committed to flat payments to operators to guarantee a baseline level of income, despite demand collapsing during the height of restrictions and then not recovering in the post-pandemic period.

- 6.3 The MCA has since redeployed budget to support the procurement of more tendered services and used Gainshare funding and reserves to support patronage priming products.
- 6.4 However, the scale of sustaining all services that were protected during this period is beyond the MCA without the continuation of Government support.
- 6.5 Government's recent commitment to providing c.£3.1m p/a to the MCA over the next two years provides welcome certainty but not the necessary scale of funding required to sustain the network and all concession in its entirety.
- 6.6 This report proposes the deployment of c.£8m of reserves previously earmarked to transport activity in a two-year package of bus investment. This is complemented by a proposal to increase the child-notified fare rate to £1.00, a change that will save the MCA c.£0.8m in subsidy costs in the first year. The report further recommends the retirement of the Zoom Beyond concession. Whilst the retirement of this concession will not save money – as it is funded from one-off Gainshare funding – it removes a pressure of c.£2m p/a. A further £1m of funding is earmarked from treasury management surpluses to support a continuation of the tram-fare cap.
- 6.7 Taken together, a package of funding worth c.£16m is now available for investment. Whilst this will allow for stability in the next two years it will not address more fundamental sustainability concerns in the longer-term.
- 6.8 As the tram system returns to public control in March 2024 the most efficient means of running those services will need to be considered. This consideration encompasses the cost base, service designs, but also the approach to fare structuring. A price-point on fares that offers the best opportunity to drive up income will need to be found. A business planning exercise for the tram system is currently underway and considering this issue.

7. Legal Implications and Advice

- 7.1 Contracts for the provision of bus services are awarded in accordance with the provisions of the Transport Act 1985.
- 7.2 Under the Transport Acts 1968 and 1985 and the Localism Act 2011 the MCA has the powers to provide discretionary travel concessions for young people. If the changes are agreed the operators will be notified of the fare changes.

8. Human Resources Implications and Advice

- 8.1 Not applicable.

9. Equality and Diversity Implications and Advice

- 9.1 In making the decisions contained in this report, the Board are reminded of their legal duty under section 149 of the Equality Act 2010 to have due regard to the need to:

- l. Eliminate discrimination, harassment and victimisation;
- l. Advance equality of opportunity between those who share a protected characteristic and persons who do not share it; and
- l. 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 and this shows that the change to young persons and child concessionary fares will have a material adverse impact on persons with a protected characteristic i.e. age/young people (and their families), in that the cost of travel will increase and this may restrict the ability of young people to travel as often. Attached to this report is a full Equality Impact Assessment that sets out the negative impacts and the mitigations.

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.

Full Equality Impact Assessments have been prepared both for the changes to the tendered services bus network and in respect of the changes to child and young person's concessions. These can be found in Appendix C.

10. Climate Change Implications and Advice

- 10.1 Reduced availability of bus service on evenings and Sundays could see more people opt to travel by car or other less sustainable modes of transport.

11. Information and Communication Technology Implications and Advice

- 11.1 Not applicable.

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

- 12.1 With the anticipated changes to the bus network taking place from around 1 November 2023, it is essential that passengers are given adequate notice of where their bus services are affected.

It is therefore planned to undertake an extensive customer-facing communications exercise using online and social media, press and information in

our interchanges. Where services are affected, we are committed to updating timetables at stops on or before the service change date so that passengers are can check their new timetable for a given service.

12.2 The proposal to amend the child (under-18) notified fare to £1.00 and the removal of the Zoom Beyond concession from 1 November 2023 will require a communications campaign to ensure those affected are aware of the changes.

For the child notified fare this will include using social media but also engagement with schools to ensure the messaging is cascaded to pupils who rely upon bus services to access education.

For Zoom Beyond, there will be a separate campaign to target current pass holders and also engage with the universities and further education establishments both to make the aware of its removal but also direct existing pass holders to alternative options including student fares (where available) and the TravelMaster 18-22 discount card.

List of Appendices Included: Where applicable Equality and Diversity Impact Assessment, Climate Change Impact Assessment and Risk Management Strategy must be included

A Service prioritisation

B Contract Awards

C Equality Impact Assessment for Tendered Services

Equality Impact Assessment for Concessionary Changes