

LAST UPDATED: THURSDAY, 17 OCTOBER 2019

1. SYPTE REVENUE BUDGET CHANGES

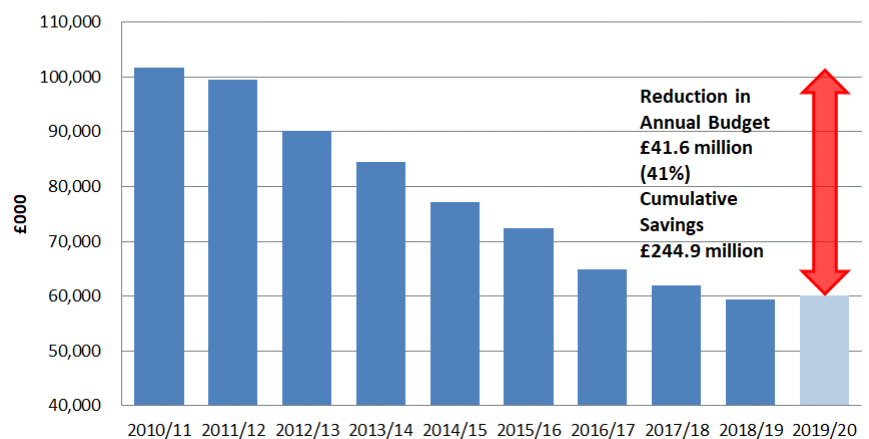
SYPTE is primarily funded by the four South Yorkshire Local Authorities (LAs) through the Transport Levy. The costs of the levy are split based on the relative size of each LA's population.

The PTE's budget is approved and the levy set each year by the Combined Authority (CA). In line with the four South Yorkshire Local Authorities, SYPTE has seen significant reductions in its revenue budget.

Between 2010 and 2019 SYPTE's annual costs have reduced by £42m (41%)

- ENCTS Concessions and Capital Financing by £22.2m (35%)
- Child and Other Discretionary Policy £10.1m (55%)
- Customer Group, Infrastructure and Support departments of £9.1m (49%)
- Removed 233 posts (58%)
- Cumulative Saving of £244.9m

SYPTE Net Expenditure



These cost savings have been achieved by a combination of internal efficiencies and reductions in the services provided, such as tendered bus services, cleaning of bus shelters and removal of free rail travel for pensioners.

2. SYPTE 2018/19 REVENUE BUDGET

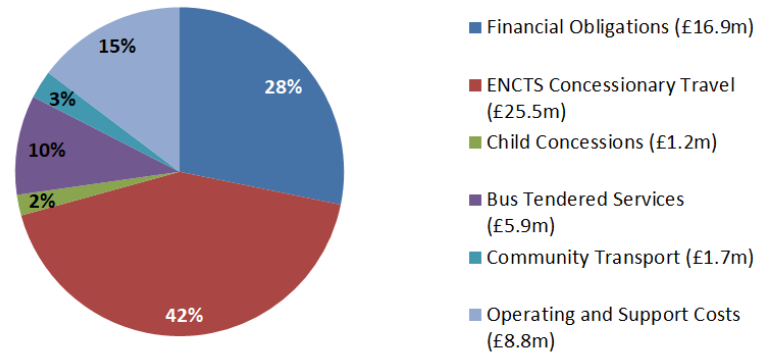
In preparation for the 2017/18 budget, SYPTE agreed a 4 year profile of budget reductions with a 5% saving in 2017/18 and 2.5% saving for the 3 subsequent years.

The 2019/20 budget was been set with a 3% reduction, slightly ahead of this profile. This (along with 2017/18 savings) has been achieved without the need to make any further significant reductions to the services provided by SYPTE. This is primarily due to continued decline in the cost of supporting concessionary payments, and a reduction in debt financing costs as historic loans with high internal rates are repaid.

In 2019/20, SYPTE’s revenue budget will be split as shown in the following chart:

SYPTE Budget 2019/20

There has been continued patronage decline over a number of years on bus and tram services across South Yorkshire. There has been a significant reduction in the number of journeys made by those eligible for the English National Concessionary Travel Scheme (ENCTS), in particular elderly travel. As the number of journeys declines, the cost of reimbursing operators and hence the cost of providing this concession to SYPTE reduces.



Whilst, on one hand, this is beneficial in budget terms, it does mean that there is less support going into the South Yorkshire public transport system, particularly in support of bus services which would otherwise have limited commercial viability. Income for concessionary travel represents around a third of the income for bus operators and the impact disproportionately affects low frequency services which tend to rely more on travel from this group of customers.

Take up of the ENCTS concession continues to reduce due to a number of factors. Equalisation of the state pension age is having an impact on the number of people who are eligible for the concession. This impact is likely to continue until 2020/21 when the equalisation programme reaches an end. Various societal changes are also having an impact including improved health of older people, greater car ownership in the age group (particularly among women) and an increase in online shopping.

This trend has proved challenging to forecast and has led to significant monetary differences in SYPTE’s budget. As this represents SYPTE’s biggest single area of expenditure, small changes in actual volumes versus forecast result in a large financial variance.

3. MANDATORY VS DISCRETIONARY EXPENDITURE

Much of SYPTE’s budget is committed through statutory and financial obligations or through agreed policy decisions. Non-discretionary areas are made up of ENCTS Concessionary Travel and financial obligations and represent 70% of SYPTE’s revenue budget. Of the remainder 15% supports the delivery of MCA policy areas (tendered services, community transport and child concessions) with the balance funding SYPTE’s operational activities including on-street facilities, interchanges, customer services, ticketing and information services.

4. FINANCIAL OBLIGATIONS

Financial obligations relate primarily to loans SYPTE has taken out to support investment in capital assets, including the tram system and transport interchanges.

SYLTE currently has circa £170m of loans relating to past borrowings which fall due at various stages over the next 40 years. The CA holds an investment portfolio of a similar amount, the majority of which relates to cash SYLTE has accumulated to pay down these loans.

SYLTE covers the interest costs from these loans through the levy. As the loans expire this leads to significant variations in the pressure on the levy, making it difficult for both SYLTE and LAs to budget effectively for future commitments. In order to help smooth the profile of the levy payments and support stable reductions in 2014/15, the CA granted SYLTE a capital grant which can be used to offset the impact of changes in SYLTE’s loan portfolio.

5. CONCESSIONS

A significant proportion of SYLTE’s annual budget goes to providing concessionary travel to the public in South Yorkshire. For financial year 2018/19, the budget is £25.1m.

Mandatory Concessions

The national ENCTS scheme mandates free local bus travel, anywhere in England, 0930-2300 weekdays, all day weekends and Bank Holidays for elderly and disabled travellers.

Enhanced (Discretionary) Concessions

We have a number of concession enhancements that the region has agreed to provide through discretionary funding. These include the extension of the child concession in 2017 to anyone between the age of 16 and 18, and is accessible to anyone in that age range, not just those in education as was previously the case. This allows the eligible customers access to single 80p fares and child discounted products from single operators and TravelMaster. We also provide free bus travel to and from school for children who live more than three miles from their nearest school by the most direct safe walking route under a Zero Fare Pass scheme.

In addition, SYLTE extends the concession to include:

- Free tram travel, 0930-2300 weekdays, all day weekends and Bank Holidays for elderly travellers
- Free tram travel always for disabled travellers
- Half-fare train travel, 0930-2300 weekdays, all day weekends and Bank Holidays within South Yorkshire for elderly travellers
- Free train travel, always including travel between South Yorkshire and West Yorkshire on Northern Rail services for disabled travellers.

Concessions Summary

Qualifying Group	Mandatory concessions	Discretionary concessions in South Yorkshire	Notes
Older people – people over eligibility age (retirement age for a woman)	Free local bus travel, anywhere in England, 0930-2300 weekdays, all day weekends and Bank Holidays	<ul style="list-style-type: none"> • Free tram travel, 0930-2300 weekdays, all day weekends and Bank Holidays • Half-fare train travel, 0930-2300 weekdays, all day weekends and Bank Holidays 	<ul style="list-style-type: none"> • Half-fare train travel concession is open to SY residents only.

Disabled people – as defined in the Transport Act 2000	Free local bus travel, anywhere in England, 0930-2300 weekdays, all day weekends and Bank Holidays	<ul style="list-style-type: none"> • Free tram travel always • Free train travel always in South Yorkshire • Free train travel always between South and West Yorkshire 	<ul style="list-style-type: none"> • Free train travel concession is open to SY residents only. • SY/WY free train travel is Northern Rail only.
Travelling companions – of severely disabled people	None	<ul style="list-style-type: none"> • Second person may travel free at above times and on above modes if accompanying a person with a “+C” logo on their pass. 	<ul style="list-style-type: none"> • In practice, this concession extends to residents of other areas if they use the same “+C” logo.
Young people – up to age 18	None	<ul style="list-style-type: none"> • Concessionary travel (currently 80p fare) always on local buses and trams • Subsidised day/week/4-week prepaid tickets available (both single- and multi-operator) 	<ul style="list-style-type: none"> • Half fare concession on trains (not subsidised by local authorities).¹ • Young person’s concessions are for residents only
“Statutory children” – young people entitled to free travel to/from school under the Education Act.	None	<ul style="list-style-type: none"> • Free travel to/from place of education up to 1900 hours on days when schools are open 	<ul style="list-style-type: none"> • Not a mandatory concession in Transport Act terms but local authorities are obliged to provide free travel to/from school for this group. • May be extended to fit circumstances (e.g. multiple sites of education or late evening courses)

1. *Half fare concessions on trains are provided by train operating companies under the terms of the National Rail Conditions of Carriage. This is provided to all under 16s but is extended in South Yorkshire to holders of the 16-18 Travel Pass.*

6. TENDERED SERVICES

SYLTE has a statutory obligation under the Transport Act 1985 Section 57, which imposes a duty on SYLTE to secure the provision of such passenger transport services it considers appropriate to meet public transport requirements in areas where none exist commercially. This obligation does not define the level to which SYLTE must fund services, but rather places this at local discretion. The decision to provide contracted services is, therefore, influenced by the priorities set out in the Sheffield City Region Transport Strategy, the Sheffield City Region Public Transport Action Plan and the available funding. SYLTE’s total expenditure in this area of discretionary spend, excluding the provision of statutory school services for 2019/20, is forecasted at £5.9m.

As funding for supported services is limited, SYLTE has put in place criteria for funding bus services, known as the ‘Tendered Services Criteria Model’ (TSCM) to ensure broad parity across communities not served by commercial bus services and to prioritise which services are funded. The TSCM works on two key considerations:

- **Accessibility** - the distance to the nearest commercial service;

- **Cost** - defined as Subsidy per Passenger Journey (SPPJ). This is calculated by simply dividing the cost of the service by the number of passenger journeys. This is used as a value for money (VFM) indicator.

Tendered Services Criteria Model - Minimum Service Levels

	Base level of households to require service	Maximum Distance to a bus service			Minimum Frequency			Maximum Subsidy Threshold per journey
		Mon-Sat 0530-0730	Mon-Sat 0730-1830	Mon-Sat 1830-2300, and Sundays 0900-2200	Mon-Sat 0530-0730	Mon-Sat 0730-1830	Mon-Sat 1830-2300, and Sundays 0900-2200	
Urban communities	50+ daytime, 100+ evening and Sundays	800m to a key service route	400m, or 600m to a 10-minute service (adjusted for gradient)	800m (adjusted for gradient)	60 minute on key route services	30 minutes	60 minutes - or may be 30 minutes for those urban services running frequently daytimes (at least every 10 minutes).	£2.50
Rural communities	50+ daytime, 100+ evening and Sundays	800m (adjusted for gradient)	800m (adjusted for gradient)	800m (adjusted for gradient)	None	60 minutes where possible	'Reduced' - not otherwise specified	£5.00
Employment (shift times) services					None	None	None	None
DRT								None

Contracted bus services (excluding schools services) account for approximately 13% of the South Yorkshire bus market (expressed in miles operated). The remaining 87% is operated on a commercial basis. It is estimated that 4.4m passenger journeys were made on supported bus services in 2018/19 (excluding schools). These represent circa 5% of total journeys forecasted to be made in South Yorkshire with the balance (85m) being on commercial services. This shows that fewer passengers travel per operator per mile on funded services than on the commercial network.

SYPTe's forecasted payments in 2019/20 for contracted services funds three key types of service:

- **Services which maintain and enhance social inclusion** – These are typically early morning, evening and Sunday services and account for £4m of expenditure;
- **Services which improve access to employment in support of economic growth** – These have continued to be funded after an initial period of external grant funding. The cost of maintaining these accounts for £1m of expenditure;
- **School Services** – These account for £0.9m of expenditure. This funds services for pupils for which the local authorities have a statutory duty.

Contracts are let through a competitive tender process and are awarded to the most economically advantageous bidder that meets the specified service criteria. Minimum requirements for vehicle specification, service performance etc are set out as part of the requirements. Contracts are usually let for a period of three years with a rolling programme of renewals which ensures that not all contracts are up for tender each year.

Whilst the available budget has reduced from circa £10m in 2009/10 to £5.9m the level of expenditure has been broadly maintained over the last 3 years. However, as operating costs have increased and commercial services have reduced, it has not been possible to maintain the level of network coverage provided.