

17 September 2013

Agenda Item:

**REPORT OF THE SERVICE DIRECTOR OF TRANSPORT, PROPERTY AND
ENVIRONMENT**

DEPARTMENT FOR TRANSPORT (DFT) – BUS SUBSIDY REFORMS

Purpose of the Report

1. To advise Members of the recent bus subsidy reforms announced by the DfT and the impacts for local bus services running in Nottinghamshire.
2. To seek Members approval to vary payments to existing bus operators for local bus services supported by the County Council to account for the loss of Bus Service Operators Grant (BSOG).

Background

3. Bus operators, Community Transport providers and some Local Authority passenger transport services currently receive BSOG (basic rate 34.57p per litre of fuel) for the local bus services and other passenger services they operate in the County. Since 2010 incentives above the basic rate have been paid to operators for vehicles having automatic vehicle location (AVL), smartcard capability and for buses with low carbon emissions (LCEB). The County Council currently receives about £60K a year BSOG funding for services operated in-house. Under existing arrangements BSOG for all services is administered centrally by the DfT.

On the 5th July this year the DfT announced plans to reform bus subsidy in England. This is the Government's response to the Bus Subsidy Reform consultations held last year and sets out the following measures:-

- i. The devolution of BSOG currently paid to bus operators for services run under local authority tender to the local authorities which pay for those services.
- ii. Tightening of existing eligibility rules defining which local bus services can claim BSOG.
- iii. Plans to create several new Better Bus Areas (BBA) to encourage local authorities and bus companies to work in partnership to improve services and boost passenger numbers.

4. The measures are intended to give local authorities more control over how money is best spent and help to make bus subsidy more targeted and accountable.

Implications for Nottinghamshire

5. The changes have significant implications for the future funding of local bus services and other passenger transport services operated by either Community Transport operators or the County Council's own fleet. The main implications are:-

- i. Supported (tendered) local bus services

To date bus operators have normally deducted BSOG when bidding for supported local bus service contracts. From 1st January 2014 BSOG funding for supported local bus services, those which could not economically operate without financial support will be devolved to the County Council. This funding will be ring fenced until April 2017 for expenditure on sustaining or improving bus services. Thereafter BSOG will be absorbed in the general grant received from the Government. The DfT will be advising each local authority of their devolved BSOG in due course. Initial analysis estimates that the County Council may receive £300 to £350K per annum.

The original implementation date (1 October 2013) was revised so that local authorities and operators have sufficient time to manage the transition. Discussions with operators are on-going concerning the impact of devolving BSOG funding, how the change will be managed and contract prices amended. This close working will avoid potential disruption to the local bus market by adjusting contracts to account for the loss of BSOG. Operators currently receiving financial incentives for smartcards or AVL equipment or low carbon buses will continue to claim these incentives directly from the DfT.

- ii. Commercial Local bus services

Bus operators who operate commercially viable services i.e. those not supported financially under tender to the County Council, including those supported on a de-minimus basis will continue to claim BSOG directly from the DfT after 1st January 2014.

- iii. Better Bus Areas (BBA)

In February 2013 the DfT launched a competition to identify new Better Bus Areas (available at www.gov.uk/government/publications/bus-service-operators-grant-reform-and-better-bus-areas), winners are due to be announced in October 2013. Within these areas BSOG paid to operators running commercial services will be gradually reduced from April 2014, and the money will be used by the local authority, together with a top-up, to improve the local bus network. It is clear from the bid

guidance that the funding is targeted for large conurbations. The County Council has supported a BBA bid made by the City Council (£11.3M), which, if successful, will bring about significant benefits for County residents travelling to and from the City for work, training, leisure and retail purposes. A main element of the bid is the Southside Bus Priority Scheme (£4.7M) which will provide bus/taxi/cycle only facilities in the Broadmarsh area. This scheme will provide significant benefits for bus services operating in the City from the south of the County. The Nottingham BBA bid (July 2013) can be viewed at www.nottinghamcitycouncil.gov.uk/transportfundingbid

iv. Section 19 Community Transport and Local Authority In House Services

From 1st October 2013 BSOG funding for Section 19 transport services run in house by local authorities will be devolved to those local authorities. Other Section 19 services run by charities and voluntary organisations are unaffected by these changes and will continue to claim as they do now.

v. Changes to Local bus service eligibility for BSOG

To date all local bus services are eligible for BSOG. From the 1st October bus operators will not be able to claim BSOG for the following bus services:-

- Services operating for less than six consecutive weeks such as special sporting events. This does not apply for emergency circumstances e.g. where a bridge is impassable and a temporary service is provided;
- Services primarily for tourism purposes;
- Rail replacement services;
- Services for which the fare includes a special amenity element i.e. fares are significantly higher than the general fare for similar journeys, including services whose primary function is transporting travellers between airports, rail stations and some terminal car parks.

School bus services operated on a commercial basis will be eligible as long as they are open to the general public and not restricted to students.

The eligibility changes above will not cause any major issues for these types of services running in the County.

Conclusions

6. The devolution of BSOG is positive news for local bus services as it was anticipated that BSOG may have been scrapped in the recent spending review. BSOG is now protected until 2017 which will enable the County Council and operators to work in partnership to improve bus services and increase patronage.

7. Once the actual amount of BSOG being devolved is known, then negotiations with the operators can be concluded to vary their contracts, which will continue to operate in January 2014, to account for the lost income. New contracts operating from January 2014 will exclude BSOG with the funding received from DfT being used for any increase in the new contract costs.

Statutory and Policy Implications

8. This report has been compiled after consideration of implications in respect of finance, the public sector equality duty, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Implications for Service Users

9. The devolution of BSOG and the ring fencing of the funding will enable the County Council to continue supporting local bus services which are not commercially viable thus ensuring people can continue to access key services.

Financial Implications

10. The devolution of BSOG should have no financial burdens as long as the correct amount of funding is devolved. However this can only be determined when the allocation is known. The devolved funding should be sufficient to reimburse operators for the loss of BSOG and cover any increase in future contract prices.

Equalities Implications

11. The retention of BSOG funding for supported and commercial services will ensure that services can continue to be provided for those people in our community who rely on local bus services to access key services.

Implications for Sustainability and the Environment

12. The retention of the BSOG incentives will promote the use of low carbon emission buses.

RECOMMENDATION/S

It is recommended that the Committee:

- 1) Notes the content of the report and the various bus subsidy reforms including the devolution of BSOG for supported local bus services.
- 2) Agrees that local bus service contracts be amended on 1st January 2014 to account for the loss of BSOG.

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For any enquiries about this report please contact: Mark Hudson

Constitutional Comments (SHB 30.07.13)

13. Committee have power to decide the Recommendation.

Financial Comments (DJK 30.07.2013)

14. The financial implications are contained within the report – the BSOG funding needs to be identified and allocated against TTS.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

DfT consultation on Bus Subsidy Reform – September 2012

Bus Subsidy Reform – County Council Response November 2012

DfT Bus Subsidy Reform Consultation Analysis – July 2013

DfT Letter to the County Council: Bus Services Operators Grant – 5th July 2013

Nottingham City Council – Better Area Bus Bid – July 2013

Electoral Divisions and Members Affected

All