

Cabinet Meeting on Wednesday 16 March 2022

Local Bus Concessionary Payment - Final Covid 19 Support Package



Cllr David Williams, Cabinet Member for Highways and Transport said,

“The bus industry has still not recovered from the effects of the pandemic and central Government subsidy is essential for services to be maintained in Staffordshire at the moment.

“This authority is very restricted in how it can influence local commercial services but has been providing financial support where it can.

“Now we are proposing to extend that financial support for a further six months to ‘top up’ Government grants while bus operators promote their services to encourage the return of passengers.”

Report Summary:

The viability of the local commercial bus network in Staffordshire continues to struggle as patronage levels and revenue generation have not returned as initially forecast, as a result of the covid 19 Omicron variant and Plan B restrictions put in place in autumn 2021. Without an extension to existing government and local authority temporary support funding for bus operators, local bus networks are predicted to start reducing from April 2022, which could leave some communities in Staffordshire without vital services.

The Department for Transport has now promised a final, additional subsidy to operators for six months, beginning in April. That intervention is essential to maintaining services in Staffordshire at the moment.

Although the County Council has limited scope for action, it is recommended that concessionary travel reimbursement to local bus operators is maintained beyond March 2022 for a period of 6 months, in line with the extension of government support funding, to help stabilise the commercial bus network and allow for patronage levels to be rebuilt.

Recommendation(s)

I recommend that Cabinet:

- a. Maintain pre-covid levels of concessionary reimbursement on all operating routes until 1 October 2022, in line with governments Bus Recovery Grant (BRG) funding
- b. Agree that payments to bus operators will be maintained (point a) providing operators -
 - i. comply with BRG terms and conditions
 - ii. maintain existing commercial bus service levels
 - iii. demonstrate how they will rebuild patronage
- c. The council reserves the right to reduce concessionary reimbursement and / or pay against actuals, in instances where an operator does not comply with point b above and asks that Transport Operations and Future Connectivity Team manage this process.
- d. Ask that the Transport Operations and Future Connectivity Team develop a transition plan for concessionary reimbursement from October 2022 onwards.

Local Members Interest
N/A

Cabinet – Wednesday 16 March 2022

Local Bus Concessionary Reimbursement - Final Covid 19 Support Package

Recommendation(s) of the Cabinet Member for Highways and Transport

I recommend that Cabinet:

- a. Maintain pre-covid levels of concessionary reimbursement on all operating routes until 1 October 2022, in line with Bus Recovery Grant funding.
- b. Agree that payments to bus operators will be maintained (point a) providing operators -

- i. comply with BRG terms and conditions
 - ii. maintain existing commercial bus service levels
 - iii. demonstrate how they will rebuild patronage
- c. The council reserves the right to reduce concessionary reimbursement and / or pay against actuals, in instances where an operator does not comply with point b above and asks that Transport Operations and Future Connectivity Team manage this process.
- d. Ask that the Transport Operations and Future Connectivity Team develop a transition plan for concessionary reimbursement from 1 October 2022 onwards.

Report of the Director for Economy, Infrastructure and Skills

Reasons for Recommendations:

1. Government has made a number of significant decisions regarding public transport and in particular local bus services, recently announcing the continuation of covid support funding for local bus operators. This is in recognition of the impact the Covid 19 Omicron variant and Plan B restrictions have had on patronage levels (and revenue generation) meaning bus services have not returned to commercial viability at the rate initially forecast. Without continued support funding commercial bus services in Staffordshire will be withdrawn affecting many of our communities.
2. Department for Transport (DfT) has updated their recovery strategy for local authority concessionary reimbursement to allow greater flexibility and are asking all local transport authorities to continue to financially support their commercial bus operators. This report recommends financial support is maintained for a further 6 months, until 1 October 2022, in line with the government extension of Bus Service Recovery Grant, to help stabilise the local bus market and allow time for patronage to be rebuilt.

Background

3. Concessionary reimbursement to local bus operators has been paid based on 100% pre covid patronage on all operating routes since the start of the pandemic, in line with government guidance. To allow this to happen, a statutory instrument was enacted that allowed operators to receive payments above actual levels until 5 April 2022.

4. DfT published a recovery strategy in October 2021 proposing payments should be reduced to 90% from 6 April 2022, and 5% each month thereafter until reimbursement is in line with actual patronage.
5. DfT put in place several covid support packages for the bus industry during the pandemic, Covid 19 Bus Service Support Grant (CBSSG) and more recently Bus Recovery Grant (BRG). BRG funding was due to end on 31 March 2022.
6. With both local authority concessionary reimbursement reductions planned, and the ending of BRG from government, the bus and train industry have lobbied central government and asked for funding to be extended.
7. In the case of local bus services in England the message from the bus operators is clear, without continued funding support from government, and local authorities, commercial bus services will start to reduce from April 2022.
8. Service reductions will vary greatly by area and region, and places like Staffordshire could see higher reductions and loss of more vital services, compared to densely populated urban areas and city centres.

Current Position

9. Local bus patronage levels have not returned as originally forecast, and in Staffordshire we are starting to receive deregistrations, and notice of intention of deregistrations, for commercial services from some operators.
10. On 24 February 2022 DfT wrote to all Local Transport Authorities with a revised recovery strategy for concessionary fare reimbursement (appendix 1) asking Local Transport Authorities to take a local approach and continue to support their local bus operators wherever possible.
11. DfT have asked Local Transport Authorities to maintain concessionary funding, as without this continued financial support networks will shrink as commercial services are deregistered.
12. To enable this to happen a further statutory instrument regarding concessionary travel reimbursement has been enacted.
13. On 1 March 2022, DfT announced an extension to BRG until October 2022, stating this would be the final covid support package offered to bus operators. The press release (appendix 2) says –

“The department recognises the importance local transport services have to the people and economies of the areas they serve and understands that the removal of funding now would create a ‘cliff edge’ with the prospect of overnight reductions in services. Such an outcome would undermine our aspirations set out in the National bus strategy and Levelling up white papers to improve transport connectivity”.

Proposed Actions

14. Following the recent announcement by central government of the continued BRG financial support to the bus industry until 1 October 2022 and the concessionary travel request from Local Transport Authorities, it is recommended that reimbursement is maintained at pre-covid levels on all operating routes until 1 October 2022, in line with Bus Recovery Grant funding.
15. In continuing to provide this level of financial support to the local bus industry it is felt appropriate that bus operators should -
 - a. comply with DfT BRG terms and conditions
 - b. maintain existing commercial bus service levels in Staffordshire
 - c. actively demonstrate how they will rebuild bus patronage in the spring and summer of 2022
16. In instances where the above conditions are not met then a reduced level of concessionary payment or payment on actuals should be considered and paid.
17. It is understood that the level of financial support being offered by central government is the final round, but further guidance may yet get issued by DfT. In any event there will be a need to consider and develop a transition plan for concessionary reimbursement from the 1 October 2022.

Risks

18. Without continued financial support, the local bus service network in Staffordshire will shrink leaving communities without vital services.
19. The removal or reduction of local services is likely to impact on Home to School Transport provision and budgets, as there are currently around 2,000 entitled pupils travelling on commercial and supported local bus services every day, as well as a significant number on non-entitled pupils that could be disadvantaged.

20. There are many commercial bus operators in Staffordshire and even with the continued direct financial support from central government and the Council there is no guarantee that the local Staffordshire bus service network can be maintained at pre-covid levels, from October 2022.
21. There have already been changes to the commercial bus network in Staffordshire in recent months and it is unclear whether it will be possible for commercial bus operators to reinstate these services, even with the additional financial support provided by government and the local transport authority.
22. At this stage it is unclear what the 'new normal' Staffordshire bus patronage will be in October 2022, but the bus industry is anticipating that it is unlikely that passenger numbers will return to pre-covid levels. If this holds true, then it should be expected that there will be a rationalisation of the local Staffordshire bus network in the autumn of 2022.

Legal Implications

23. DfT has enacted a statutory instrument to enable local authorities to pay concessionary reimbursement at pre covid levels, by removing the condition that payments should not leave operators 'better off'.

Resource and Value for Money Implications

24. Maintaining concessionary reimbursement at pre covid levels can be managed within allocated budgets for 2022/23.

Climate Change Implications

25. Supporting local bus operators to maintain vital services will prevent more journeys switching from public transport to private car.

Conclusion

26. The government has recognised that without continued temporary financial support local commercial bus networks are likely to see significant reductions.
27. The measures outlined in this report will assist with the recovery of the bus sector in Staffordshire, but it is uncertain at this time whether the full bus network can be maintained once the temporary support measures end. The bus industry will need to work hard to regain the customer base in the coming months.

List of Background Documents/Appendices:

Appendix 1 – Department for Transport revised concessionary reimbursement strategy

Appendix 2 – Department for Transport announcement – extension of Bus Service recovery Grant (BRG)

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