

## EXECUTIVE

### 14<sup>th</sup> September 2023

<b>Report Title</b>	<b>Bus Service Improvement Plan plus (BSIP+) funding</b>
<b>Report Author</b>	Graeme Kane – Executive Director for Place and Economy
<b>Lead Member</b>	Councillor Matt Binley, Executive Member for Highways, Travel & Assets

<b>Key Decision</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Is the decision eligible for call-in by Scrutiny?</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Are there public sector equality duty implications?</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Does the report contain confidential or exempt information (whether in appendices or not)?</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Applicable paragraph number/s for exemption from publication under Schedule 12A Local Government Act 1972</b>	

#### List of Appendices

**Appendix A** – Memorandum of Understanding between Department for Transport and North Northamptonshire Council

#### **1. Purpose of Report**

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- 1.1. To note the receipt from the Department for Transport (DfT) of Bus Service Improvement Plan plus (BSIP+) funding and agree that it can be spent on improving bus services in an accordance with the terms and conditions of the funding.

#### **2. Executive Summary**

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- 2.1. Since the start of the Covid-19 pandemic, the Government has provided direct financial support to the bus industry. On 17<sup>th</sup> May 2023, the Government announced a longer-term funding deal for the financial years 2023/24 and 2024/25. £160m will be provided to local transport authorities and £140m directly to operators.
- 2.2. North Northamptonshire Council (the Council) has been allocated £569,412 of Bus Service Improvement Plan plus grant funding for each of the financial years

2023/24 and 2024/25. The funding is intended to be targeted on actions which will deliver the best overall outcomes for bus services.

2.3. Eligibility for future funding, including 2024/25 BSIP+ funding, is dependent on the Council's overall bus budget being maintained at least at the same level. Given the purpose of the funding, it would be appropriate to understand what changes operators intend to make before deciding how the BSIP+ funding should be spent. However, given the limited time available to make subsequent decisions, the following initial criteria for spend are proposed:

- To continue to fund existing bus services where they represent value for money or maintain essential connectivity for local communities;
- To increase service frequency or restore services withdrawn since the start of the Covid-19 pandemic where there is a reasonable prospect of the service becoming commercially viable within the BSIP+ funding period; and
- To forward fund improvements where S106 developer funding is due before the end of the BSIP+ funding period to increase the time period for the service to achieve commercial viability.

### **3. Recommendations**

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3.1. It is recommended that the Executive:

- a) Note the allocation of £569,412 of Bus Service Improvement Plan plus funding for each of the financial years 2023/24 and 2024/25;
- b) Note that the allocation of future funding including the Bus Service Improvement Plan plus funding for 2024/25 is dependent on the Council's overall bus budget (comprising the bus subsidy budget of £275,000 and concessionary fares budget of £2,907,320) not being reduced.
- c) Delegate authority to the Executive Member for Highways, Travel & Assets in consultation with the Executive Director of Place & Economy to take any actions needed to award the local bus service contracts and any further decisions/actions relating to expenditure of the BSIP+ funding.

3.2. Reason for Recommendations – To spend the external funding in accordance with the terms and conditions of the grant.

3.3. Alternative Options Considered – The Council could choose not to accept the external funding or to spend it in ways which were inconsistent with the terms and conditions of the grant. This would not be in the best interest of the community and would jeopardise future funding allocations. Launching new services in areas with limited demand for bus travel is unlikely to represent value for money in achieving the objectives of the funding, and not appropriate with no long-term funding certainty.

## 4. Report Background

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- 4.1. The majority of bus services in England are provided commercially by operators, who decide the times, routes and fares to be charged. Under the Transport Act 1985, local authorities can supplement the commercial bus network with subsidised services.
- 4.2. The restrictions on travel introduced at the start of the Covid-19 pandemic necessarily resulted in such a large drop in fare income that the majority of bus services would have become financially unavailable and ceased to run had the Government not stepped in with emergency funding to ensure that key workers could continue to travel, and other essential journeys continue. The majority of that funding was paid directly to commercial operators, although a proportion was paid to local authorities to compensate for the loss of fare income for their subsidised services.
- 4.3. While bus patronage has recovered significantly, it remains at around 90% of pre-Covid levels. What was originally envisaged as short-term emergency Government funding has been progressively extended, although the level of financial support has been progressively reduced as passengers have returned, and a reduced commercially viable network has been sought. The majority of funding continued to be directed to commercial operators, with a small proportion to councils for subsidised services.
- 4.4. On 17<sup>th</sup> May 2023, the Government announced a longer-term funding deal for the bus industry covering the financial years 2023/24 and 2024/25. £160 million will be provided to local transport authorities to improve fares, services and infrastructure while £140 million will go directly to operators to help protect essential services across England. At the same time the Government announced an extension of the £2 bus fare cap outside London until the end of October 2023 and then at £2.50 until 30<sup>th</sup> November 2024 – when the Government will review their effectiveness and future bus fares.
- 4.5. The £160 million for local transport authorities will be provided as Bus Service Improvement Plan plus (BSIP+) funding. Of this funding, £80 million will be provided in 2023/24 and £80 million in 2024/25. The Council has been allocated £569,412 of BSIP+ funding for each of the financial years 2023/24 and 2024/25.
- 4.6. The BSIP+ funding which has been allocated to the Council is intended to be targeted on actions which the Council - and local operators through our Enhanced Partnership (where relevant) - believe will deliver the best overall outcomes in growing long term patronage, revenues and thus maintaining service levels, while maintaining essential social and economic connectivity for local communities. In some places that may involve ensuring existing connections are maintained. Elsewhere it might be achieved through increasing the frequency on key corridors or the operating hours of some services whilst reducing others; or reducing fares or introducing new local concessions to open up new markets and revenue.

- 4.7. The funding must be spent on bus measures. It cannot be used for measures that primarily benefit other modes of transport, with secondary benefits for buses (e.g., road maintenance).
- 4.8. Eligibility for future funding, including 2024/25 BSIP+ funding, is dependent on the Council's overall bus budget (comprising the bus subsidy budget of £275,000 and concessionary fares budget of £2,907,320) being maintained at least at the same level. For example, if concessionary travel reimbursements are reduced, the corresponding budget must be reinvested into other bus measures (e.g., tendered services).
- 4.9. The full terms and conditions of the funding are contained in the Memorandum of Understanding between the Council and DfT at **Appendix A**.
- 4.10. Since the start of the Covid-19 pandemic bus operators have reduced their timetables to reflect both the reduced numbers of passengers travelling and the funding available. The shortage of drivers and the significant increase in fuel and other costs have also been significant factors. In North Northamptonshire this has mainly been achieved by operating services at reduced frequencies, and no communities have lost their service entirely although some linkages have been lost. This has been a better outcome than in many areas where there have been major commercial service withdrawals.
- 4.11. From 1<sup>st</sup> July 2023 operators will be receiving DfT funding through the Bus Service Operators Grant plus (BSOG+). As they understand how much funding they will receive, operators will be determining the levels of services that they can afford to run. It is possible that this will result in further frequency reductions or service withdrawals.

## **5. Issues and Choices**

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- 5.1. The funding announced on 17<sup>th</sup> May 2023 offers some certainty for the bus industry through to April 2025, although the amount of Government funding available is reduced. With the greater proportion of funding being provided to local transport authorities, it also represents a transition to local decision-making about which services are essential for local communities.
- 5.2. The Council currently has a bus subsidy budget of £275,000 per annum. In previous years this has been supplemented by an additional £105,654 of Bus Subsidy (Revenue) Grant from the Government, but it is uncertain whether this will continue. The £569,412 of BSIP+ allocated to the Council for 2023/24 and 2024/25 each is more than twice the Council's own annual subsidy budget. However, there is no certainty that there will be any funding available beyond March 2025.
- 5.3. The BSIP+ funding is primarily intended to allow the Council to maintain existing bus service levels and achieve the best overall outcomes in growing long term patronage. This is more likely to be achieved by continuing or enhancing existing services which have a prospect of becoming commercially viable in the short-medium term than introducing new services in rural areas which are likely

to need long-term subsidy, and for which the Council's own bus subsidy budget would be more appropriate.

- 5.4. Local bus operators will currently be considering any reductions or withdrawals of services which they need to make to their commercial services to reflect the reduced funding which they will receive from the Government. Operators only need to give the Council 70 days' notice of any such changes, so the Council has a limited time to act if the service is to continue. In some cases, it may be appropriate to make short-term arrangements for a service to continue while its long-term future is evaluated.
- 5.5. Given the purpose of the funding, it would be appropriate to understand what changes operators intend to make before deciding how the BSIP+ funding should be spent. However, given the limited time available to make subsequent decisions, the following initial criteria for spend are proposed:
  - To continue to fund existing bus services where they represent value for money or maintain essential connectivity for local communities;
  - To increase service frequency or restore services withdrawn since the start of the Covid-19 pandemic where there is a reasonable prospect of the service becoming commercially viable within the period of BSIP+ funding; and
  - To forward fund improvements where S106 developer funding is due before the end of the BSIP+ funding period to increase the time period for the service to achieve commercial viability.

## **6. Next Steps**

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- 6.1. Following approval of this report, the next steps will be to work with local bus operators to understand any reductions in commercial services which they intend to make. Alongside this, work will be undertaken to explore other options for service improvements on the basis set out in section 5.5 above.
- 6.2. Once the quantum of commercial service changes is understood, a proposed list of service interventions will be drawn up and tender prices sought from operators. Note that because operators can institute service changes at any time, the above may be an incremental process.
- 6.3. Dependent on the level of need identified on the basis of section 5.5 above, other options for spending the BSIP+ funding can also be explored.
- 6.4. Executive is asked to agree delegated authority to the Executive Member for Highways, Travel and Assets, in consultation with the Executive Director for Place & Economy, to take any actions needed to award local bus service contracts and take any further decisions/actions relating to expenditure of the BSIP+ funding.

## **7. Implications (including financial implications)**

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### **7.1. Resources, Financial and Transformation**

- 7.1.1. The proposals in this report relate to the spending of £569,412 BSP+ revenue grant allocated to the Council for each of the financial years 2023/24 and 2024/25. The proposals in this report should be fully funded from that grant funding or from Section 106 developer contributions. The grant conditions indicate that funding unspent in 2023/24 can be carried forward into 2024/25, but the ability to carry forward the 2024/25 funding into 2025/26 may depend on the date the 2024/25 funding is paid to the Council.
- 7.1.2. It should be noted that future bus funding, including receipt of the BSIP+ grant funding for 2024/25, is dependent on the Council's overall bus budget being maintained at least at the same level. For example, if concessionary travel reimbursements are reduced, the corresponding budget must be reinvested into other bus measures (e.g., tendered services). It is assumed that the overall bus budget comprises the bus subsidy budget of £275,000 and the concessionary travel budget of £2,907,320.
- 7.1.3. This report does not seek to limit the Council's budget setting process for 2024/25, but asks Executive to note that future bus funding, including the BSIP+ funding for 2024/25, is dependent on the Council's overall bus budget not being reduced.
- 7.1.4. It should also be noted that if the Government does not provide further similar financial support for buses for 2025/26, and services which are funded with BSIP+ have not received commercial viability by that date, the Council will have to withdraw the services.

### **7.2. Legal and Governance**

- 7.2.1. This report requests authority to accept and spend grant funding from DfT as part of the BSIP+ funding allocations for local authorities in England (outside London) to provide bus service improvements.
- 7.2.2. Section 63 Transport Act 1985 provides that local transport authorities must 'secure the provision of such public passenger transport services as the council consider it appropriate to meet any public transport requirements within the county which would not in their view be met apart from any action taken by them for that purpose'.
- 7.2.3. The DfT grant BSIP+ funding is provided pursuant to the terms set out in the Memorandum of Understanding (MoU), appended at **Appendix A** to this report. It should be noted that the MoU places a requirement on the Council to report annually on the way grant monies are expended. In addition, the Council's Section 151 Officer has to confirm to DfT that the matter/service being funded represents good value for money.

7.2.4. Whilst it is specifically provided in the MoU that its terms shall not be legally binding, it should be noted that the provisions of clause 5 of the same reserve the right for DfT to clawback, reduce, suspend and withdraw grant funding delivered to the Council (including subsequent grant funding) should the conditions of the MoU not be met.

7.2.5. Any procurement exercise for goods, works or services must be conducted in accordance with the Councils governance and legal obligations, specifically in compliance with the Council's Contract Procedure Rules and the Public Contract Regulations 2015 (PCR2015). Procurement of local bus service contracts must also have regard to the requirements of the Transport Act 1985 and associated regulations. Legal services, where instructed, will advise and assist officers with regard to the conduct of any procurement process and the resulting contractual arrangements.

### 7.3. **Relevant Policies and Plans**

7.3.1. The proposal will assist the Council in meeting the priorities in the Corporate Plan around:

- Safe and Thriving Places
  - Enable people to travel across North Northamptonshire and beyond
- Green, sustainable environment:
  - Promote sustainable, active travel

7.3.2. The proposal will assist the Council in developing and delivering Council's Local Plan and Local Transport Plan, which the Council has a statutory duty to deliver. The proposal will also help to deliver the Council's Bus Service Improvement Plan.

### 7.4. **Risk**

7.4.1. The allocation of this funding to the Council transfers an element of decision-making for the continuation of local bus services from the Government and local bus operators to the Council. It therefore increases the reputational risk of the Council if a local bus operator decides to withdraw a commercial bus service, as the Council will be expected to fund its continuance. For the period of the funding it reduces financial risk to the Council of such circumstances.

7.4.2. Unless further Government funding is provided for 2025/26 and beyond, the services will be withdrawn if they have not become commercially viable.

7.4.3. The condition that future bus funding is dependent on the Council not reducing its overall bus budget, which introduces a new factor to be considered in setting a balanced budget.

## **7.5. Consultation**

7.5.1. No consultation has been undertaken on this proposal as it involves the spending of external funding in accordance with terms and conditions set by the funder.

7.5.2. The timescales for operators notifying the Council of proposed commercial bus service changes or withdrawals do not permit public consultation to be undertaken when assessing alternative provision. However, the consultation undertaken on the Council's Bus Service Improvement Plan in 2021 did seek ideas for service improvements and it may be possible to undertake further consultation on some longer-term proposals.

## **7.6. Consideration by Executive Advisory Panel**

7.6.1. This proposal has not been considered by an Executive Advisory Panel, but they have considered bus service improvements in the past and may choose to do so again.

## **7.7. Consideration by Scrutiny**

7.7.1. This proposal has not been considered by the Place & Environment Scrutiny Committee, but they may wish to scrutinise bus services/improvements at a future date.

## **7.8. Equality Implications**

7.8.1. An Equalities Screening Assessment has been completed and has identified that by allowing the continuation of bus services that might otherwise be withdrawn, the proposal will have a positive benefit for those with protected characteristics.

## **7.9. Climate and Environmental Impact**

7.9.1. Public transport, along with walking and cycling, is one of the key alternatives to private car use. The proposed approach, of ensuring that communities continue to have a bus service and that funds are concentrated on those routes which represent good value for money, the proposal will encourage additional use additional bus use and have a positive climate and environmental impact.

## **7.10. Community Impact**

7.10.1. By allowing the continuation of bus services that might otherwise be withdrawn, the proposal should have a positive impact for local communities by reducing isolation and supporting local economies.



## 7.11. **Crime and Disorder Impact**

7.11.1. There are no obvious crime and disorder objectives of this report.

## **8. Background Papers**

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- 8.1 Transport Act 1985 [Transport Act 1985 \(legislation.gov.uk\)](https://legislation.gov.uk)
- 8.2 Tendering road passenger transport contracts: good practice guidance  
[Tendering Road Passenger Transport Contracts: Best Practice Guidance \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)
- 8.3 North Northamptonshire Bus Service Improvement Plan [Enhanced partnerships for buses | North Northamptonshire Council \(northnorthants.gov.uk\)](https://northnorthants.gov.uk)