

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Member for Economy, Transport and Environment
Date:	10 March 2020
Title:	Allocation of Local Bus Subsidy Support
Report From:	Director of Economy, Transport and Environment

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Purpose of this Report

1. The purpose of this report is to seek approval for Hampshire County Council to submit a completed Statement of Intent form to the Department for Transport, in order to secure a payment of £709,912 in 2020/21 to fund additional supported local bus services. This one-off payment represents Hampshire County Council's allocation from a national pot, but the funding can only be drawn down upon submission of a completed Statement of Intent form. The funding forms part of the Government's 'Better Deal for Bus Users' package of measures announced on 6 February 2020.

Recommendations

2. That the Executive Member for Economy, Transport, and Environment approves the submission of a completed Statement of Intent form to the Department for Transport in order to secure a one-off payment from Government of £709,912 in 2020/21 to support local bus services, and that authority is delegated to the Director of Economy, Transport, and Environment to finalise the submission based on the approach set out in this report, including the use of a "challenge fund" to determine how the funding award could be most effectively spent in accordance with the proposed approach.
3. That authority is delegated to the Director of Economy, Transport, and Environment, in consultation with the Executive Member for Economy, Transport, and Environment to engage with operators, and invite and assess bids to the proposed "challenge fund".
4. That authority is delegated to the Director of Economy, Transport, and Environment to make the detailed contractual, spending, and operational decisions and arrangements necessary to meet the terms of the funding award and deliver associated support to local bus services arising from the proposed "challenge fund", as set out in this report.

Executive Summary

5. This paper seeks to set out the policy background to Government's announcement on 6 February 2020 to allocate an additional £30 million in 2020/21 to Local Transport Authorities for supported local bus services. The paper will summarise the Government's 'Better Deal for Bus Users' initiative and the four funding opportunities that form part of the package, representing a total investment of £170 million.
6. The initial funding opportunity is in the form of an additional one-off allocation for supported local bus services. Hampshire County Council's allocation is £709,912. By way of context, the County Council's base bus subsidy budget in 2019/20 is £1.9 million with additional funding coming from developer contributions and the Home to School Transport service. Other opportunities will focus on delivering:
 - an all-electric bus town or city;
 - funding to support on-demand services in rural and suburban areas; and
 - trialling new 'Superbus' networks to deliver low fare, high frequency bus networks with a particular focus on deprived areas.

The latter three funding streams will be subject to a competitive bidding process.

7. The additional funding for supported services represents a good opportunity to boost Hampshire's bus network. It should be noted however that this is a one-off payment and Government's preference is that the funding should be spent in 2020/21. However, the Department for Transport (DfT) acknowledges that in some cases funding will need to be spread over more than one year. This is certainly the case in Hampshire.
8. Work is on-going with bus operators to identify the bus services that represent the strongest opportunities to be commercially viable once the funding has been spent. Examples being explored include additional evening and weekend services, extending the span of the day of some services, and services that are currently supported but could become commercially viable with some pump-priming.
9. As this is a one-off payment, careful analysis and planning is required to ensure that funding is allocated to those services that stand the best chance of becoming commercially viable. There is a risk that if previously withdrawn services are simply reinstated, then once this funding is used up, these services will be withdrawn again, a situation which is not helpful in building a stable, long term financially sustainable local bus network.

Contextual information

10. On 6 February 2020 the Government published a paper entitled 'A Better Deal for Bus Users'. This initiative covers several aspects, firstly the development of a National Bus Strategy focused on the needs of the passenger and identifying how the public and private sectors will work together to improve bus services. The strategy will be supported by a long term funding commitment targeting investment on the needs of the passenger, including investment in bus priority, measures to tackle air quality and greenhouse gas emissions, passenger information and publicity, fares and payment.

11. The document makes further commitments, including:
 - a review of Bus Service Operators Grant (BSOG) to ensure it supports the environment and improved passenger journeys;
 - all new road investments receiving Government funding will have to explicitly address bus priority measures;
 - refreshing the guidance to local authorities on bus priority measures;
 - improving information to passengers through digital services;
 - incentivising multi-operator ticketing with lower fares, and
 - all buses to accept contactless payments (which Hampshire already benefits from).
12. There are four specific funding streams included in the announcement, the first being additional one-off payments to local authorities to support local bus subsidy. A decision on securing this funding is the main subject of this report.
13. The second funding stream is a pot of up to £50 million to create Britain's first all-electric bus town or city. This is targeted at towns with significant air quality issues where operators are prepared to provide considerable match funding. Discussions are underway with operators to ascertain if Hampshire could develop a competitive proposal. The level of funding available will most likely mean that only one, or possibly two towns or cities in the country will be selected, so competition will be high.
14. The third funding stream is a £20 million Rural Mobility Fund for trials of on-demand services in rural and suburban areas. The criteria may exclude parts of Hampshire due to their proximity to the existing Transforming Cities Fund areas.
15. The final funding stream is £70 million to trial new 'Superbus' networks in larger urban areas in the 75% most deprived areas of the country. Hampshire is currently excluded from the list of local authorities eligible to bid for this particular fund, although Portsmouth and Southampton are included, which may represent an opportunity for South Hampshire, building on the Transforming Cities Fund projects.
16. The £709,912 one-off payment for additional local bus support in 2020/21 can be drawn down in April 2020 after submission of a Statement of Intent form to DfT by 13 March 2020, stating how the funding will be used. The three further funding streams are on a competitive bidding basis. Initial Expressions of Interest are required by 30 April 2020, with shortlisted areas being taken forward to stage 2 of the respective bidding processes.
17. The guidance states that Government's objectives for the additional local bus funding are to:
 - improve current local bus services, e.g. with evening, weekend, or seasonal services;
 - restore lost routes; and
 - support new services or extensions to current services e.g. to new housing, employment, education and health services.

Finance

18. The payment of £709,912 is revenue funding. The allocation is based on past local authority supported bus mileage, with 20% of the fund set aside to provide a top-up for rural authorities. It will boost the County Council's bus subsidy budget significantly for 2020/21. The base budget for 2019/20 is £1.9 million with further funding provided by developer contributions and the Home to School Transport service.
19. However, this is a one-off payment, and whilst the guidance states that funding can be used over more than one year, care needs to be taken to ensure that any services paid for by this fund do not end up in a cliff edge situation when the funding has been spent, and the service is consequently withdrawn. This instability will undermine passenger confidence in the local bus network and create reputational issues for the County Council.

Performance and Proposed Approach

20. Bus passenger numbers continue to grow in Hampshire. Recently released figures from DfT show that passenger journeys increased in 2018/19 to 31.2 million from 31 million in 2017/18, bucking the national trend of decline.
21. This continued growth can at least partly be attributed to the model of partnership working that has delivered many improvements to the bus fleet and commercial bus services in Hampshire over recent years, including significant investment in new vehicles by bus operators, contactless payments, Wi-Fi for passengers, next-stop announcements, real time bus departure information and Bus Rapid Transit.
22. The proposed approach to spending the £709,000 must focus on targeting those areas where the funding has the best opportunity of leading to commercial viability beyond the funding period, thus avoiding a cliff edge situation for bus services when the funding runs out.
23. It is therefore proposed to adopt the following approach in developing the County Council's proposal to DfT, which will inform the Statement of Intent. The County Council is engaging extensively with Hampshire's commercial bus operators to identify those services that are commercially marginal, and where a sum of money for pump-priming either better frequencies or a longer span of the operational day, including the possibility of evenings and weekends, stand the best chance of becoming a long term addition to the commercial bus network when the funding has been used, rather than becoming a financial burden on the County Council.
24. Similarly, the County Council will work with operators to identify any services in Hampshire that have been lost during previous bus subsidy reductions that they feel would now stand a reasonable chance of being operated with a small subsidy and thereby becoming a viable part of a commercial network after the funding has expired. It is, however, less likely that this will yield as many candidate services as those categories listed above.
25. Once a series of service options have been developed, the proposed approach will be to examine the evidence, which would include potential passenger numbers, likely subsidy requirement per passenger journey, subsidy per mile,

and importantly the potential for the subsidy requirement to taper off towards the end of the funding period. This evidence will then inform the proposal to DfT.

26. In terms of procurement, there are two options available. The first would be the usual approach of specifying a desired timetable for a commercial operator to operate on the County Council's behalf, then awarding the contract to the lowest bidder.
27. The preferred approach would be to issue a challenge fund to operators inviting their bids for a share of the money. Operators would be expected to demonstrate how the funds would be used to boost frequencies, extend the operational day, extend routes, and provide evidence of how the services could become commercially viable at the end of the funding period. Operators would also be asked to demonstrate any added value that they would bring in terms of vehicle quality, air quality improvements, ticketing schemes or other passenger benefits. These proposals would be scored for value for money and feed into the Statement of Intent to DfT. As the new funding is a time limited, one-off grant, this approach is more likely to achieve the objective of maximising support for local bus services and is therefore recommended by this report as the preferred approach.
28. Given that DfT's funding formula includes a weighting for rural areas, it would be appropriate to work with operators to identify particular opportunities to boost interurban and market town services which operate through rural areas, but again on the proviso that the proposals are financially sustainable.

Consultation and Equalities

29. It is a condition of the funding that all Hampshire's Members of Parliament are consulted on the proposals and they are asked to indicate the extent to which the proposed approach meets their aspirations for the funding. This work is on-going.
30. Consultation is also on-going with all County Councillors seeking their views on the proposed approach. The County Council must also demonstrate engagement with the public either specifically for this fund, or through other recent work e.g. network reviews. Extensive public consultation was carried out as part of the 2018 Passenger Transport review which produced a very large number of responses and identified a clear set of priorities for the public.

Conclusions

31. The allocation of an additional £709,912 for bus service support is to be welcomed and will provide a significant boost to the subsidised local bus network. It is, however, a one-off payment for 2020/21, albeit with the opportunity to extend that over a longer period, so the funding needs to be managed carefully to avoid a cliff edge for some bus services when the funding is used up.
32. The approach to how this funding should be managed is outlined in this report, and the focus must be on enhancing those services that have the best chance of becoming commercially viable at the end of the period. To this end, detailed work is underway with operators to identify the most appropriate network enhancements.

33. The broader policy and funding initiatives put forward by Government as part of its 'Better Deal for Bus Users' paper is also to welcomed, providing the County Council with the potential opportunity to bid for further funding around electric bus towns, Superbus Networks, and Rural on-demand bus service trials.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

Hampshire maintains strong and sustainable economic growth and prosperity:	yes
People in Hampshire live safe, healthy and independent lives:	yes
People in Hampshire enjoy a rich and diverse environment:	yes
People in Hampshire enjoy being part of strong, inclusive communities:	yes

Other Significant Links

Links to previous Member decisions:	
<u>Title</u> Passenger Transport Review 2018 http://democracy.hants.gov.uk/ieListDocuments.aspx?CId=170&MId=4195	<u>Date</u> 29.10.18
Direct links to specific legislation or Government Directives	
<u>Title</u>	<u>Date</u>

Section 100 D - Local Government Act 1972 - background documents	
<p>The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)</p>	
<u>Document</u>	<u>Location</u>
None	

EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

2. Equalities Impact Assessment:

If secured, the proposed approach will provide for engagement with bus operators to ensure the most practicable and sustainable support for local bus services, which will benefit all Hampshire residents, including those with protected characteristics. Further consideration will be given to potential impacts when bids are invited and assessed to the proposed "challenge fund".