

REPORT TITLE: Bus Service Subsidy Process

Scrutiny meeting	Environment Scrutiny Committee – 6 March 2024
Chair	Cllr Chloe Turner
Presenting Officer	Tom Main
Item Type	Information
Purpose of Report	To inform the Committee of the process of subsidising bus services
Recommendations/ Action sought	N/A
Forthcoming Decisions	N/A
Background Documents	Improving Gloucestershire’s Bus Services Scrutiny Task Group Report Cabinet Decision: Bus Service Improvement Plan (BSIP+) funding and update on Dynamic Purchasing System for Transport
Appendices	N/A
Contact Information	tom.main@gloucestershire.gov.uk

1. Background

- 1.1. As the Local Transport Authority (LTA), Gloucestershire County Council is responsible for using public funds to subsidise bus services that are not commercially viable. The Transport Act (1985) is clear that commercial services operated by providers without LTA subsidy are protected from LTA involvement, the provider can operate as they see fit. The LTA then uses its subsidy budget to fill in as many gaps as possible in the network to compliment the commercial services.
- 1.2. The combination of commercial and subsidised bus services represents the entire bus service network in Gloucestershire. All bus services fall into one category or the other (some are both commercial and subsidised with GCC funding extensions to a commercial service).

- 1.3. In the financial year 2022/23, GCC spent approximately £5.2m on subsidised bus services. This has been a significant increase since 2019/20 when the spend was £3.7m. The subsidy spend is forecast to increase to over £7m in 2024/25, this increase is from the two-year BSIP+ funding award by the Department for Transport (DfT).
- 1.4. The increase in subsidy between 2019 and 2023 does not represent a major increase in the bus network. It is a result of the Covid-19 pandemic and the lasting impact on bus service passenger levels. The current passenger level across the entire bus network is at about 80% of the pre-pandemic level. This loss of revenue means some bus services are no longer commercially viable therefore the provider (almost always Stagecoach) withdrew them rather than operate at a loss. To protect the bus network and retain some of these important connections, GCC stepped in where possible to fund some level of replacement service.
- 1.5. The secondary impact of this lost revenue is that existing GCC subsidised services are more expensive to run. The combination of these effects is the reason behind most of the subsidy increase.
- 1.6. GCC's subsidy budget covers three distinct types of bus service:
 - Timetabled services – these are the classic bus services you see operated by Stagecoach and several smaller providers.
 - Community Transport – delivered by several charities with a focus on the most vulnerable rural residents.
 - Demand Response Transport – bookable bus services like The Robin.

2. The Subsidy Process

- 2.1. There are no specific criteria from the Department for Transport as to where an LTA should direct its subsidy funding. The reality is that subsidised networks develop over time with numerous factors leading to a service receiving a subsidy.
- 2.2. The responsibility of the Council is to provide a stable transport network and promote growth in bus usage, therefore contracts are procured for up to 7 years at a time. The reallocation of funding from one area to another is avoided to ensure a stable network. It also avoids moving problems from one area to another. For example, if a popular commercial service is withdrawn by a bus company, the Integrated Transport Unit does not reallocate resources from a less popular service to fund a replacement for the commercial service. A service subsidised by GCC is almost always the only transport option for the communities they serve so any reallocation of resources would leave them isolated.
- 2.3. Procurement of contracts is done via the Dynamic Purchasing System (DPS), our online marketplace of all providers who have an interest in delivering

public transport services. This ensures the procurement process has a wide a reach as possible and that GCC achieves the best possible price.

2.4. A calculation of 'cost per passenger trip' is used to assess the value for money of a subsidised bus service. This is a basic calculation of total cost / passenger trips. However, whilst it's used to measure value for money, it doesn't mean that low-performing routes are terminated. We are always aware that our subsidised services are usually the last remaining public transport option for those who use them. Terminating services will lead to more rural isolation and a negative impact on the most vulnerable who use these services.

2.5. New subsidy funding usually comes three sources:

- Housing developments – section 106 funds are used to secure bus services for new developments, these are usually pump-priming arrangements to facilitate longer term commercial viability.
- Internal bids – MTFS can be used to increase the subsidy budget. This has been done for several years to secure services considering recent inflationary pressure.
- Government funds – almost always from the DfT, such as the recent BSIP+ subsidy funding that gives GCC £4.4m over two years to enhance the public transport network.