

BUS SERVICE OPERATORS GRANT – DEVOLUTION OF FUNDING

To: **Cabinet**

Date: **28th January 2014**

From: **Executive Director: Economy, Transport and Environment**

Electoral division(s): **All**

Forward Plan ref: **N/a** *Key decision:* **No**

Purpose: **To consider the changes being made by Government to management of Bus Services Operators Grant (BSOG) and the devolution of some of this funding direct to upper tier authorities in England.**

Recommendation: **Cabinet is asked to note the changes being made by Government and to agree to pass the devolved BSOG funding to the operators of bus services contracted by the County Council, provided those services continue to operate in their current form.**

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1. CONTEXT

- 1.1 Bus Service Operators Grant (BSOG) is a grant paid to operators of local bus services and community transport organisations to help them recover some of their fuel costs. Bus operators and Community Transport providers currently receive BSOG for the local bus services and other passenger services they operate in the County. The amount each bus company receives is based on their annual fuel consumption. Fuel represents around 13% of the operating costs for conventional bus services and duty is currently rebated at a level equivalent to 25% of the pump price.
- 1.2 From 1st January 2014 BSOG that was previously paid direct to bus operators for services run under local authority contract has been devolved to the local authorities who pay for those services. Payments to operators for services operated on a wholly commercial basis will continue to be paid direct to operators by the Department for Transport (DfT).
- 1.3 The DfT has assessed the amount to be paid to Cambridgeshire under this new arrangement to be £273,269. This funding will be passed to the County Council (pro rata for the current financial year). The first payment was received in mid-January 2014. The County Council has some discretion on how to spend the devolved funds but the money has to be spent on bus services. The DfT have insisted on this by ring fencing it to bus service expenditure until April 2017. There is no indication at present if the payments will continue after April 2017.

2. IMPLICATIONS FOR CAMBRIDGESHIRE COUNTY COUNCIL

- 2.1 The County Council has two options. The first is to retain the BSOG for investment in bus services. This funding could for example, be added to the Cambridgeshire Future Transport budget or increase other bus service spending. The second and recommended option is to devolve in a 'like for like' way to operators the funds that are received from DfT as if they were still being directly paid by DfT to operators.
- 2.2 The amount of funding devolved by DfT is in line with values currently claimed by operators. Discussions with operators have indicated that if the funding is not devolved to the existing services, then these contracts will no longer be viable to operate. This would lead the operators to return the contracts and require them to be retendered, potentially at higher cost reflecting the loss of BSOG.
- 2.3 In addition to the potential higher cost of retendered contracts, there is also the risk of disruption and additional costs being incurred in the short term to cover an emergency situation if contracts are returned to the Council at short notice.
- 2.4 The devolved funds will be received by the County Council as an annual payment and will not be uplifted in future years for inflation or any other index. It is therefore proposed to amend current contractual arrangements to specify that BSOG will be paid at a flat rate and on the same basis that the County has received the funds from Government. The BSOG deal will be time-limited in line with the DfT's arrangement with the Council. The Council retains the right to keep the arrangement under review but will not meet any financial shortfalls relating to the ring-fenced fund or its possible future withdrawal.

3. ALIGNMENT WITH PRIORITIES AND WAYS OF WORKING

3.1 Supporting and protecting vulnerable people when they need it most

If BSOG is not paid to the operators and there is disruption to or complete withdrawal of contracted bus services, then the support of the vulnerable will be reduced.

3.2 Helping people live healthy and independent lives in their communities

Bus services help people live independent lives by providing access to employment, education, leisure and key public services such as health services. Disruption to or withdrawal of contracted bus services would impact on that help

3.3 Developing the local economy for the benefit of all

Bus services help people access employment and training live independent lives by providing access to employment, education and training. If services are disrupted or withdrawn then that access would be affected.

3.4 Ways of working

Officers have worked well with the DfT in order to ensure that the BSOG sums devolved are correct, hence ensuring that no gap in funding arises.

4. SIGNIFICANT IMPLICATIONS

4.1 Resource and Performance Implications

Paying the BSOG to the operators as proposed this report will reduce the risk of the Council having to retender services at potentially higher cost.

4.2 Statutory, Risk and Legal Implications

Under the Transport Act 1985 s63 the Council has a duty to secure the provision of such public transport services as it thinks appropriate to secure to meet any public transport requirements within the County which would not be met apart from any action taken by them for that purpose. Section 3.4 above explains how the financial risk to the Council has been successfully mitigated.

4.3 Equality and Diversity Implications

There are no direct implications.

4.4 Engagement and Consultation

The implications of the changes to the management of BSOG have been discussed with the bus operators.

4.5 Public Health Implications

There are no direct implications.