



Department
for Transport

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5 August 2021

To: Commercial Bus Operators
Local Transport Authorities/Travel Concession Authorities

Cc: Senior Traffic Commissioner, Richard Turfitt
Office of the Traffic Commissioner

Dear colleagues,

Bus Funding: Update for commercial operators and Local Transport Authorities/Travel Concession Authorities

Thank you for your combined efforts in ensuring the provision of local bus services during the pandemic.

The Coronavirus Bus Service Support Grant ('CBSSG') has provided support to the sector at unprecedented levels, however, the success of this scheme has been dependent on operators and authorities working together to meet the challenges presented in their local areas. A key element of this has been through operators maintaining high service levels throughout the pandemic, despite the fall in patronage. In turn, Local Transport Authorities (designated as Travel Concession Authorities ('TCAs')) have provided additional funding to bus operators through maintaining concessionary fares funding at pre-Covid levels despite the fall in travel from pass holders. This spirit of close cooperation has been widespread and we hope to see these close partnerships between operators and authorities continue in the long-term.

As you will be aware from recent communications, the Department for Transport has triggered the 8-week notice period for CBSSG, formally signalling the end of the scheme. Operators and LTAs will not be able to claim CBSSG beyond 31st August 2021, and the scheme is now closed to new applicants.

DfT has committed to continue providing unprecedented financial support to the sector through the announcement of the £226.5m Recovery Funding package, which will be made available from 1 September 2021 until the end of the current financial year. This has been designed to address the immediate financial challenges facing the sector. To enable this, however, DfT is asking operators to maintain high service levels and for TCAs to continue to pay concessionary fare payments to operators at pre-Covid levels, until the end of the current financial year.

Further details, including the Terms and Conditions for Recovery Funding will be shared in August.

In the longer term, the government has ambitious plans for transforming the sector, as set out within the National Bus Strategy. However, this can only be achieved once the recovery of the sector has been secured, which in turn, can only be accomplished through the continuation of the close working partnerships formed between operators and authorities.

Recovery funding and Maintaining service levels

With the removal of national restrictions, DfT is asking operators to continue their key contribution to these partnerships, through maintaining high service levels. CBSSG has funded up to 100% of pre-Covid services, and we have estimated that the Recovery Funding secured will be sufficient for funding services at up to 100% of pre-Covid levels. We are closely monitoring patronage to ensure the increase in patronage levels meet our forecasts, as the economy reopens.

Operators and LTAs should note that recovery funding will not be paid out based on bringing all operators to break-even level like CBSSG, but that it will instead be allocated on a formula basis. However, at the start of the scheme we will look to provide operators with some certainty around the level of funding they will be receiving over the course of the scheme subject to their compliance with our terms and conditions. To this end, we expect to provide a calculator to help operators estimate how much funding they could receive through the scheme shortly. LTAs will receive at least the same proportion of funding under Recovery Funding as they did through LTA CBSSG.

The coming weeks and months will be a critical period for attracting new and returning passengers back onto bus. Given the announcement of Recovery Funding, we are clear that high service levels should be maintained. Additionally, as part of the Recovery Funding Terms and Conditions, we are looking to incorporate a minimum service level of 90% of a pre-Covid mileage baseline which operators and LTAs will work together to set, DfT will provide further guidance on this. Operators will have to deliver this minimum service level in order to receive Recovery Funding. We recognise that exceptional circumstances, such as driver shortages, may also require a temporary reduction in service levels, and Recovery Funding will allow for this flexibility, whilst still encouraging operators to maintain high service levels.

In light of the government's objective in the National Bus Strategy to make bus services more frequent and more reliable, we expect that all service level changes made are in the interests of passengers and take into account the need to ensure a sustainable recovery of the bus sector. We do not expect to see widespread service level reductions but do support authorities and operators in considering how the pandemic has changed travel patterns and demand when consulting on local networks.

To support this, and given the continued uncertainty around patronage recovery, DfT plans to weight payments of our recovery funding so that at the start of the scheme operators receive a greater share of their total funding allocation, in order to give operators confidence and time to work with local authorities to adapt to any changes to patronage and travel patterns. We also plan to weight funding to provide greater financial support to those operators who maintain the highest levels of mileage.

Maintaining statutory concessionary travel reimbursement payments at pre-COVID levels

To that end, DfT is also asking TCAs to continue to contribute towards the successful working partnerships created between operators and authorities, by maintaining

concessionary fare payments to operators at pre-Covid levels, until the end of the current financial year. The budget agreed with HM Treasury for bus recovery funding has been calculated on the basis that these concessionary reimbursement payments at pre-Covid levels continue to be made.

At the same time, we also remind both operators and TCAs that within the Concessionary Travel Supplementary Guidance (20 November 2020), we suggested TCAs match pre-Covid concessionary payments to the level of service they are receiving from an operator. This will allow TCAs to make savings where operators have reduced service levels, given the pressures that are being faced currently.

This funding, combined with Recovery Funding from DfT, and the maintenance of high service levels from bus operators, will combine to ensure the continued operation of local bus services. As there is a fixed amount of recovery funding and allocations to operators and LTAs will assume continued concessionary fare payments at pre-Covid levels, DfT is unable to provide any additional funding to areas that reduce concessionary fare payments and any funding shortfall and impact on services as a result of reductions in concessionary travel payments, other than those set out above, will need to be absorbed locally.

Concessionary Travel Recovery

We recognise that concessionary reimbursement payments are an essential part of bus funding, while also being a significant share of wider local authority funding. We therefore aim to implement a concessionary travel recovery strategy at the start of the next financial year (2022/23). This will allow TCAs to return from paying out concessionary payments at pre-Covid levels, back down to paying out these payments to meet with actual patronage levels, at a rate that will not adversely affect other funding streams or bus services across the country.

It is therefore expected that DfT will continue to ask TCAs to pay out some percentage of pre-Covid concessionary payments for part of the next financial year, although not at the full rate. In March 2021, we laid an SI to temporarily change the legislation to allow pre-Covid concessionary payments to continue. This SI allows TCAs to, in principle, pay concessionary fares funding to operators at a higher level than due through actual journeys by pass-holders.

It is therefore likely that DfT would need to lay a further Statutory Instrument, to achieve the continued provision of enabling TCAs to, in principle, make pre-Covid level payments, during the new proposed recovery period of concessionary travel.

Concessionary travel reimbursement Call for Evidence

Throughout engagement with TCAs and bus operators, we have heard that the previous principles for reimbursement, including the reimbursement calculator, may no longer be fit for purpose in the current form, due to the impact of Covid-19 on travel patterns. Additionally, it was also requested that we look to review the appeals process, to ensure that stakeholders' expectations of the system continue to be met. We have listened to these views, and in response we launched a closed, industry and local authority only, call for evidence on 27 July 2021.

This exercise provides both TCAs and bus operators with the opportunity to contribute to DfT's proposed concessionary travel recovery strategy. It also invites them to set out their

views on how DfT's reimbursement guidance, reimbursement calculator and appeals process may need to be improved, particularly when interacting with the proposed recovery strategy, and also how these areas can further support the close working partnerships developed between operators and authorities.

This exercise will run for a period of 8 weeks, until 22 September 2021. Following analysis of the feedback, DfT will aim to issue Recovery Guidance, detailing the agreed concessionary travel recovery strategy, alongside any updated reimbursement guidance, in time for TCA's preparation of their new schemes for the next financial year.

You can respond to this call to evidence using the online form, which can be accessed using the following link: <https://www.smartsurvey.co.uk/s/0ESISQ/>. If you require a copy of the *consultation: call for evidence* document, please email concessionaryfares@dft.gov.uk.

Bus Service Operators Grant (BSOG)

As part of the response to mitigate the impact of the pandemic on the sector, DfT committed to paying BSOG to operators at pre-Covid levels. This has helped to provide certainty by maintaining an important revenue stream.

In line with the ending of CBSSG, BSOG will return to being paid at actual levels from 1 September 2021, including the Low Carbon Emission Bus (LCEB) incentive and the Automatic Vehicle Location (AVL) uplift payments. We hope this will provide an added incentive for operators to maintain services and their close working relationships with authorities.

Thank you once again for your efforts in supporting services in your area.

We are happy to answer your questions on the above. Please email the team at CBSSG@dft.gov.uk.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'M Crane'.

Matthew Crane
Deputy Director, Bus Recovery, Local Transport, Department for Transport