

## **Impact on Local Bus Services of Changes in Central Government Funding to the Bus Industry**

Bus services are an important part of the Council's transport strategy, and make a strong contribution to most of the national transport goals and many of the strategic transport objectives contained in the Local Transport Plan. They provide access to employment, education, shopping, services and other facilities and opportunities for those who do not have a car available (including the 16% of Wiltshire households who do not own a car, and many of the 44% who live in households with only one car) and allow independent travel to young people and older people who may not be able to drive. They are also important to the economic life of local towns, bringing people in to shop and use local services, and employees in to work.

Almost a half (46%) of Wiltshire's bus service mileage requires financial support from the Council, which costs £6million a year.

### **Comprehensive Spending Review**

The Government has announced reductions in Council spending of 28% over four years, and that these will be front loaded so that a higher proportion falls into year one. As a result, the Council is expecting all services to identify cost reductions of 12% in 2011/12 and 20% over the next four years. In the case of the passenger transport service the impact of this is compounded because large parts of the service are statutory (in particular home to school transport and concessionary fares, which between them account for £12 million out of the total budget of £21 million). Although some cost reductions can be achieved by efficiencies and procurement savings, the bulk of the savings will have to fall on the discretionary areas of service provision.

Two further major threats to bus services have also emerged as a result of recently announced changes to central government funding to the bus industry;

### **Concessionary fares reimbursement**

There has been a mandatory requirement for local authorities to offer concessionary fares for older and disabled people since 2001, when District Councils were first obliged to offer half fare travel to local residents within the boundary of their area. In 2006 there was a major change when the requirement was extended to provide free travel in the local area. In 2008 there was a further extension so that free travel is now available for any local bus journey anywhere in England. Although it is now in effect a national scheme, it is still administered by the local authorities, who issue passes for their residents and are responsible for reimbursing the bus operators for loss of revenue. Funding is provided by central government, partly through the general funding allocation and partly through a special grant (which will be absorbed into the general funding allocation from April 2011).

As a large proportion of their passengers no longer pay fares on the bus, concessionary fares reimbursement is of vital importance to the bus operators and to the viability of their services. Authorities are obliged by law to reimburse operators so that they are "no better and no worse off" for carrying free passengers, but as it is impossible to accurately calculate what this means in practice there have been many disputes.

Wiltshire has generally reimbursed at relatively low rates and there have been numerous appeals by operators against the Wiltshire scheme.

Government has recently announced a change to the guidance it provides on how to calculate reimbursement, and in the Spending Review stated its intention that this would at a national level reduce the amount of reimbursement paid to operators by £130 million. The new guidance is disputed by the operators, and there is widespread concern at national level that it is not fit for purpose and will leave them significantly under-compensated for participating in the free fare scheme, particularly in rural areas. It is estimated that the impact in Wiltshire will be a reduction of £1 million per annum (23%) in the income received by operators for carrying free passengers. Operators have warned that this will have to be passed on, and will result in increased prices for services run under contract to the Council and have a severe impact on the level of service they are able to run on a commercial basis.

### **Bus Service Operators Grant**

This grant, formerly known as Fuel Duty Rebate, is paid directly to the bus operators by central government on the basis of a rebate of 9p / litre of fuel used for local bus service operation. Again, it is an important source of income to bus operators and allows them to provide a higher level of service than would otherwise be the case.

It was announced in the Spending Review that the grant will be reduced by 20% with effect from April 2012. It is estimated that this will result in a loss of revenue to Wiltshire bus operators of around £600,000 per annum. Again, this will be passed on in the form of fares increases to passengers, increased prices for services operated under contract to the Council (including some school transport contracts that are registered as local services), and further reductions in the amount of service that can be operated commercially.

### **Combined impact on Wiltshire services**

The combined effect of the reductions in Council funding and the changes in concessionary fares reimbursement and Bus Service Operators Grant will be to severely reduce the ability of operators and the Council to provide reasonable levels of public bus service in Wiltshire. Operators will lose a significant proportion of their income, leading to higher prices for services they operate for the Council and a reduction in the services they are able to run commercially. At the same time the Council will have less funding available for existing supported services, or to replace the services being withdrawn by the commercial operators.

The proposals to use car parking income to help support local bus services are needed to deal with the combined impact of these serious funding problems.