

Item:  
**8**



**Report to Partnership Meeting 5 February 2021**

**RESEARCH AND STRATEGY DELIVERY**

**Rural Bus Service Support and Funding**

**Purpose of Report**

During the discussion at the November Partnership meeting around the £500m Bus Partnership Fund being introduced by Government it was noted that the fund is designed primarily to relieve congestion impacts on bus service running and encouraging a mode shift from car to bus. Members noted that this fund would offer limited opportunity to address issues with rural bus service whose primary need was revenue support and tasked officers with developing a paper on the issue of finding ways to support rural bus services.

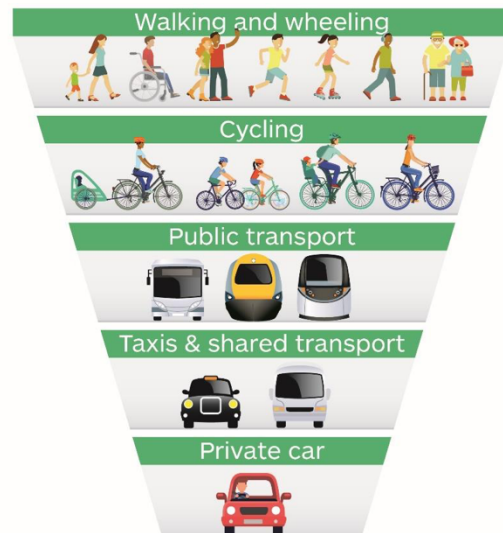
**NTS 2 Policy Context**

The Scottish Government’s National Transport Strategy 2 was published early in 2020. This sets out a positive Vision and commits to be a Transport Strategy for all of Scotland recognising the different needs and challenges the country faces, reaching out beyond the silos that exist in terms of responsibility of Scotland’s transport infrastructure, services and assets. The NTS Vision is underpinned by 4 priorities, these are:

- Reduces inequalities
- Takes Climate Action
- Helps deliver inclusive growth
- Improves health and wellbeing

The strategy will be taken forward by Transport Scotland. The NTS has established a travel hierarchy which promotes active travel then shared transport options and encourages a move away from private car use. This hierarchy is supported by the diagram which has been very effectively in communicating the NTS priorities.

**Prioritising Sustainable Transport**



A new requirement that must be met by Transport Scotland is a duty to produce an annual delivery plan with the first of these published in December covering a period from 2020 to 2022. The delivery plan will set out how the sustainable travel hierarchy will be taken forward by Transport Scotland and how they will work with partners to ensure the NTS Vision is realised across every part of Scotland.

## Summary of Rural Bus Service Issues

Local bus service across Scotland have been in sharp decline for the last 15 years or so. Frequency of bus use is, as expected, higher in urban areas where more bus services operate. Much of rural Scotland continues to rely on supported local bus services, and communities are dealing with the reduction and demise of many routes in their areas.

Since the Concordat agreement of 2007, ring-fencing of Local Authority General Revenue Grant (GRG) has been removed, revenue funding has been reducing (Audit Commission estimated a real terms reduction of 7.6% since 2013/14).

The national funding schemes for local bus services in Scotland all favour urban areas and areas operating with commercial services. In other parts of the UK there continues to be dedicated national funding streams for rural transport.

There is continuing concern about the continuation of further austerity measures and hence pressures placed upon local bus services – predominantly subsidised services, which are most common in rural Scotland. This downwards pressure is also in the context of increasing costs to provide statutory services – including statutory home to school transport, discretionary local bus services, and services beyond transport.

Covid has seen the adoption and welcoming of more home working and working closer to home within community hubs etc., both across the public and private sectors. This presents the opportunity to reshape rural bus services and community transport with the right financial support package.

Covid has seen some strong community action as Community Anchor Organisations have grown and responded to Covid funding opportunities. This presents a future opportunity to build transport solutions as Rural Scotland eases out of the Covid experience. There is potential to benefit from community involvement on the back of the strength of the community response through the Covid experience – growth in, and growth of, Community Anchor Organisations with a will to shape and deliver change and services within their communities. This could be captured through the development of targeted funding for rural and island areas focussed on delivering across all four of the National Transport Strategy priorities. There is a real opportunity in the current context to deliver services in new ways, using technology as well as community involvement, to inform good service design and delivery.

## Local Bus Services in Crisis

Local bus service across Scotland have been in sharp decline for the last 15 years or so. This paper sets out some of the key issues, challenges and opportunities that face local bus services in rural Scotland. Unless otherwise stated, the paper draws on data from the most recent Scottish Household Survey analysis.

In 2019, 39 per cent of survey respondents in the Scottish Household Survey had used the bus in the past month. Only eight per cent used the bus ever day or almost every day. These are the lowest figures since comparable records began in 2002.

Other sources suggest more clearly that bus use has been declining. Provisional estimates from the DfTs survey of bus operators indicate that there were 366 million bus journeys made in Scotland in 2019, a decrease compared with 380 million in 2018 and 471 million in 2002 – approaching a one quarter reduction between 2002 and 2019.

Transport Scotland (TS) *“sets the national policy framework on buses which is delivered by bus operators, local authorities, Regional Transport Partnerships and the regulatory authorities”* and TS reports that *“the majority of bus services in Scotland are operated on a commercial basis by private bus companies.”* However, when we look at the picture across rural Scotland, the majority of bus services in remote and rural Scotland DO NOT operate on a commercial basis.

## Urban vs Rural Bus Services

Frequency of bus use is, as expected, higher in urban areas where more bus services operate. Fifty-four per cent of people in large urban areas used the bus at least once a month compared to 19% in small remote towns and 20% in remote rural areas.

Sixty per cent of households in large urban areas have cars, compared with 83-88% of those in rural areas. So, car ownership is notably higher in rural and remote rural areas, but:

- The remaining 12-17% still leaves many within our rural areas that do not have access to a car; and
- One or even two cars in a household does not necessarily mean that all members of the household have private transport available entirely to meet their needs to access learning, employment, leisure and health etc.

Only 40% of households whose net annual income was up to £10,000 had one or more cars available for private use, compared with at least 85% of households whose annual net income were above £25,000.

Much of rural Scotland continues to rely on local bus services, and are dealing with the reduction and demise of many routes in their areas.

## Bus Usage and Bus Service Kilometres

Only 14% of people in the Highlands and Islands state that public transport in their area is fairly or very inconvenient in 2014, which is down from a peak of 23% in 2006. Satisfaction with public transport in 2018 was at its lowest since 2007, with just 65% of people saying they were “very or fairly satisfied”, compared to 69% in 2007 and a high of 76% in 2011. There was a marked difference in overall satisfaction between urban and rural areas, with 59.5% satisfied in the former and just 42% in the latter. While satisfaction with health and schools were roughly the same in both urban and rural settings, satisfaction with public transport was markedly lower in rural areas (46%) compared to urban ones (77%).

Bus service kilometres in the Highlands and Islands (including Shetland) have fallen by 11% in the five years to 2015/16. This reduction is the same as the South West and Strathclyde regions and represents the biggest reduction in Scotland. There has been a 4% increase in the North East, Tayside and Central, and no change in the South East. Overall, bus kilometres in Scotland as a whole fell by 5% in the five years to 2015/16.

### Local Authority Funding of Local Bus Services

Since the Concordat agreement of 2007, ring-fencing of Local Authority General Revenue Grant (GRG) has been removed, revenue funding has been reducing (Audit Commission estimated a real terms reduction of 7.6% since 2013/14) and focus has therefore been placed on broader statutory functions, of which, local bus services are not. Consequently, funding for local bus services has reduced significantly across Scotland, and continues to do so.

Rural Scotland has been at the brunt of this decline with the heaviest reliance on subsidised local bus services. Between 2010 and 2019 there was loss of more than one in five subsidised bus services in Scotland, a loss of around 60 routes, which are far more likely to impact rural and remote areas.

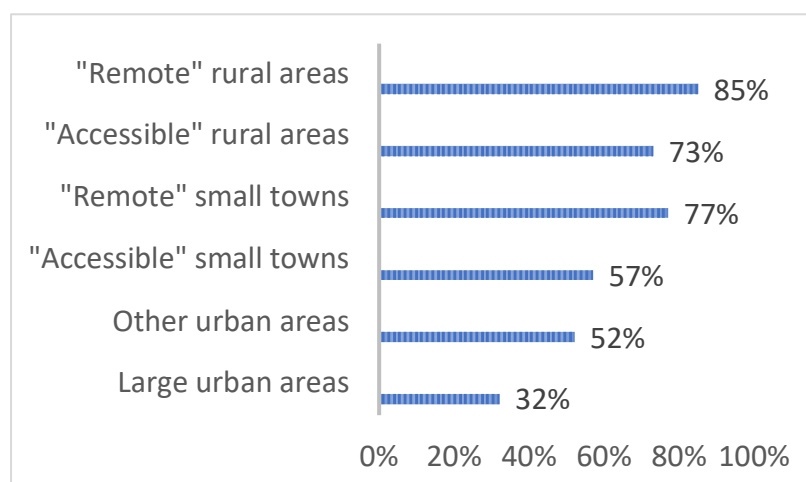
### National Funding for Bus Operations

#### National Concessionary Travel scheme for older and disabled people (NCT)

The NCT was introduced in 2006, providing unlimited free bus travel across Scotland on eligible services for older and disabled people. Over 1.2 million cardholders currently benefit from the Scotland-wide scheme. They made over 145m passenger journeys on local buses in Scotland in 2012-13, with an average benefit per cardholder calculated then at around £250 per year.

The national scheme is set to be extended to under 19s in the next year, with the revised Budget allocating £15m towards preparations for the scheme, but with no mention of its estimated £60m annual running costs to date.

But it is important to highlight that those living in rural and remote areas in Scotland without or with limited public transport, and those unable to access conventional bus services, are not able to benefit from the unlimited free travel afforded to those in areas with good and / or accessible bus provision. An Edinburgh cardholder uses their card nearly 10 times more often than an Orcadian cardholder.



Further, the majority of NCT eligible older people in large urban areas have a card / use the card at least monthly, in fact 63% of card holders use at least once per week. While, conversely, the majority of older people in "remote" rural areas either do not have a card (18%) or have not used their card in the last month.

Figure 1 Do NOT have NCT card or have NCT card but have not used in the last month

If the average benefit per card holder is in the order of £250, the majority of this benefit is realised by those in urban areas. It calculates that nearly 70,000 older people in "remote" rural areas are missing out on any benefit from the NCT, as well as

almost 100,000 people in “accessible” rural areas, and 36,000 older people in “remote” small towns. If we conservatively assume that half of these older people are missing out due to the lack of any services, then based on the £250 per card holder benefit this adds up to a staggering £25M per annum.

In reality, in cities and towns, eligible older people will be using the NCT card far more frequently, and so the financial benefit for this cohort will be much higher than £250 per user, whereas in rural areas, with fewer / no services the effective spend or financial benefit will be much lower or zero.

#### Bus Service Operators Grant (BSOG)

The BSOG scheme is a discretionary grant that subsidises commercial and community bus routes. This is an annual subsidy comprising of a core payment and an incentive for the operation of green, environmentally friendly buses.

The core rate of BSOG payable is 14.4p per kilometre, BSOG payments are based on distance travelled and calculated using eligible live service kilometres times the payment rate.

#### Green Bus Fund / Ultra Low Emission Bus Scheme (SULEBS) – from 2011

SULEBS supports the purchase of new buses, and assists with 50% of the cost differential between a standard diesel bus and the equivalent ultra-low emission bus. This can rise to a maximum 75% support of the differential for buses depending on their zero emission running capability. Support is also available for the infrastructure for this technology of up to a maximum 75% of the capital cost.

The 2020 award included funding for 5 new electric buses to service Orkney Mainland subsidised network. There was also funding for First Glasgow, Xplore Dundee, McGill’s Buses and Ember Core Ltd. totalling £7.4M across the 5 projects.

#### Bus Partnership Fund

As part of its response to the climate emergency, the Scottish Government committed to providing a long-term investment of over £500m to deliver targeted bus priority measures on local and trunk roads. This is intended to reduce the negative impacts of congestion on bus services and address the decline in bus patronage. The investment takes the form of the Bus Partnership Fund, together with the roll-out of infrastructure for the trunk road network.

Due to the focus of the fund, on mitigating the impacts of congestion, the focus appears to be on urban areas across Scotland.

#### Funding for Rural Transport

The schemes highlighted above all favour urban areas and areas operating with commercial services. In the past, there have been targeted rural funding opportunities, but which have now been cancelled. Specifically:

##### *Rural Transport Fund – up to 2006*

The fund covered grants to local authorities for passenger transport services, rural community transport projects and grants to rural petrol stations, and comprised:

- **RURAL PUBLIC PASSENGER TRANSPORT GRANTS:** Grants totalling £24.8m were allocated to Local Authorities for new rural public transport services up to 2004, and a further £11.9M was allocated between 2004 and 2006. The grant paid to local authorities enabled over 400 new or improved services, mainly bus, but also ferry services, to be introduced bringing particular benefits to people who do not have access to a car.

- **RURAL COMMUNITY TRANSPORT INITIATIVE:** the initiative provided assistance to community and voluntary groups for community transport measures particularly in the more remote areas of Scotland, and where there are no scheduled bus services or where services are very limited. Around one hundred and fifty community transport projects throughout rural Scotland received support. A number of projects provided particular transport benefits for older people opening up new travel opportunities and enabling older people living in rural areas to access and enjoy social activities and local facilities. Projects included mini-buses, transport coordination, dial-a-bus and car schemes.

## In Other Parts of the UK

In other parts of the UK there continues to be dedicated funding for rural transport, namely:

### *England:*

Rural Mobility Fund: funding to trial on-demand bus services in rural/suburban areas, and ring-fenced funding for supported bus services to deliver National Bus Strategy.

### *Wales:*

Welsh Government Rural Communities – Rural Development Programme 2014 – 2020 (to fill gaps in public transport).

### *Northern Ireland:*

Rural Transport Fund since 1998: revenue funding to Rural Community Transport Partnership.

## Rural Bus Service Issues in Scotland

The provision of transport solutions for rural communities have never been more essential. Rural areas have experienced a considerable reduction in facilities, such as hospitals, health centres, post offices, shops and libraries, due to cuts in funding and agendas to centralise services.

These cuts and wider austerity measures have also seen a reduction in local bus service kilometres, and so while the need to travel has been growing, the means to travel (by local bus services) has been becoming more restrictive and difficult.

This all heightens rural poverty, for example, people are forced into car ownership, and contributes to social isolation, with people unable to access activities, opportunities, learning and employment due to a lack of transport, or cost barriers (either public transport or running a vehicle).

### Covid Response and Recovery: Rural Communities Survey on COVID-19 – Response and Recovery Round 2 – July/August 2020 (Scottish Rural Action)

The re-design of transport was a major theme amongst both island and mainland residents and one which was perceived to sit squarely with the Scottish Government, local authorities and transport companies.

It was concluded that top priority should be full restoration of all public transport. *“I am too disabled to drive so I am absolutely dependent on public transport but many rural bus routes have been withdrawn.”*

It was highlighted that reduced timetables and capacity are causing real problems now people are returning to work. Many of the most vulnerable people depend on public transport, particularly for things like getting to hospital appointments, visiting friends and shopping.

Travel itself emerged as a major theme, both in terms of making rural living more viable (e.g. recommendations around cheaper and better rail, bus and ferry networks) but also greener and more conducive to supporting rural social capital: *“we would like investment to support the purchase of electric vehicles for rural transport to bring isolated people to larger community centres and halls so that they have the same opportunities for social interaction as their urban counterparts.”*

## Covid Funding for bus services in Scotland

### *COVID-19 Support Grant (CSG)*

This grant maintains the National Concessionary Travel Scheme (NCTS) reimbursement and Bus Service Operators Grant (BSOG) payments at the levels forecast prior to the impact of COVID-19.

### *COVID-19 Support Grant - Restart (CSG-R)*

An additional £46.7 million is being made available to support bus operators to increase bus services and to cover the gap between costs and the anticipated loss of fare-paying passenger revenue that bus operators will experience due to physical distancing and reduced carrying capacity.

### *Bus Priority Rapid Deployment Fund*

Providing funding for temporary bus priority infrastructure, to reduce the impact of congestion on the busiest routes.

## Pandemic Impact

The eventual economic recovery for the Highlands and Islands from the pandemic is expected to be slower than the rest of Scotland (due in large part to higher proportion of hospitality jobs and higher proportion of micro and small enterprises in our economy). This is summarised very well by Highlands and Islands Enterprise in their [THE IMPACT OF COVID-19 \(hie.co.uk\)](https://www.hie.co.uk) which states:

- The Highlands and Islands region has been disproportionately impacted by the COVID-19 pandemic to date, when compared to Scotland and the UK as a whole
- The region has a greater share of employment in the sectors already most affected by COVID-19. These include the regionally important manufacturing and transportation sectors. Tourism, creative industries and construction have been hardest hit to date
- The region has a higher proportion of self-employed and employment in micro-businesses compared to Scotland; these are businesses most at risk as a result of COVID-19. At the same time, these businesses are the ones that are most flexible and potentially able to respond to the challenge
- COVID-19 is having a major impact on the labour market. Around 72,000 employments were furloughed for at least part of the period to end June 2020 (33% of eligible employments); unemployment has risen to 5.7% with youth unemployment rising to 9.9%
- The consequence of these factors is that GDP in the region is expected to contract significantly in 2020, and likely to decrease by £1.5-£2.6bn, a fall in output of between 11% and 19%.
- Medium-term recovery forecasts for Scotland are for gradual recovery by Q4 2022 – for the region, recovery to pre COVID-19 levels is unlikely until 2023 at the earliest
- The COVID-19 impact is compounded by the region’s vulnerability to Brexit – five of the six most vulnerable local authority areas to Brexit are in the Highlands and Islands

The Covid specific bus funding provided to see the industry through the crisis doesn’t address the historic and recent decline in rural bus services however, or provide the foundation to fill gaps that exist across rural Scotland. The focus again appears to be more tailored towards more urban areas, with commercial activity.

Covid has seen some strong community action over a range of projects and volunteering in response to funding opportunities to Community Anchor Organisations. Does this then present a new structural foundation to build transport solutions as Rural Scotland eases out of the Covid experience?

Covid has seen the adoption and welcoming of more home working and working closer to home within community hubs etc., both across the public and private sectors. This presents the opportunity to reshape rural bus services and community transport services (with communities), achieving more critical mass, although still within the context of thin routes, which would still require some financial support. But, presents the opportunity through structural change to delivering services more generally to achieve greater value for money for the public purse.

Many of those residents (pre-Covid) that were very reliant on subsidised local bus services and Community Transport for access have become increasingly isolated through lockdown and the Covid experience, and we now have the challenge (with partners) to support these residents, typically older, to become socially active again, to regain their mobility and improve their well-being. A sizeable challenge for the coming months and years, and one in which local bus services and Community Transport should have a significant role if it is supported. This is a prime example of where transport affords benefits far beyond transport itself, benefitting predominantly here wider health and social care services.

## The future for rural bus services

### Challenges

There is continuing concern about the continuation of further austerity measures and hence pressure placed upon local bus services – predominantly subsidised services, which are most common in rural Scotland. There is the likelihood of further reduction in spend on subsidised local bus services, and so further diminishment of the rural bus network

This downwards pressure is also in the context of increasing costs to provide statutory services – including home to school transport, and services beyond transport.

In rural Scotland there is a predominance of small bus operators, that have limited resources for investment themselves. This is then coupled with no targeted funding in Scotland for rural transport, to develop and test new services, new ways of working etc., as well as to support infrastructure, vehicle purchase and developing routes.

As has been highlighted through this paper, funding appears focussed on city and town contexts, with little thought given to the challenges of accessibility in rural Scotland.

### Opportunities

There is potential to benefit from community involvement on the back of the strength of the community response through the Covid experience – growth in, and growth of, Community Anchor Organisations with a will to shape and deliver change and services within their communities.

This could be captured through the development of targeted funding for rural and island areas focussed on delivering across all four of the National Transport Strategy priorities, namely:

- **Reducing inequalities** – the lack of specific funding for rural bus services, and the decline in subsidy for supported services is contributing to inequalities across rural Scotland.
- **Taking climate action** – providing viable public transport, and supporting investment in low carbon vehicles will make a marked difference. Small operators, perhaps those that are



community-based lack the capacity and capital to invest in new fleet (even the match funding required such as through SULEBS).

- **Helps deliver inclusive economic growth** – bus services are required to ensure all can access employment and learning, particularly those in lower income households, without the need therefore for car ownership.
- **Improves health and wellbeing** – social isolation has inevitably increased through reductions in bus services in rural areas, which has been magnified further through Covid experience; more comprehensive local bus services are required to help people get out more and address rural isolation.

There is a real opportunity in the current context to deliver services in new ways, using technology as well as community involvement, to inform good service design and delivery.

### Next Steps and Potential Rural Bus and Community Transport Interventions

We can capitalise on these opportunities to innovate and to make a real difference to rural communities and deliver on the National Transport Strategy objectives through:

- a) Reinstating a Rural Transport Fund – if managed at RTP level there would be no impacts on local government grant in terms of ring fenced funding or grant formula. This would appropriate targeting and learning between areas across the region.
- b) Reinstating RTP capital passenger transport grant to support improvements to infrastructure and public transport capital assets including within the community transport sector.
- c) Introducing an Enhanced DRT funding stream – managed at RTP level and developed collaboratively with local authorities and community anchor groups including existing CT providers and the CTA.
- d) Investigating the potential for more regional collaboration on Public Transport and DRT management and operations.

### Risk Register

#### RTS Delivery

Impact - Positive

Comment – The report sets out the case for change in support for rural passenger transport ensuring this offers a fairness in support to rural areas when compared to interventions in urban areas.

#### Policy

Impact - Positive

#### Financial

Impact – Positive

Budget line and value – This item sets out the case for increased support of rural passenger transport services recognising that this must fit within a constrained budget environment but that it would strongly fit with the NTS 2 Vision and priorities.

#### Equality

Impact – Positive

### RECOMMENDATIONS

1. Members are asked to note the report.
2. Members are asked to consider the suggested Next Steps and whether these represent a useful first step in an effort to engage partners and decision makers on how to support rural passenger transport services to address the decline in patronage over recent years.

**Report by:** Ranald Robertson  
**Designation:** Partnership Director  
**Date:** 26<sup>th</sup> January 2021