



Department for Transport

AN Other lower tier district council

Bus Service Operators Grant
Department for Transport
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5 July 2013

Dear XXXXXXXXX

BUS SERVICE OPERATORS GRANT (BSOG)

The Government has announced a series of changes to how BSOG works and who is eligible to claim it. You can find details of the changes at:

<https://www.gov.uk/government/organisations/department-for-transport/series/bus-subsidy-reform>

Please also see Annex A which gives more detail on the changes and how these may affect local authorities. We are writing to you because we believe that your authority tenders one or more bus services for which the bus operator currently receives BSOG from this Department. Under the changes to BSOG the grant funding will from 1 January 2014 be paid to the tendering local authority rather than the bus operator. We will be writing to you again to confirm that amount that will be paid to your authority. I would be grateful if this letter could be passed to the relevant officer within your authority and if they could provide us with their contact details.

If you have any questions in the meantime, please contact the BSOG team at:

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Department for Transport
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East Sussex
TN37 7GA

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or email bsog@dft.gsi.gov.uk

Yours Faithfully,

Bus Service Operators Grant Section

1. BACKGROUND

- 1.1 A number of important changes are being introduced to the Bus Service Operators Grant (BSOG) scheme. Changes to each type of service are set out in this letter. In addition the Department has published a toolkit which we hope you will also find useful. Although it is primarily aimed at bus and community transport operators it will be of equal interest to local authorities. The toolkit can be found at:
<https://www.gov.uk/government/organisations/department-for-transport/series/bus-subsidy-reform>

2. DEVOLUTION OF BSOG

Transport for London Services

- 2.1 On 1 October 2013 BSOG funding for services contracted to Transport for London (TfL) will be devolved to TfL. BSOG will cease to be paid by the Department direct to operators from this date.
- 2.2 The Department has also written to operators of TfL franchised services and encouraged them to speak to TfL about the impact of the devolution of BSOG funding, and explore with them how this change will be managed.

Tendered Services

- 2.3 Please note that for the purpose of this exercise the definition of a tendered service is *“one where a local transport authority has invited tenders for the operation of a service (not e.g. seats on a bus or subsidised tickets etc), and a contract exists as a result of that tender”*.
- 2.4 On 1 January 2014 BSOG funding for tendered services outside London, including those run under a section 22 permit, will be devolved to those local authorities responsible for tendering the service, and the money will be used by them to improve the local bus network. We will be writing to each affected local authority in due course with details of how much is being devolved to them. BSOG will cease to be paid by the Department direct to bus operators from this date. **Please note this implementation date has been revised from that originally planned (1 October 2013)**, so as to give local authorities and operators sufficient time to manage the transition.
- 2.5 Bus operators currently receive financial incentives if they have fully functioning smartcard and / or automatic vehicle location (avl) equipment fitted, or if they run low carbon emission vehicles. Operators of tendered services will still be able to claim these three incentives direct from the Department for Transport after 1 January 2014.
- 2.6 You will wish to be aware that the Department has written to operators of tendered services and encouraged them to speak to their local authorities about the impact of the devolution of BSOG funding, and explore with them how this change will be managed. The Department strongly encourages local authorities to work closely

with bus operators in order to avoid potential disruption to the bus market by adjusting contracts to account for the loss of BSOG.

Commercial Services

- 2.7 Bus operators who are running services which are commercially viable, i.e. those not supported financially under tender to a local authority, including those supported on a de-minimis basis, will continue to be able to claim BSOG after 1 January 2014. You should however be aware of changes to eligibility (set out in section 3) being implemented on 1 October 2013.

Better Bus Areas

- 2.8 On 26 February 2013 the Department launched a competition to identify new Better Bus Areas (BBA's). For further information on BBA's please visit our website at: <https://www.gov.uk/government/publications/bus-service-operators-grant-reform-and-better-bus-areas> .
- 2.9 Winners of the BBA competition will be announced on 1 October 2013. Within these areas BSOG paid to operators running commercial bus services will be gradually reduced from April 2014, and the money will be used by the local transport authority, together with a top-up, to improve the local bus network.

3. ELIGIBILITY

- 3.1 In addition to the changes set out in section 2 the following services will become ineligible for BSOG on 1 October 2013:
- I. Services which are intended to operate for less than six consecutive weeks, including services which are intended primarily for visitors to sporting or recreational events, such as flower shows or football specials. This does not apply to services put on in emergency circumstances, e.g. where a bridge has become impassable and a temporary bus service has been laid on to transport passengers around the obstruction;
 - II. Services operated primarily for the purposes of tourism or because of the historical interest of the vehicle. This exclusion would not apply to registered local services run on a commercial basis which also happen to attract tourist traffic;
 - III. Services substituting a bus for a rail service which has been temporarily discontinued, reduced or modified. This does not apply to services that have permanently replaced a rail service which has been discontinued;
 - IV. Services for which the fare includes a special amenity element, i.e. it is significantly high in relation to the general level of fares for comparable journeys, including services whose primary function is to transport travellers between airports, rail stations, sea terminals and their dedicated car parks.
- 3.2 School services run on a tendered basis to a local authority will become ineligible on 1 January 2014. The grant for these services will be devolved to local

authorities as part of the wider tendered service BSOG funding devolution changes.

- 3.3 School services run on a commercial basis will be eligible as long as they are also open to the general public and not restricted to students.
- 3.4 The Department would like to clarify that free bus services are not eligible to receive the grant.

4. SECTION 19 COMMUNITY TRANSPORT

- 4.1 On 1 October 2013 BSOG funding for Section 19 Community Transport services **run in-house by local authorities** will be devolved to those local authorities. No further BSOG may be claimed by those local authorities after this date.
- 4.2 These local authorities will be sent a PSV452E certified claim form on 30 September 2013 to reconcile their figures up to this date. Once their claim form has been returned and payments made their BSOG accounts will be closed.
- 4.3 Other section 19 services run by charities and voluntary organisations, including those that operate under tender to a local authority or with a grant from a local authority, are unaffected by these changes and will continue to be able to claim as they do now. The same arrangements will apply regardless of whether a service is being operated within London, within a Better Bus Area, or outside of both London and BBA's.