



Department for Transport

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From the Permanent Secretary

Meg Hillier MP

Chair of the Committee of Public Accounts

Dear Chair,

8 August announcement of funding to support bus and light rail services

Thank you for your letter of 8 September, setting out the Committee's questions in relation to the funding announced by my Department on 8 August for bus and light rail services in England.

Description of the latest funding packages

We announced two packages of funding on 8 August: an updated round of the "Covid-19 Bus Service Support Grant Restart" (CBSSG Restart) funding, and the latest Light Rail Revenue Restart Grant (LRRRG) funding. These are third packages of emergency funding announced for the sectors, since the beginning of the Covid-19 response in March.

These packages are designed to enable bus and light rail operators to run up to 100% service levels in most cases. Social distancing guidelines limit capacity: for example, available capacity on buses is around 40-45% of pre-Covid-19 levels per vehicle. This funding covers the difference between revenues and the operating costs of running 100% service levels on bus and light rail services, on a "break-even" basis for buses and taking account of any pre-Covid operating losses for light rail operators.

The CBSSG Restart package, announced on 8 August, provides up to £27.3 million per week, until a time when the funding is no longer needed. To avoid a possible funding cliff-edge for operators there will be an eight-week notice period where the £27.3 million per week will continue to be provided. My Department works with Her Majesty's Treasury to review patronage and capacity data on bus networks to make an informed decision on the continued need for emergency support for the bus sector. We regularly engage with industry stakeholders including the Urban Transport Group and the Confederation of Passenger Transport and will consider these groups' views in our assessment of whether the continued rolling funding is required.

For the bus package, HMT have requested that either the Department funds this from the £3bn announced by the Prime Minister for buses in February or we make a saving of an equivalent amount to this latest bus funding package, identified from existing DfT funding. We are reviewing this as part of the forthcoming Spending Review.

Separately, the LRRRG package announced on 8 August provides up to £37.4 million over a discrete 12-week period from 4th August until 26th October, with further funding to be reviewed at the end of this period. The five light rail systems that receive this emergency funding support are Sheffield Supertram, Manchester Metrolink, Nottingham Express Transit, West Midlands Metro, and Tyne and Wear Metro. Additionally, we announced on

the 15 September that we would be providing Blackpool Tramway with funding of up to £320k over 8 weeks, backdated to run from August 4, to support the operation of services of up to every 15 minutes.

HMT have agreed separate funding for the LRRRG package. Any further funding to follow from the end of this funding on 26 October to March 2021 would have to be agreed separately with the Treasury as an in-year issue outside the Spending Review process.

Other local transport funding announcements

The CBSSG Restart package announced on 8 August follows two earlier packages. The first was announced on 3 April and provided up to £167 million in emergency funding on a break-even basis to operators and local authorities. As part of this first package, £70m in funding was provided by my department, redirected from the "A Better Deal for Bus Users scheme". This overall package allowed operators to run up to 50% service levels over a 12-week period from 17 March to 8 June. The second package, announced on 23 May, provided additional funding to increase services for the 12-week period from 12 May to 3 August. This package provided £254 million, supporting up to 100% service levels, as lockdown restrictions began to be lifted.

On top of this, we continued to pay the Bus Service Operators Grant at normal pre-Covid levels to operators, regardless of the level of service they continued to run. This amounted to c.£200 million of existing Department for Transport funding.

The LRRRG package announced on 8 August also follows two earlier packages. The first, the Light Rail Revenue Grant (LRRG), drawn from my Department's funding, was announced on 24 April and provided £30 million to run essential services for the 12-week period from 17 March to 8 June. The second package, the Light Rail Revenue Restart Grant (LRRRG), comprised of HMT funding, was announced on 23 May and provided £29 million on the same basis to support increased service levels of up to 100% of normal during the 12-week period from 12 May to 3 August.

In addition to this, to support the return to school, the Department for Education has also provided funding to Local Authorities for Transport services. The DfE Home to School Transport grant funding is intended for the purposes of transporting children and young people to their place of education, whilst current social distancing measures reduce the capacity of existing public transport. Covering the first half of the Autumn term, DfE has provided more than £40 million to Local Transport Authorities in grant funding to provide additional home to school transport capacity. We expect this funding will continue into the Autumn term, but DfE are reviewing the amount distributed to each LTA.

I hope this is helpful and addresses all of your points.

Yours sincerely,



Bernadette Kelly CB
Permanent Secretary