



## **Review of Network Support Grant**

## **Fair Funding, Fair Work and Smaller Vehicles**

**December 2023**

**[www.ctauk.org](http://www.ctauk.org)**

# Summary of CTA's Review of NSG

## *Our Findings*

### **Network Support Grant is essential funding for the Community Transport sector**

- 35% of Community Transport operators in Scotland claim NSG.
- 33% of operators rely on just one source of funding (often public sector grant income).
- NSG enables Community Transport operators to:
  - Keep fares affordable and tackle transport poverty;
  - Plug gaps in our transport system, including a shrinking bus network; and,
  - Respond to the otherwise unmet transport needs of disabled people, older people, rural residents, low-income households and others.
- NSG keeps Community Transport services alive which could not otherwise exist.

### **Fair Work and fair funding are inextricably linked**

- Community Transport operators' ability to deliver Fair Work and pay all of their staff at least the real Living Wage is constrained by a lack of fair funding which covers these costs.
- Fair Work First conditionality attached to NSG will be challenging for some operators to achieve from 1 April 2024.
- 14% of Community Transport operators who currently pay at least the real Living Wage say they are unlikely to be able to afford to do so in 2024/25 (due to the increase to £12 per hour)

### **Smaller vehicles are an integral part of Scotland's transport network**

- Many Community Transport operators use smaller vehicles with fewer than 9 passenger seats to deliver essential transport services (especially in rural, remote and island communities and in accessible transport for disabled people).
- But they are denied funding through NSG, which is a mode-specific, bus-only grant.
- 59% of smaller vehicles deliver transport services which replace withdrawn bus services.
- NSG currently incentivises the use of larger vehicles to deliver services when this is not necessary, which is less accessible, cost-effective, efficient and sustainable.

### **Some concerns about communication and administration have been raised**

- Some Community Transport operators have experienced significant delays in access to advice, correspondence and payments.

## *Our Recommendations*

### **Deliver Fair Funding**

- Ensure NSG reflects the true (and changing) costs of delivering transport projects and services for operators; ensure Fair Work First is fully funded by public sector grants; and deliver annual inflation-based uplifts.

### **Extend Eligibility to Smaller Vehicles**

- Reform NSG based on passenger class rather than vehicle type to extend eligibility Community Transport services delivered with smaller vehicles with fewer than 9 passenger seats to support more cost-effective, efficient delivery of more accessible, comfortable services; reduce carbon emissions; and preserve the rural transport network.

### **Rethink NSG's Purpose**

- Ensure NSG evolves to keep pace with changes in our transport network to support more flexible modes (such as cars, MPVs and minibuses), and more innovative services (such as volunteer car schemes and DRT), in addition to traditional commercial and community bus routes.

### **Enhance Communication and Administration**

- Improve administration of NSG through direct and timely engagement with and clearer guidance for the Community Transport sector; the creation of a new phone line; and the creation of new customer service standards or service level agreements.

# Introduction

**The Network Support Grant (NSG) is a vital source of funding for the Community Transport sector.** Many non-profit operators rely on NSG to continue to deliver accessible, affordable and sustainable transport services in urban, rural and island communities across Scotland.

**We therefore welcome Transport Scotland’s commitment to ‘review the Network Support Grant in 2023-24** to ensure it continues to provide value for money whilst we also progress other opportunities in collaboration with the bus sector to improve services’. This is particularly important in the context of the Transport Minister’s Bus Taskforce; the Scottish Government’s commitments to rural and island connectivity; and Scotland’s targets on reducing carbon emissions and car use.

**The review represents an opportunity to rethink, reform and improve NSG to ensure it is fair, flexible and fit for purpose** to maximise the social, economic and environmental benefits for taxpayers and passengers.

**This briefing brings together data, evidence and views from our members to inform and support the review** from CTA’s *More Than a Minibus* (September 2022) and *Act Local* (September 2023) reports and more recent research (NSG online survey October 2023; Fair Work First online survey, November 2023) specifically for the purposes of this report.<sup>1</sup>

## Purpose

**NSG is the discretionary grant which replaced the Bus Service Operators’ Grant (BSOG), COVID-19 Support Grant (CSG) and COVID-19 Support Grant – Restart (CSG-R) in April 2022.**

**NSG’s main purpose is to subsidise commercial and community bus routes.** The aim is to maintain ‘the nation’s bus networks for the benefit of passengers’ and ‘keep fares at affordable levels and networks more extensive than would otherwise be the case’.<sup>2</sup>

NSG is payable to Community Transport services operating under Section 19 and Section 22 permits which meet the criteria around passengers, fares and stopping places laid out in The Bus Service Operators Grant (Scotland) Regulations 2002.<sup>3</sup>

**Our members support the current overall purpose of NSG.** We recognise that it is a discretionary and mode-specific, bus-only grant based on legislation. It plays a positive role in advancing Transport Scotland’s ambitions to maintain and expand the bus network. This is necessary to improve connectivity; reduce car dependency; and enhance access to amenities, education, employment, healthcare and public services for all of our people and communities.

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<sup>1</sup> All of the data and evidence in this briefing was produced by CTA and applies to Scotland only unless otherwise stated

<sup>2</sup> [www.transport.gov.scot/public-transport/buses/network-support-grant](http://www.transport.gov.scot/public-transport/buses/network-support-grant)

<sup>3</sup> [www.legislation.gov.uk/ssi/2002/289/regulation/3/made](http://www.legislation.gov.uk/ssi/2002/289/regulation/3/made)

NSG gives Community Transport operators vital resources they need to tackle transport poverty; plug gaps in our transport system; and respond to the unmet transport needs of disabled people, older people, rural residents, low-income households and others.

**However, the future of NSG should evolve beyond bus, reflecting the transition from BSOG to NSG and adopting a more flexible, multi-modal approach.** At present, NSG is defined and distributed narrowly with a focus on mode and vehicle type or size rather than passengers and outcomes. As a bus-specific grant, it excludes a range of other relevant modes (such as cars, MPVs and some minibuses) and other effective road transport solutions (such as volunteer car schemes and types of Demand Responsive Transport) (DRT) (see Smaller Vehicles, page 8).

Ultimately, the future purpose of NSG should be to support Scotland’s net zero and car use reduction targets by delivering patronage growth across public, shared and community transport.

<b>Has your application for NSG ever been rejected (or deemed ineligible) by Transport Scotland?</b>	
Yes	6%
No	83%
Don’t know	5%
Not applicable (i.e. have not applied for NSG)	6%
<i>NSG online survey (October 2023)</i>	

<b>On what grounds was your application rejected (or deemed ineligible)?</b>
“We can claim for the 'local bus service' part between Strathaven & Stonehouse, but the part from Stonehouse to Glasgow, which is not a local bus service because it is more than 15 miles between stops, is ineligible.”
“The spreadsheet is difficult to fill in as it requires distances in kilometres and not miles. It is easy to make mistakes with the number of journeys in respect to distances claimed. The system seems overly complicated especially as we are volunteers. The old [BSOG] form was much more user friendly.”
<i>NSG online survey (October 2023)</i>

## Essential Funding

**NSG is a vital source of funding for the Community Transport sector.** Many non-profit operators rely on NSG to help them deliver accessible, affordable and sustainable transport services which keep people and communities connected in every part of Scotland, often where there is no other public transport.

**In 2021, 35% of Community Transport operators claimed BSOG,** which is now NSG. This represents at least 60 local non-profit operators. It is the third most important source of funding for the sector.<sup>4</sup>

<sup>4</sup> <https://ctauk.org/wp-content/uploads/2022/09/More-Than-a-Minibus-CTA-2022.pdf>

**In 2021, 33% of Community Transport operators relied on one source of funding.** This represents at least 56 local non-profit operators.<sup>5</sup> These groups are especially vulnerable to changes in the funding landscape, which is currently challenging and uncertain due to the negative impact of the cost-of-living and ‘cost-of-giving’ crises on public donations and fundraising, as well as declining or static local authority discretionary spending on transport.

A significant number of Community Transport operators in Scotland are dependent on the NSG to deliver their services. Any regressive changes in the eligibility or scale of funding available would be a threat to the sector. **The continuation of NSG is essential for the survival of some groups.**

The NSG does not simply keep Community Transport fares more affordable than would otherwise be the case, **it keeps Community Transport services alive which could not otherwise exist.**

If they are forced to withdraw services or cease operations, there will be a greater demand for public transport and a growth of unmet transport needs with knock-on effects for our society, our economy and our environment.

<b>What were your sources of funding in 2021?</b>	
Grants (e.g. local authority)	38%
Donations (e.g. members of the public)	36%
<b>Bus Service Operators’ Grant (BSOG)</b>	<b>35%</b>
Fares (e.g. members, passengers)	23%
Fundraising	19%
Group hire income	18%
Contracts (e.g. schools transport, non-emergency patient transport)	9%
Service level agreements (e.g. local authority, NHS)	9%
Concessionary fares (e.g. over 60s, disabled people)	8%
Training (e.g. MiDAS)	7%
National Lottery	6%
Other activities	6%
Lettings	5%
Trading arm	4%
Legacy	3%
Trust	3%
Consultancy	2%
Sponsorship	2%
<i>More Than a Minibus (September 2022)</i>	

<b>Testimonial</b>
“As an organisation we are already fighting against council cuts, massive inflation and huge increases in fuel prices and the living wage. I no longer have confidence that we can overcome these challenges... Reductions in the already small NSG funding would be quite devastating.”
<i>Community Transport operator</i>

<sup>5</sup> <https://ctauk.org/wp-content/uploads/2022/09/More-Than-a-Minibus-CTA-2022.pdf>

## Fair Funding

**Community Transport sector has always involved a collaboration between paid staff and unpaid volunteers.** 73% of Community Transport drivers are unpaid volunteers, while only 27% are paid part-time or full-time staff. 31% of operators are reliant solely on unpaid volunteers. 54% have a mix of staff and volunteers.<sup>6</sup>

As part of the Scottish Government's Fair Work First agenda, all recipients of public sector grants, including the Network Support Grant, will be required to pay at least the real Living Wage and provide effective workers' voice as a minimum standard from 1 April 2024.<sup>7</sup>

**We strongly support Fair Work principles.** Everyone who works in the Community Transport sector deserves to have effective voice, respect, opportunity, fulfilment and security. They all deserve to earn at least the real Living Wage, which is an important measure to end in-work poverty. Our members agree.

60% of workers in the UK who are earn less than the real Living Wage have had to use a foodbank at least once over the past 12 months.<sup>8</sup> Charity workers and Community Transport drivers do not deserve to live on these 'poverty wages'. Community Transport operators work hard to ensure this is never the case, creating local jobs with channels for effective workers' voice, although low pay is unfortunately common.

This is because **Fair Work and fair funding are inextricably linked.** Fair Work First conditionality will be challenging for some Community Transport operators to meet in the short-term. As non-profit organisations often reliant on public sector grant income, a lack of fair funding constrains their ability to deliver Fair Work, despite their eagerness to offer higher wages and better terms and conditions.

**The level of funding through NSG has flatlined for a decade despite rising costs** in delivering transport projects and services across fuel, equipment, maintenance, staff and vehicles. In the last 12 months alone, Community Transport vehicle costs have increased by 18% as the running costs crisis has intensified.<sup>9</sup>

The real Living Wage will increase from £10.90 to £12.00 per hour in Scotland in 2024/25 after an uplift was announced in October 2023 to take account of inflation.<sup>10</sup> **14% of Community Transport operators who currently pay the real Living Wage do not expect to be able to so in 2024/25** due to static levels of funding (see table below). It is likely that some groups will require an exception to be granted. We welcome Transport Scotland's intention to take a considered, flexible approach.

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<sup>6</sup> <https://ctauk.org/wp-content/uploads/2022/09/More-Than-a-Minibus-CTA-2022.pdf>

<sup>7</sup> <https://ctauk.org/wp-content/uploads/2023/11/Fair-Work-First-CTA-BRIEFING.pdf>

<sup>8</sup> [www.livingwage.org.uk/news/inflation-eases-cost-living-crisis-far-over-low-paid-workers](http://www.livingwage.org.uk/news/inflation-eases-cost-living-crisis-far-over-low-paid-workers)

<sup>9</sup> <https://ctauk.org/wp-content/uploads/2023/08/Act-Local-CTA-2023.pdf>

<sup>10</sup> [www.scottishlivingwage.org/what-is-the-real-living-wage](http://www.scottishlivingwage.org/what-is-the-real-living-wage)

In October 2023, the Department for Transport (DfT) announced that Bus Service Operators' Grant (BSOG) in England would receive an uplift of 60%, benefiting many Community Transport operators and enabling them to maintain and even expand services.<sup>11</sup>

**Fair Work First must be fully funded** by all government departments and agencies. All public sector grants and contracts, including NSG, need to cover the true costs of delivering projects and services, which includes all of the criteria of Fair Work First, especially payment of at least the real Living Wage.

**An uplift to NSG in Scotland is required** to prevent further cuts to transport services, to reflect the rising costs faced by operators and to deliver Fair Work for everyone in our sector.

<b>Do you pay all of your staff at least the real Living Wage, which is currently £10.90 per hour?</b>	
Yes	100%
No	0%
<i>Fair Work First online survey (November 2023)</i>	

<b>Are you accredited with Living Wage Scotland as an officially recognised real Living Wage employer?</b>	
Yes	57%
No	43%
<i>Fair Work First online survey (November 2023)</i>	

<b>Based on your current financial expectations and forward planning, will you be able to pay all of your staff at least the real Living Wage of £12 per hour in 2024/25?</b>	
Yes – highly likely	29%
Yes – likely	57%
No – unlikely	14%
No – highly unlikely	0%
Don't know	0%
<i>Fair Work First online survey (November 2023)</i>	

<b>Do you currently provide appropriate channels for effective workers' voice?</b>	
Yes	86%
No	14%
<i>Fair Work First online survey (November 2023)</i>	

<b>Which of the following does your organisation provide as appropriate channels for effective workers' voice? Please select all that apply.</b>	
Trade union recognition	29%
Collective bargaining	14%
Line management relationship	100%

<sup>11</sup> [www.gov.uk/government/news/major-150-million-funding-boost-for-local-bus-services-as-fare-cap-set-to-be-extended](https://www.gov.uk/government/news/major-150-million-funding-boost-for-local-bus-services-as-fare-cap-set-to-be-extended)



Staff/engagement surveys	43%
Suggestions schemes	57%
Staff forums/networks	14%
Intranet/online platforms	0%
Other (please specify)	0%
None	0%
<i>Fair Work First online survey (November 2023)</i>	

<b>Testimonial</b>
“Our main grant from our council hasn’t changed in two decades. We’re always expected to do more with less. How can we afford to keep up with paying the real Living Wage?”
<i>Community Transport operator</i>

<b>Testimonial</b>
“Charitable groups, in general, want to pay higher wages, even just in terms of staff retention and morale... But they are constrained by lack of funding.”
<i>Community Transport operator</i>

## Smaller Vehicles

**NSG currently excludes a variety of important Community Transport services, which are delivered using smaller vehicles**, form part of the public transport network, often replace withdrawn bus services and need this essential funding to sustain themselves into the future.

The Bus Service Operators Grant (Scotland) Regulations 2002 restricts payment to ‘eligible bus services’, which legislation defines as using vehicles adapted to carry more than eight passengers.<sup>12</sup> This is a major barrier and results in NSG being designed and distributed on the basis of transport mode and vehicle type rather than on the delivery of national and strategic objectives or better experiences for passengers.

**As a mode-specific, bus-only grant, NSG excludes a range of other relevant transport modes** (such as cars, MPVs and some minibuses) and other effective models for road transport solutions (such as volunteer car schemes and types of DRT).

**As a designated body, CTA issues small vehicle permits** under Section 19 of the 1985 Transport Act for vehicles with less than 9 passenger seats, such as smaller minibuses, MPVs and cars. We recognise the value of small vehicle permits to our sector and ensuring that they are available to our members so that they can continue to deliver essential transport services. 59% of smaller vehicles used by Community Transport services replace or mitigate bus services which have been withdrawn or reduced (see table below).

**Smaller vehicles are vital in delivering smaller-scale Community Transport services.** In a rural, remote or island community with unmet transport needs, it is often not appropriate or reasonable

<sup>12</sup> [www.legislation.gov.uk/ssi/2002/289/regulation/3/made](http://www.legislation.gov.uk/ssi/2002/289/regulation/3/made)

to utilise a larger bus to deliver a transport service when a smaller vehicle under Section 19B or 19E, for example, can be more accessible, comfortable, cost-effective, efficient and sustainable.

Similarly, in towns and cities, smaller vehicles are able to provide more agile, responsive services. In both urban and rural areas, vehicles may have reduced capacity or passenger numbers due to adaptations to accommodate wheelchair users and other passengers with disabilities.

**At present, NSG creates a perverse incentive for operators to utilise larger vehicles, which generate more carbon emissions and exclude disabled people** in contradiction to national policy and strategic goals. Extending the eligibility could increase the availability of accessible transport for disabled people, of which there is a severe shortage in rural Scotland. Moreover, if existing services do not survive, private car use, private car ownership congestion and carbon emissions will all have to increase.

**In England and Wales, Community Transport operators can claim BSOG and Bus Services Support Grant (BSSG) respectively for services delivered with smaller vehicles with fewer than 9 passengers under S19 permits. It is based on passenger class rather than vehicle size. Similar Community Transport services in Scotland deserve the same support.**

<b>Do you use smaller vehicles with 8 or fewer passenger seats to deliver your Community Transport services?</b>	
Yes	50%
No	50%
<i>NSG online survey (October 2023)</i>	

<b>Do your smaller vehicles provide transport services which replace or mitigate bus services which have been withdrawn or reduced?</b>	
Yes	59%
No	33%
Don't know	8%
<i>NSG online survey (October 2023)</i>	

<b>Would you support CTA calling on Transport Scotland to extend NSG eligibility to smaller vehicles with 8 or fewer passenger seats?</b>	
Yes	88%
No	0%
Don't know	12%
<i>NSG online survey (October 2023)</i>	

<b>Would such a change help you address the shortage of drivers who hold a D1 driving licence by expanding routes which can be driven by category B licence holders?</b>	
Yes	63%
No	0%

Don't know	37%
NSG online survey (October 2023)	

<b>Testimonial</b>
“We used our Mercedes eVito for Section 22 journeys... But now Transport Scotland has deemed the vehicle is ineligible for Network Support Grant. We are left high and dry without support to operate our part of the rural network.”
<i>Community Transport operator</i>

<b>Testimonial</b>
“Rural communities have different needs to urban areas – smaller passenger numbers and higher distances to travel. Some rural roads cannot facilitate a vehicle the size of a bus.”
<i>Community Transport operator</i>

## Communication and Administration

**Some concerns about the administration of NSG have been raised by CTA members.** Some have experienced difficulties in securing clarifications on administrative queries or receiving timely responses to enquiries and correspondence. Others have faced significant and unacceptable delays of up to a year in the processing of payments, which can cause serious financial disruption to charitable organisations.

**A lack of direct engagement with or advice and guidance for Community Transport operators** to understand or meet their unique needs was highlighted as a key issue. The guidance and the mailbox does not meet the needs of all operators in all circumstances, especially in resolving more complex queries for our sector in an appropriate way.

**This could be practically addressed through the creation of a phone line and clear customer service standards** or an up-to-date service level agreement to set and manage expectations, including reasonable timelines for response and resolutions. These kinds of steps would be welcomed by our sector.

## Decarbonisation

The Scottish Parliament’s Cross Party Group on Sustainable Transport has recommended that NSG could be utilised to accelerate the transition to zero-emission fleets through **exploring the introduction of an enhanced rate for zero-emission vehicles.**<sup>13</sup>

While an enhanced rate would likely incentivise commercial bus operators to invest and may be welcomed by our sector, it **would not remove the main financial barrier to decarbonization facing Community Transport operators, which is the up-front cost of purchase.** As non-profit organisations with generally small reserves, capital funding to replace petrol or diesel vehicles with

<sup>13</sup> <https://transform.scot/wp-content/uploads/2023/11/Fossil-Free-Future-CPG-Sustainable-Transport-2023-11-28.pdf>

electric or hydrogen alternatives, such as through the Plugged-In Communities Grant Fund or ScotZEB2, is a greater priority.<sup>14</sup>

<b>If your organisation does not yet have any EVs, can you tell us why? Please select any or all that apply.</b>	
Unaffordable / lack of funding	54%
Lack of local charging infrastructure	29%
Concerns about battery power and range	34%
Lack of local suppliers	17%
Delivery delays / supply chain problems	11%
Not the right time	3%
Uninterested	0%
Other	34%
Does not apply / We have EVs	20%
<i>Act Local (September 2023)</i>	

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<sup>14</sup> <https://ctauk.org/celebrating-scotlands-plugged-in-communities/>

## Next Steps and Recommendations

We welcome Transport Scotland's commitment to 'review the Network Support Grant in 2023-24 to ensure it continues to provide value for money whilst we also progress other opportunities in collaboration with the bus sector to improve services'.

We look forward to working with Transport Scotland to discuss next steps and to take forward **our recommendations to rethink, reform and improve NSG**:

### *1. Deliver Fair Funding*

**Fair Work and fair funding are inextricably linked.** Community Transport operators rely on fair funding to deliver Fair Work and pay all of their staff at least the real Living Wage. Fair Work First conditionality will be challenging for some to meet in the short-term. **Fair Work First must be fully funded with appropriate exceptions granted.** All public sector grants and contracts need to cover the true costs of delivering projects and services, including annual inflation-based uplifts. The level of funding through NSG has flatlined for a decade despite rising costs, while DfT recently announced a 60% uplift for BSOG in England. **There is a need for an uplift to NSG in Scotland.**

### *2. Extend Eligibility to Smaller Vehicles*

**Smaller vehicles with fewer than 9 passenger seats are vital in delivering smaller-scale Community Transport,** especially in rural, remote or island communities, in a more cost-effective, efficient and sustainable way. However, they are currently excluded by NSG eligibility criteria, despite being an integral part of Scotland's public transport network and often replacing or mitigating the impact of withdrawn bus services. **Extending NSG to smaller vehicles would provide essential funding to protect and expand these essential services.**

### *3. Beyond Bus: Rethink NSG's Purpose*

The Community Transport sector supports NSG's role in supporting commercial and community buses to maintain Scotland's bus network, keep fares affordable and keep routes extensive. However, **NSG should evolve to keep pace with our changing transport network** and to help deliver the Scottish Government's ambitious climate goals. NSG's purpose can evolve beyond narrowly and solely investing in traditionally conceived and understood bus services to adopt a more flexible, innovative and multi-modal approach. **There is an opportunity to consider how NSG can support transport services delivered by a range of relevant modes,** such as cars, MPVs and some minibuses, through a range of effective models, such as volunteer car schemes and DRT.

### *4. Enhance Communication and Administration*

**Some concerns about the administration of NSG have been raised by CTA members,** including about the guidance available for operators, the mailbox, delays in resolving complex queries and late payments. A lack of direct and timely advice support for Community Transport operators was highlighted as a key issue. **There is a need to consider direct engagement with our sector, creating a new phone line and agreeing new customer service standards or service level agreements.**

## Further Information

### **CTA in Scotland**

David Kelly, Director for Scotland

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### **Network Support Grant Reform**

[www.ctauk.org/reforming-network-support-grant](http://www.ctauk.org/reforming-network-support-grant)

### **Fair Work First: CTA Briefing**

<https://ctauk.org/wp-content/uploads/2023/11/Fair-Work-First-CTA-BRIEFING.pdf>

## **Community Transport Association in Scotland**

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