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**Report to:** West Yorkshire Combined Authority

**Date:** 27 July 2020

**Subject:** **Future Bus Options**

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Is this a key decision?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the report contain confidential or exempt information or appendices?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:	

## 1. Purpose of this report

- 1.1. To provide an update on the work to develop a new approach to bus services and the implications that COVID-19 is likely to have on the consideration of future options.
- 1.2. To recommend that the Combined Authority explores all options available for the delivery of bus services in West Yorkshire. To do this there is a need to understand the financial, legal and technical issues faced by the industry. Additional funding is required to access technical expertise where the skills are currently not available in-house. Therefore, it is recommended that the Combined Authority approves spending of up to £150,000 to provide support to understand the issues and develop a preferred way forward.

## 2. Information

### Background

- 2.1 The bus is the biggest public transport mover of people in West Yorkshire and has a critical role in our transport network: it is essential for providing access to jobs and training. It is central to our key objectives of driving inclusive growth

and tackling the climate emergency. However, patronage is declining. Bus travel has a poor reputation and is not perceived as an attractive and natural choice. This disconnect between the key role of the bus in supporting the economy especially for deprived communities and the declining patronage means there is a real need to understand and deliver interventions that could provide a different and more attractive offer to the customer.

- 2.2 In addition, the Combined Authority currently spends over £70 million per year supporting socially necessary bus services and concessionary journeys. Ensuring this funding is delivering the Authority's objectives is key.
- 2.3 Exploring the options to utilise provisions in the Bus Service Act 2017 is part of the West Yorkshire Devolution Deal and Mayoral Combined Authority preparations. The success of the Bus Alliance is an important first step to improving the bus offer for customers. Delivering a successful partnership is an important step to demonstrate that the Combined Authority and the bus operators of West Yorkshire can together deliver a successful bus network.
- 2.4 The Combined Authority should only embark on any model if that furthers the overall bus strategy aims to increase patronage and through that secure the wider goals of inclusivity and carbon reduction. Protecting the bus network for West Yorkshire residents is an overriding key objective.

#### Implications of COVID-19 on the bus network

- 2.5 In March, bus services were reduced to a minimal network to support key workers. From the 1 June 2020, in accordance with the Step 2 of the Government's roadmap around 75% of services are now operating, with some bus routes restored to normal frequencies between 0700 and 1900 Monday to Friday. Capacity has been increased to 50% of normal from the 8 July following a reduction of social distancing on bus and usage of face masks as a key mitigation. Demand for public transport had increased following the restart of non-essential retail and hospitality to approximately 40% or pre-COVID levels.
- 2.6 The reduced demand and consequential loss of revenue arising from COVID-19 will have a significant impact on the financial stability of local bus services. At present this is mitigated by emergency funding however when this ends there is a risk operators may shrink networks to maintain their trading viability. In the longer term, there may be long-lasting behavioural change and change in working patterns, with potentially more people working from home, which could further reduce bus demand and may change some of the geographical focus on the bus network. This is explored further in the Transport Recovery Plan.
- 2.7 Throughout the COVID-19 crisis, Government has continued to pay the Bus Service Operators Grant to bus operators for commercial services and to local authorities for tendered services at the rate operating prior to the pandemic. Government has also asked Local Transport Authorities to maintain concessionary fare and tendered bus service payments to bus operators at the value that was being paid immediately before the emergency. The Government has also paid an emergency COVID-19 Bus Service Support Grant (CBSSG)

direct to bus operators and has also paid the Combined Authority CBSSG of £2.07 million between March and August to assist in funding the shortfall in fares revenue on bus contracts. At the time of writing, confirmation of continuation of CBSSG until mid October was expected.

- 2.8 The Combined Authority has continued to make concessionary fare payments at pre pandemic rates; in effect paying £3 million per month for concessionary journeys not being made. Following Transport Committee on 3 July, Cllr Groves has written to the Secretary of State explaining why this is not a sustainable approach to bus service support.
- 2.9 Cllr Blake and the Metro Mayors wrote to the Secretary of State in May seeking a more accountable and locally determined approach to Government funding support to restore the bus service. Appendix 1 provides further details of the emergency funding arrangements and the alternative approach developed by Urban Transport Group and presented by Cllr Blake to Government.
- 2.10 As part of the Ernst & Young advice previously approved by the Combined Authority, an analysis was commissioned of the resilience of the West Yorkshire bus market during the COVID recovery period. This illustrates that demand will take over two years to build back to pre COVID levels leaving a significant funding gap. This is considered further as part of the Transport Recovery Plan. The timing of the end of emergency funding and the return of key elements of demand such as office based commuters and university students has a significant impact on the speed at which the viability of the bus service recovers.
- 2.11 If therefore emergency funding ceases as expected in October, to continue to trade bus operators may seek to reduce costs and therefore jobs and service levels. The Combined Authority may then be placed under pressure by communities to reinstate threatened services. On 3 July, Transport Committee agreed a process to manage this potential situation in the short term pending a full review of the services currently supported by the Combined Authority. This review will establish a new set of criteria and metrics for deciding which bus services should be supported in the long term.

#### Future Bus Options Next Steps

- 2.12 Due to the uncertain nature of the current bus funding, it is important that all options to deliver bus services in West Yorkshire are explored. It is likely that public funding of bus services may need to increase during the COVID-19 recovery period.
- 2.13 In 2019, the Combined Authority commissioned Ernst & Young to advise on options surrounding the impending sale of First's bus operations. This commission was expanded within the funding allocation to set out the scope for exploring the options and for using the Bus Services Act and to advise on the likely implications of COVID-19 on the long term health of bus market in the region as set out in paragraph 2.10
- 2.14 This commission has provided the Combined Authority with a greater understanding of the technical requirements, skills and capacity needed to

undertake the assessment for exploring options in the Bus Services Act. It has also provided a guide on the likely scale of funding needed and value to the region. Understanding the COVID-19 impact on this has also provided the Combined Authority with a greater understanding of the scenarios for likely change that could happen to the bus network. Becoming a Mayoral Combined Authority provides direct access to the full range of powers in the Bus Services Act subject to a business case. Further work is now needed to progress the options.

2.15 The broad options available to the Combined Authority are as follows:

1. Market driven bus network -allow the market to shape bus services with the same or lower financial contribution from the Combined Authority. It is likely that the end of emergency funding together with a limited return in demand when compared with pre-COVID levels, could lead to a significant shrinkage in the bus network.
2. Network reinstatement -reinstate the pre COVID bus network and maintain voluntary partnership arrangements. If some bus services are not viable when emergency funding arrangements end, the Combined Authority may need to fund continued service provision. This would increase public sector costs but would not buy any greater influence.
3. Locally led delivery of the emergency funding -Cllrs Blake and the Metro Mayors, have written to the Secretary of State seeking a more accountable and locally determined approach to Government funding support. If this is successful, then it enables greater local influence on how the bus service should return (Appendix 1)
4. Bus reform –utilise the powers in the Bus Services Act to secure a greater level of influence in bus service provision and clearer accountability for the CA's costs. Due to the risk of increased pressure to increase expenditure on bus services, it is recommended that this option is progressed as the most appropriate way to ensure an effective use of public funds.

2.16 To enable the Combined Authority to explore these options fully, there is a need to understand the financial, legal and technical issues faced by the industry. Additional funding is required to access technical expertise where the skills are currently not available in-house, an indicative budget of up to £150,000 is proposed. The scope of the technical requirements and associated budget has been shaped through several lessons learnt conversations with the West Midlands, Merseytravel and Transport for Greater Manchester.

2.17 Alongside the external technical requirements, it is anticipated that the Combined Authority will continue to develop the case for change and understand the organisational response to taking a different role in the delivery of bus services across West Yorkshire.

### **3. Clean Growth Implications**

3.1 Maximising the bus network will encourage modal shift towards public transport, reducing the impact of transport on the environment and contributing towards the regional carbon reduction target.

#### **4. Inclusive Growth Implications**

4.1 The bus is vitally important to ensure accessibility for employment and training opportunities. Protecting the bus network for West Yorkshire residents is an overriding key objective in order to support inclusive growth. The needs of a diverse range of groups will be considered as part of the options for delivering bus services and the impacts on deprived communities and areas of deprivation will be carefully considered.

#### **5. Financial Implications**

5.1 This report is recommending that the Combined Authority approves spending of up to £150,000 to support the development of financial, legal and technical options available to reform the provision of bus services. Commitment to any further expenditure would be subject to further approvals and the potential need to do so will be considered as part of business planning and budgeting for 2021/22. This funding will be required to be drawn from Gain Share.

5.2 That the Combined Authority notes that additional funding may be required to support the existing bus network due to the financial implications of COVID-19.

#### **6. Legal Implications**

6.1 There are no legal implications directly arising from this report. However, any decision on a next step will have a legal implication for the Combined Authority.

#### **7. Staffing Implications**

7.1 There are no staffing implications directly arising from this report.

#### **8. External Consultees**

8.1 No external consultations have been undertaken.

#### **9. Recommendations**

9.1 That the Combined Authority approves spending of up to £150,000 to provide support to develop the financial, legal and technical options available to reform the provision of bus services in the region.

#### **10. Background Documents**

10.1 There are no background documents referenced in this report.

## **11. Appendices**

11.1 COVID 19 Emergency Bus Service Funding Alternative Proposition