

Report to: Transport Committee

Date: 15 January 2021

Subject: **COVID Bus Funding**

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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 type="checkbox"/> Yes <input checked="" 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 advise the Committee of the current position regarding bus service funding and to inform the Committee of the bus transport related cost pressures faced by the Combined Authority as it prepares its budget for 2021/22.

2. Information

Bus Service Funding

- 2.1 Since April 2020, Government has issued emergency funding to bus operators and Local Transport Authorities, the COVID Bus Subsidy Grant (CBSSG), and continued to pay Bus Services Operators Grant (BSOG) at pre pandemic rates. It requested that Local Transport Authorities (LTAs) continue to make concessionary fare and tendered service payments to operators at pre pandemic rates. The Government funding arrangement is continuing under a rolling 8 week notice period. At the time of writing, this arrangement is expected to continue until March 2021.
- 2.2 In consultation with the Chair of Transport Committee, the Combined Authority has complied with the Government request to make concessionary fare and

tendered service payments to operators at pre pandemic rates up until the end of CBSSG. Specific conditions were attached to these payments ensuring bus operators work collaboratively with the Combined Authority and financial and patronage data is shared.

- 2.3 The Combined Authority and other LTAs acting collectively through UTG have raised concerns about the legitimacy of a sustained payment of concessions on this basis. In response to this, the attached letter from the Department for Transport (DfT) makes clear that from the Government's perspective LTAs must continue to pay to protect from operators withdrawing services. The letter also provides reassurance that under CBSSG operators are prohibited from making a profit.
- 2.4 The Government Spending review announcement on 25 November stated *£300 million in 2021-22 to drive transformation of bus services. This funding will be drawn down in the first instance for any further Covid-19 support that may be required, while progressing reform to deliver better outcomes.*
- 2.5 Government is considering replacing CBSSG in 2021/22 with funding to facilitate a recovery of bus revenues supported by partnership between LTAs and operators. The Combined Authority has proposed to Government that this funding (together with the "business as usual" Bus Services Operators Grant) be devolved to be administered locally. At its meeting of 20 November, the Committee agreed to work towards an Enhanced Partnership with bus operators as the model for managing funding to support the recovery of the bus services. The funding position for 2021/22 will be known later in January or February when DfT announces its National Bus Strategy.
- 2.6 The critical issue for 2021/22 will be how effectively the Government funding matches the revenue shortfall. Uncertainties remain about how the pandemic will play out which will impact the timing of the recovery. The Combined Authority has commissioned Ernst & Young to model likely costs and revenues to inform ongoing negotiations with DfT in this regard. Initially the gap between a model of the cost of current bus service provision across all operators in West Yorkshire and the income from fares, sales, concessions, contract payments and non emergency grant funding is estimated at around £1.5m per week. Whilst this will reduce as passenger revenue returns, the speed at which this will occur is unknown at this stage.
- 2.7 Therefore a potential risk exists that the transition from the current emergency funding into the recovery arrangements results in a shortfall in revenue which could force bus operators to reduce costs to meet the suppressed income. This could precipitate service withdrawals which would impact on connectivity for communities. Whilst there has been a close collaboration between the Combined Authority and bus operators through the pandemic, there will be financial challenges on all sides in managing through the post pandemic recovery stage.
- 2.8 These concerns were set out in a letter sent to the Secretary of State on 4 January jointly signed by all political leaders on the Combined Authority. A

copy of the letter is included as an Appendix to this report.

- 2.9 The response to the emerging financial position must be considered within the context of the Combined Authority's wider development of bus reform. An Expert Panel for bus has been established to provide an opportunity to discuss bus in West Yorkshire and draw on the experiences of others outside of the area. The first Expert Panel for bus was chaired by Cllr Groves in October 2020 and the discussion centred on a number of core themes including ticketing, clean air, on board bus passenger offer and reliability and punctuality. The next Expert Panel is due to be held at the end of January 2021.

Concessionary Fares

- 2.10 Currently, usage of the ENCTS free bus pass scheme for older people and those with disabilities is around 45% of normal and it is unlikely to recover to previous levels by April 2021. As stated earlier in the report, bus operators are being paid on the basis of 2019 passenger use. Whilst a transition back to using actual usage figures will potentially free up some costs due to suppressed demand, this will need to be considered against the wider bus service cost position in 2021/22. The Fare Deal provisions approved by the Committee in November created a fixed budget for concessionary fares for under 19s.

MCard Sales Revenue

- 2.11 Since March, sales revenue from MCards has fallen in line with the wider impact on public transport use. Sales of bus and rail season tickets up until November were only 5% of normal with bus only products at 50%. Following the return to school in September, sales of under 19 products have built back to around 75% of normal. Customers who bought monthly and annual passes were given the option to pause and re start their products or to obtain a refund.
- 2.12 The anticipated long term effects of the change in working practices emerging from the pandemic will have a significant impact on MCard revenues. Some customers may no longer wish to buy monthly and annual tickets and a more flexible offer is needed. A new bus and rail "Day Saver" ticket is now available for purchase through the MCard Mobile launched in January 2021. This is particularly aimed at part time workers and offers discounts for purchasing 10 day tickets in advance.
- 2.13 The new pricing structure for under 19 MCards reported to the previous meeting of the Committee is aimed at encouraging more young people to travel by bus and will form part of the strategy to recover MCard sales revenue.

Other Financial Impacts

- 2.14 The costs of the Combined Authority's bus stations, interchanges and on street infrastructure are partly offset by income from tenancies and advertising.

The wider economic impacts of COVID have caused a reduction in this income. In line with Government guidance, support has been given to tenants who were prevented from trading by the “lockdown” restrictions. Whilst some of this income is expected to return in 2021/22, this will continue as a budgetary pressure.

Transport for Greater Manchester Consultation

- 2.15 In light of COVID-19, Transport for Greater Manchester are currently running a consultation on their proposals for ‘*Doing Buses Differently: The impact of Covid-19 on our proposals for the future of your buses*’. As a neighbouring LTA, the Combined Authority will be submitting a response to the Consultation, which is due to be returned by the 29th January. The response will focus on the implications of the proposals on cross-boundary travel. The Chair of Transport Committee will approve the response which will be circulated to members of the Committee.

3. Clean Growth Implications

- 3.1 It is important that passenger revenues recover to ensure that the Transport Recovery Plan can deliver a transport network which delivers a more favourable situation for air quality and carbon generation than existed prior to the pandemic.

4. Financial Implications

- 4.1 Whilst the Combined Authority is paying for concessionary journeys that are not being made, the spend is expected to be within budget for the 2020/21 financial year. The arrangements for 2021/22 will need to transition back to payment on the basis of actual patronage.
- 4.2 Additional COVID related costs with regard to tendered and school bus services have to date been largely offset by the Department for Transport allocation of CBSSG to the Combined Authority and Department for Education funding for the additional school services required for social distancing. Subject to confirmation of continued Government funding on this basis, this activity should remain within the budget set for 2020/21.
- 4.3 Reduced tenancy and advertising income and a lower return from MCard sales together with increased cleaning and related costs to manage the impacts of COVID have brought further cost pressures in 2020/21.
- 4.4 As set out in this report, there are a lot of uncertainties regarding bus service costs into 2021/22. At this stage, the Combined Authority will budget based on costs in 2019/20 and will need to keep this under review when further clarification on the “recovery funding” is obtained from Government.
- 4.5 The issues set out in this paper together with a reduced expectation of income from rents and commission will be factored into the budget recommendations to be made to the Combined Authority’s meeting on 4 February 2021.

5. Legal Implications

5.1 There are no legal implications directly arising from this report.

6. Staffing Implications

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

7. External Consultees

7.1 No external consultations have been undertaken.

8. Recommendations

8.1 That the Committee notes the updates provided in this report.

9. Background Documents

9.1 None.

10. Appendices

10.1 Appendix 1 - Letter to Secretary of State for Transport dated 4 January 2021

10.2 Appendix 2 - Department for Transport letter dated 20 November 2020