

**Report to:** Combined Authority

**Date:** 4 February 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:	N/A

## 1. Purpose of this report

- 1.1 To advise the Combined Authority of the current position regarding bus service funding and the uncertainties and cost pressures the ongoing COVID situation creates in managing the budget for 2021/22.

## 2. Information

- 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 April 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 Currently, usage of the ENCTS free bus pass scheme for older people and those with disabilities is around 45% of normal however, 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.
- 2.4 The Combined Authority and other LTAs acting collectively through the Urban Transport Group have raised concerns about the legitimacy of a sustained payment of concessions at pre pandemic rates. 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.
- 2.5 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.*
- 2.6 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, Transport Committee agreed to work towards an Enhanced Partnership (as defined by the Bus Services Act) with bus operators as the model for managing funding to support the recovery of the bus services. The funding position for 2021/22 is expected to be known in late February/ early March when DfT announces its National Bus Strategy.
- 2.7 The critical issue for 2021/22 will be the extent to which the Government funding matches the revenue shortfall. Uncertainties remain about how the pandemic will play out which will impact on 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.
- 2.8 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.

- 2.9 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.
- 2.10 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. Further Expert Panels will be held as proposals for bus reform are developed.
- 2.11 In summary, uncertainties around the continuation of funding to offset the reduced passenger revenues on bus arising from COVID will be a significant financial issue for the Combined Authority in 2021/22. Government is proposing funding support but the value and timing of this is unknown at this stage. A partnership approach to manage the recovery from COVID jointly with bus operators is being developed pending longer term proposals for bus reform which may involve franchising.

### **3. Tackling the Climate Emergency Implications**

- 3.1 It is important that bus passenger revenues recover to ensure that the Transport Recovery Plan approved by the Combined Authority in July 2020 can deliver a transport network which delivers a more favourable situation for air quality and carbon generation than existed prior to the pandemic.

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

- 4.1 Many communities rely on bus services to access employment and education. This report sets out the potential risks to these services arising from the financial consequences of the pandemic and steps to take to mitigate these risks.

### **5. Financial Implications**

- 5.1 Whilst the Combined Authority is paying for concessionary journeys that are not being made, the spend is expected to be within the 2020/21 budget. 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, bus service costs should remain within the budget set for 2020/21.

5.2 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 base its budget on costs in 2019/20 and will need to keep this under review when further clarification on the “recovery funding” is obtained from Government.

## **6. Legal Implications**

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

## **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 Committee notes the updates provided in this report.

## **10. Background Documents**

10.1 None.

## **11. Appendices**

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

11.2 Appendix 2 - Department for Transport letter dated 20 November 2020.