

Report to: Transport Committee

Date: 7 January 2022

Subject: **Bus Service 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:	
Are there implications for equality and diversity?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

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 2022/23.

2. Information

COVID 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.
- 2.2 The Combined Authority has complied with the Government request to make concessionary fare and tendered service payments to operators at pre

pandemic rates. Specific conditions were attached to these payments ensuring bus operators work collaboratively with the Combined Authority and financial and patronage data is shared. These conditions have been amended at each stage in the pandemic with this arrangement continuing until March 2022.

- 2.3 The Combined Authority has faced additional costs in the provision of tendered bus services during the pandemic. Initially this arose from lost revenue due to reduced patronage and was offset by the Government CBSSG award. However, in 2021 operating costs have increased and some operators have reduced service levels resulting in the CA funding the continuation of socially necessary services including service 205 (Dewsbury- Morley- Pudsey) as reported to a previous meeting
- 2.4 In September 2021, Government revised the system for supporting bus services and introduced the Bus Recovery Grant (BRG) which operates until March 2022. Unlike the previous CBSSG grant, BRG is intended to be tapered to reflect an anticipated growth in passenger revenue. The conditions of grant also enable bus operators to adjust fares providing the aggregate effect is within the Consumer Price Index. BRG is paid direct to bus operators and also to LTAs to reflect the suppressed fares revenue on tendered services contracts. The Combined Authority is estimated to receive a grant of £800k for this purpose in 2021/22.
- 2.5 At the time of writing, bus patronage and revenues were around 75% of what could normally be expected in December. Whilst patronage rose steadily between July to October following the easing of COVID restrictions the growth levelled out in November and it is unlikely to return to 2019 levels during 2022. In addition, a national shortage of drivers has impacted on service delivery locally with a consequential impact on service delivery which has been reported to previous meetings of the Committee.
- 2.6 Bus Recovery Grant is in place until end March 2022. Unless patronage and revenue recover to 2019 levels a potential funding gap will emerge for bus operators and the Combined Authority in April. This is leading to operators considering service reductions to reduce costs to meet the reduced revenue. Government is considering continuation of BRG beyond March but this is unknown at this stage. The Mayor has written to Baroness Vere, Buses Minister, urging her to confirm adequate funding to maintain a stable network (Appendix 1).
- 2.7 The Combined Authority meeting in December considered the Authority's current budget position following the Finance, Resources and Corporate Committee and identified a need to maintain the Transport Levy at the current rate to ensure a level of continuity in the CA spend on buses in 2022/23 given the ongoing financial uncertainty. The Transport Levy funds both transport services and provides the funding for the borrowing costs to meet the local contribution for the West Yorkshire plus Transport Fund. A commitment to keeping it at the existing level is a strong statement that recognises the importance of improving the public transport provision in West Yorkshire. The CA will consider these issues further when it sets its budget in February.

Concessionary Fares

- 2.8 Currently, usage of the ENCTS free bus pass scheme for older people and those with disabilities is tracking at around 10% below the overall level of patronage when compared with 2019. As stated earlier in the report, bus operators are being paid on the basis of 2019 passenger use. The Combined Authority has succeeded in making some small reductions in the spend in this activity during the pandemic, it is expected that concessionary patronage will slowly continue to increase – reimbursement is a combination of costs and volumes and both parts of that calculation are expected to change. Taken with the pressure on the tendered services budget set out above the Finance, Resources and Corporate Committee identified the merits of ringfencing any savings from concessionary reimbursement for this year and next to meet the wider pressures on bus service provision, also recognising that the Bus Services Improvement Plan bid to government is unlikely to deliver the scale of funding required to improve the bus offer.
- 2.9 The Fare Deal for Under 19s was approved by this Committee in November 2020 and implemented in August 2021. Following this the recovery of bus patronage by younger people has been stronger than the wider population. The Fare Deal created a fixed budget for concessionary fares for under 19s and it is recommended to maintain spend at current levels.

MCard Sales Revenue

- 2.10 Since March 2020, sales revenue from MCards fell in line with the wider impact on public transport use. The Combined Authority obtains a fee from MCard sales to cover the costs of operating the scheme, the effects of the pandemic on sales therefore impacts on revenues to the Authority on this basis.
- 2.11 MCard sales have partially recovered since July 2021. However, the numbers of weekly and monthly season tickets remain below 2019 levels reflecting an anticipated long-term effect of the change in working practices emerging from the pandemic. The MCard Mobile app was launched in 2021 particularly aimed at part time workers and offers discounts for purchasing 10-day tickets in advance.

Bus Service Improvement Plan

- 2.12 The Combined Authority submitted its Bus Service Improvement Plan in October following consideration by this Committee and approval by the Combined Authority. This plan sets out the ambition for bus services in the region and a programme of investment to grow bus patronage as part of a Government funded programme to deliver the National Bus Strategy. Initially Government had set aside £3bn for this purpose however this was revised to £1.2bn in the October 21 Spending Review.
- 2.13 At the time of writing, the outcome of the BSIP bid was awaited. It is anticipated that the funding award to the Combined Authority may fall short of

expectations and that prioritisation of the deployment of the revenue funding element is needed. This supports the need to ring fence any reduced spend on concessionary reimbursement to ensure the greatest value is obtained from the funding available for bus services.

Bus Fares

- 2.14 The conditions of the Government's Bus Recovery Grant allow bus operators to adjust fares providing the aggregate effect is within the Consumer Price Index. On 13 December First West Yorkshire introduced a new fare structure where the overall impact is forecast to be within CPI. This new structure increased prices for day and week tickets but also a rationalisation of single tickets some of which were reduced and the re-introduction of return tickets. New three and five day tickets were introduced to offset the cost increase for weekly tickets where passengers do not travel everyday. The company have also fitted "tap out" readers to their buses and are offering a "tap on tap off" capped option available only on First services. Arriva Yorkshire have indicated its intention to rationalise and increase fares within CPI in January.

3 Tackling the Climate Emergency Implications

- 3.1 A financially healthy, attractive to use bus service is a key element in providing sustainable low carbon travel choices

4. Inclusive Growth Implications

- 4.1 The Combined Authority funds socially necessary bus services and concessionary fares to enable mobility and accessibility particularly for those people without their own means of transport

5. Equality and Diversity Implications

- 5.1 Equality Impact Assessments will be undertaken for any changes to CA funded bus services or for changes in the value and means of delivery of concessionary fares.

6. Financial Implications

- 6.1 The issues set out in this paper will be factored into the budget recommendations to be made to the Combined Authority's meeting on 3 February 2022. Notwithstanding the issues outlined in the report, a small underspend is expected in concessionary fares and tendered bus service costs is expected for the 2021/22 financial year when taking into account the additional Government grants for this purpose. This report identifies the need to ringfence these savings to assist with anticipated pressures early in 2022/23.

7. Legal Implications

- 7.1 There are no legal implications directly arising from this report.

8. Staffing Implications

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

9. External Consultees

9.1 Engagement with bus operators on these issues has been undertaken through the West Yorkshire Bus Alliance.

10. Recommendations

10.1 That the Committee gives consideration to the financial implications of bus service provision outlined in this report ahead of the Combined Authority setting its budget for 2022/23

11. Background Documents

None.

12. Appendices

Appendix 1 - Letter from Mayor to Baroness Vere 15/12/2021