

Report to: Transport Committee

Date: 4 March 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 in 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 April 2022.

- 2.3 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.
- 2.4 Since September, bus service frequencies have reduced as a consequence of Covid absence and shortages of bus drivers in the labour market. Commensurate adjustments in payment have been made to reflect the reduced services.
- 2.5 At the time of writing, Bus Recovery Grant remains in place until 5 April 2022 with a double payment made to bus operators in March. Government officials have advised continuation of BRG beyond this date is under consideration however the outcome is unknown at this stage. As reported to the last meeting, the Mayor has written to Baroness Vere, Buses Minister, urging her to confirm adequate funding to maintain a stable network. Mayors that are members of the M10 group have also written to the Chancellor of the Exchequer and the Secretary of State for Transport seeking urgent confirmation of the funding position with buses beyond April 2022.
- 2.6 Bus operators nationally have advised that a complete withdrawal of Bus Recovery Grant may necessitate a reduction in commercial bus service mileage of around 30%. Urban Transport Group commissioned a study by Steer to assess the impact of the pandemic on bus provision and recommended that Bus Recovery Grant is needed for a further 12 months in order to stabilise the economics the economy of the service and provide a platform upon which to deliver the Government's Bus Back Better ambitions. If funding is withdrawn, almost a third of urban bus journeys are at risk. There is a link to the full document in Background Documents.
- 2.7 A short term extension of BRG may defer an immediate risk of service withdrawals necessitating a close working between the Combined Authority and bus operators to identify the nature of the stabilised network and the interventions needed to maintain connectivity for communities when the funding ends. This will be an early priority for the Bus Enhanced Partnership.

Concessionary Fare Costs

- 2.8 At the request of Department for Transport, LTAs have been paying bus operators assuming pre pandemic rates of passenger journeys. This has been

an overpayment compared with the normal practice of payment relating to actual use. Under normal conditions, reimbursement is based upon the actual number of journeys recorded by the ENCTS smartcard pass multiplied by a rate per passenger calculated using a methodology set by the DfT. Government has recommended that LTAs phase payments to move back to actuals based on monthly steps. ENCTS use in January 2022 was 57% of January 2020. It is unlikely that use of the ENCTS free bus will recover to pre pandemic levels in 2022/23. Bus operators may seek a review of the rate per passenger claiming changed economic conditions affect the revenue foregone from offering free travel.

- 2.9 Concessionary bus travel by under 19s has almost returned to pre pandemic levels. This is now a fixed expenditure agreed with bus companies under the Fare Deal for Young People approved in 2020.
- 2.10 At its meeting on 3 February, the Combined Authority set a budget for 2022/23 which assumes the same level of expenditure on concessionary fares than in 2021/22. Whilst a slow recovery in concessionary travel may result in an underspend in this part of the budget this may be balanced by cost pressures on the tendered services budget

Tendered Bus Services Costs

- 2.11 The Combined Authority spend a net £19m pa on the provision of socially necessary bus services, school buses and AccessBus. As with other sectors of the economy, cost pressure especially around wages and fuel are impacting on bus operation. Whilst the Combined Authority's contracts include provision for inflationary costs, there have been a number of contracts for school services where it has been necessary to re-tender because the incumbent SME operator considers the contract value unsustainable. Whilst this has not significantly impacted on service levels it has increased costs
- 2.12 In addition, Arriva Yorkshire has reduced its commercial operation creating several situations where communities access to bus services have been threatened. In October 2021, the CA stepped in to fund the operation of bus service 205 (Dewsbury- Morley – Pudsey) at a cost of £120k pa
- 2.13 From the end of February, Arriva withdrew its service 117 (Ossett to Leeds), together with links between Knottingley and Castleford and evening services in SE Wakefield. The Combined Authority has made arrangements with other operators to maintain these links pending a longer term review. The current cost to the CA of these interventions is around £15,000 per month.
- 2.14 Depending on the outcome of Government recovery funding, the CA may be under pressure to fund the retention of other key bus links over 2022/23.

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 Combined Authority's meeting on 3 February 2022 established a budget based on 2021/22 expenditure however, as this report sets out, there is likely to be much uncertainty as the year progresses.
- 6.2 The additional costs of the providing replacement services detailed in this report are currently offset by the Combined Authority's share of Bus Recovery Grant. These costs would need to be met from the general fund should BRG cease on 5 April

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 notes the current position regarding bus funding.

11. Background Documents

Urban Transport Group “Continuing COVID Funding Support for Urban Public Transport” published 17 February 2022

[Continuing COVID Funding Support for Urban Public Transport \(urbantransportgroup.org\)](https://urbantransportgroup.org)

12. Appendices

None