

Report to: Transport Committee

Date: 16 September 2022

Subject: **Bus Service Revenue Funding and Expenditure**

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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 A report to the September meeting of the Combined Authority set out some of the specific financial pressures impacting on spend on bus services. This report updates the meeting on this and the actions taken to address additional costs emerging from the situation.

2. Information

Bus Service Expenditure

- 2.1 A report to the 22 July Combined Authority meeting revised the forecast expenditure and approved the transfer of £2.1m from the concessionary fare budget to accommodate increased spend arising from;
- inflationary adjustment of contracts together with re procurement of contracts have resulted in increased costs of 8-10%
 - as reported to Transport Committee, it was necessary to commission several services in response to the withdrawal of commercial services.
- 2.2 CT Plus Yorkshire CIC ceased trading on 5 August 2022. This company provided AccessBus, socially necessary bus services and school bus services under contract with the Combined Authority. These contracts represented over

20% of the CA's tendered bus service expenditure. Immediate action was taken to safeguard public services as follows;

- AccessBus (£2.6m pa)- arrangements were made to amend the contract with TLC Travel Ltd which provides the AccessBus service in Bradford, Calderdale and Kirklees to include the service in Leeds and Wakefield previously provided by CT Plus. Whilst there was some disruption to services in the weeks following CT Plus' closure, this has enabled services to the vulnerable people who rely on this service to be maintained. Both contracts were due to expire later in 2022 and the TLC Travel Contract has been extended until 2024. AccessBus vehicles are owned by the CA and have transferred with the contract. The additional cost of AccessBus for the remainder of 2022/23 is £200k.
- School Buses (£3.4m pa) – CT Plus provided 41 school bus services. Arrangements have been made with other bus operators to provide these services for the start of the financial year. All but 6 contracts have been secured at current prices. The additional net cost to meet these in 2022/23 is £65k (£100k pa) .
- Socially Necessary Bus Services (£1.15m pa) – four routes in Leeds and eight routes in Kirklees ceased operation on 5 August. It was possible to transfer an NHS funded contract for a service between Pontefract, Wakefield and Dewsbury hospitals to Arriva. Tenders were invited to provide the remaining twelve services however no bids were received. The current uncertainty around funding and ongoing driver shortages were a factor. A tender process has been re-opened. Bus tenders are averaging a 15% increase in previous prices and it is anticipated that reinstating these services will require a further £140k in 2022/23.
- Arrangements were made with the administrator to offset CA costs arising from the business failure against funds owed by the CA to the company in respect of outstanding contracts and concessionary payments.
- The additional cost to the CA in 2022/23 arising from the business failure of CT Plus is currently estimated at £440k.

2.3 In addition to the impact of the CT Plus closure, school transport arrangements for the new academic year have now been finalised. Both First and Arriva have notified the withdrawal of several school services which were operating on a commercial basis necessitating their operation under contract. Furthermore, recharges to the respective Councils for the coming year have been agreed. The balance of services which are not supporting statutorily eligible pupils has changed reducing the contributions from Councils and adding to CA costs. This has identified further cost growth of £430k not included in the forecast reported to the previous meeting.

2.4 The terms of several tendered bus service contracts have been extended at a rate in line with inflation as a more favourable approach than re tendering at an additional cost of £31k.

2.5 The additional costs emerging since the previous meeting can be summarised as follows

		22/23 additional cost £k	Full year impact £k
Costs arising from CT Plus closure	AccessBus	200	400
	School buses	100	£150
	Bus Services	£140	280
Additional costs from schools		521	650
Additional costs – bus services		31	35
Totals		992	1515

- 2.6 A further virement of £992k from the concessionary fare budget to meet the additional costs incurred is being sought from the Combined Authority at its meeting on 9 September.

Concessionary Fare Expenditure

- 2.7 The Combined Authority funds the ENCTS free bus pass scheme for older people and adults with disabilities together with reduced bus fares for under 19s. Whilst under 19 patronage has almost returned to pre pandemic rates, use of the free pass is currently around 65% of pre pandemic rates. Under the Covid funding arrangements, the CA has been reimbursing at pre pandemic rates less an adjustment for reduced mileage operated.
- 2.8 There is currently an underspend in this budget area. As reported to Finance Resources, and Corporate Committee on 12 July 2022, the 21/22 budget outturn was £4.2m less than budget and it is forecast that this budget will underspend by £5.9m in 22/23. These provides scope to offset cost growth in bus service expenditure against underspend on concessions. This enabled the virement of £2.1m approved at the previous meeting and a further proposed virement of £992k can be funded in this way.

Anticipated Cost Pressures In The Remainder Of The Year

- 2.9 Since April 2020, Government has issued emergency funding to bus operators and Local Transport Authorities 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. On 19 August 2022, Government announced that this funding will continue until end March 2023. The CA was awarded £2,029,088 for the period 6 April to 4 October and a similar sum is anticipated for the remainder of the year.
- 2.10 Whilst the extension of funding has averted significant service withdrawals, current patronage and increased operating costs mean this around 11% of the bus network is currently not financially viable and steps to recover this position will be needed when the funding ends. As reported to Transport Committee, a

full review of the bus network is in progress which will define an aspirational bus network, the steps towards this and the deployment of the bus network elements of the BSIP. A plan for the services which were at risk of withdrawal will need to be considered in this process.

- 2.11 Options to extend current bus service contracts have been taken over the pandemic due to the financial uncertainties which remain. Following the network review, it is intended to undertake an extensive procurement exercise in 2024 for contracts currently valued at c£5m pa. This will necessitate a further extension of contract term and index linked uplift in contract values. In addition several operators have suggested that they may need to give notice on contracts unless an inflation index uplift can be provided. There is therefore a risk of further cost growth in the current financial year beyond that proposed in 2.6 and a request for a further virement or other action.
- 2.12 Prior to CT Plus closure, around 45% of spend on school and local bus services is with small/ medium sized businesses who are particularly vulnerable to current economic challenges. The risk of business failure in this sector remains with consequential cost risks for the CA.
- 2.13 Taking into consideration the issues set out in this paper, expenditure on bus services in 2022/23 is currently expected to outturn at around £3.5m more than the budget set. Use of the ENCTS free bus pass is expected to grow back to pre pandemic rates during 2023/24 and the opportunity to offset the increased bus service costs against reduced spend on concessions is not likely to be available in 2023/24. There is also a risk that bus operators seek a review of the ENCTS model to reflect their increasing costs.
- 2.14 The cost of maintaining current tendered bus service levels into the forthcoming year would therefore require additional funding to be met from the Transport Levy or for a review of the support provided to determine what is affordable. The Transport Levy has been reduced or frozen for a number of years in cash terms and hence has fallen significantly taking inflation into account but it is recognised that the local authority partners who fund the levy are facing significant financial pressures also. This will be further explored during the budget negotiations over the autumn
- 2.15 Finance, Resources and Corporate Committee on 12 July 2022 approved that £2 million is transferred to an earmarked reserve for public transport support in 2022/23 and beyond in response to the current volatility in the bus sector. In the event that significant further risks to service delivery emerge, it may become necessary to utilise some of this reserve to mitigate the worst effects.

3. Tackling the Climate Emergency Implications

- 3.1 A key aim of the bus network is to enable people to travel by sustainable modes in order to tackle the climate emergency.

4. Inclusive Growth Implications

- 4.1 The BSIP Bus Network Development Plan will seek to protect services to communities, particularly those areas of high deprivation, in order to support the region's inclusive growth ambitions.

5. Equality and Diversity Implications

- 5.1 Supporting Equality and Diversity through ensuring the bus service is attractive, inclusive and accessible for all is a key aim of the West Yorkshire Bus Service Improvement Plan.
- 5.2 An Equality Impact Assessment will be undertaken for any actions by the Combined Authority which have a significant impact on service provision.

6. Financial Implications

- 6.1 This report currently presents a forecast overspend on bus services and underspend in concessions and identifies how this budget area will continue to be under pressure due to external factors. Regular updates on expenditure to the Finance, Resources and Corporate Committee and periodically to this meeting.

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 The issues addressed in this report have involved the detailed input and engagement of bus operators.

10. Recommendations

- 10.1 That Transport Committee notes the current position with bus service and concessionary fare spending and the actions being taken to mitigate the current budgetary position.

11. Background Documents

There are no background documents referenced in this report.

12. Appendices

None