

Report to: Transport Committee

Date: 14 October 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 checked="" type="checkbox"/> Yes <input 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 This report updates the position regarding Government funding for bus services and the implications for service delivery.
- 1.2 The report also sets out some of the specific financial pressures impacting on spend on bus services updates the meeting on this and the actions taken to address additional costs emerging from the situation.

2. Information

Bus Service Funding

- 2.1 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 April to October, £1,014,544 for the October to December period. The DfT has indicated that funding is available for January to March 2023 but prioritised to areas where there is greatest need.

- 2.2 Bus patronage has not returned to pre-pandemic levels and inflationary pressures are driving up the cost of bus operation. Whilst the extension of Government funding has postponed many of the service cuts that would have occurred, Arriva and First still made service reductions at the start of October. Around 11% of the bus network is currently not financially viable and will be at risk when the funding ends unless a significant uplift in passenger revenues is experienced.
- 2.3 No mention has been made in recent Government budget announcements about continued funding for bus services beyond March 2023 and there remains a threat to marginal services if funding is not available. It is proposed that the Chair of Transport Committee writes to the new Secretary of State asking that a clear funding plan for bus services is included in the Government's forthcoming fiscal review.

Combined Authority Bus Service Expenditure

- 2.4 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%
 - it has been necessary to commission several services in response to the withdrawal of commercial services.
- 2.5 A further virement of £992k from the concessionary fare budget was approved in September to meet the additional costs largely incurred due to the collapse of CT Plus and additional costs arising to provide home to school transport for the new academic year.

CT Plus Yorkshire

- 2.6 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. Arrangements have been made for these services to resume from 3 October 2022 at an additional cost of £72k pa.
- 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

Home to School Transport Costs

- 2.7 School transport arrangements for the new academic year have new 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.
- 2.8 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.

Concessionary Fare Expenditure

- 2.9 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.
- 2.10 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 and enables the initial funding for the Mayors Fares initiative.

Anticipated Cost Pressures In The Remainder Of The Year

- 2.11 As set out in an accompanying paper to this 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.
- 2.12 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
- 2.13 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.
- 2.14 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.
- 2.15 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. Costs this year have been supported by Government funding as set out in 2.1, uncertainty about Government funding is adding to the cost pressures for the CA.
- 2.16 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 discussions over the autumn
- 2.17 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 the Chair of Transport Committee writes to the Secretary of State for Transport urging that a clear funding plan for bus services is included in the Government's forthcoming fiscal review

10.2 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.