

Report to: Transport Committee

Date: 14 December 2022

Subject: **Budget and Business Planning 2023/24**

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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 This report updates the Committee on key issues which the Combined Authority will be considering as it prepares a revenue budget and business plans for 2023/24.
- 1.2 The Combined Authority will set the Business Plan and Budget at its meeting on 2 February 2023. On 8 December, the CA meeting considered key issues which are influencing this process. This report sets out these issues as they affect the Transport Committee's areas of responsibility.

2. Information

Bus Service Costs In 2022/23

- 2.1 Bus service provision has been severely impacted by the pandemic. Since April 2020, Government has issued emergency funding to bus operators and Local Transport Authorities (Bus Recovery Grant) 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.

- 2.2 In 2022/23 the CA will receive c£4m in Bus Recovery Grant. Bus operators obtain BRG directly from Government; it is estimated that the total value of BRG in West Yorkshire in 2022/23 is around £16m.
- 2.3 Bus patronage has is around 80% of pre-pandemic levels with a consequential effect on fare revenues. The cost of bus operations has been affected by wider economic impacts including rising fuel prices and increased labour costs due to workforce shortages. The effects of these factors impact on the Combined Authority's expenditure in commissioning bus services and school/ college transport.
- 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 by the CA 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. Whilst the economic pressures continue, these pressures are containable for the remainder of the year within the concessionary fares and tendered budgets and are forecast to provide a small surplus that may meet the expected costs next year but not beyond.

Budget Issues for 2023/24

- 2.6 Bus service provision including concessionary fares is an area funded by the Transport Levy which is paid by the five constituent authorities. The levy has remained largely cash flat over the last ten years and local authority partners have already indicated that they do not expect to be able to fund any increase given the pressures on their budgets. Budget planning to date has assumed no levy increase.
- 2.7 There remains uncertainty around the CA's costs for bus services in the coming financial year. Bus Recovery Grant has reduced the impact on CA finances of the growth in costs and reduced revenues. Budget planning assumes this will not be available in 2023/24.
- 2.8 A decision from Government on whether Bus Recovery Grant will continue is not expected until the new year. If it does not continue beyond March, bus operators may reduce costs to compensate for the lost grant revenue by withdrawing services putting pressure on the CA to fund services to maintain community connectivity. If Government maintains the Grant, it may ask Local Transport Authorities to maintain its level of spend on buses.

- 2.9 Modelling has been undertaken on the likely range of cost scenarios for bus tendered services and concessionary fares. Use of the ENCTS free concessionary travel scheme for older and disabled people continues to lag behind adult bus travel and, in October 2021, was only 65% of the same month in 2019. Whilst this presents a potential reduction in costs, it should be noted that reimbursement rates have not been reviewed since before the pandemic and operators are expected to make a case for an increase due to the economic changes they have been facing. Nevertheless, as in 2021/22, it is likely that expenditure on concessionary travel would be less than pre pandemic and will help to offset cost growth in tendered bus services and school travel. Looking ahead over the next three financial years, the ability to offset cost growth within this budget area will fall away and a need to provide further funding to stand still will emerge in 24/25.
- 2.10 Home to school/college transport costs have shown a marked increase in 22/23. SME bus operators are particularly vulnerable to fuel and other cost increases and there have been several business failures in this sector. These costs are shared with Councils. The balance of services which are not supporting statutorily eligible pupils has changed reducing the contributions from Councils and adding to CA costs. It is anticipated that this will continue into 23/24.
- 2.11 Inflationary pressures have impacted on other areas of the budget, including energy and maintenance costs. Utilities forecast outturn for 22/23 is 50% above budget with further inflationary increases across utilities anticipated at 27% in 23/24 (18% in 24/25 & 25/26), representing on average £250k increase per annum. The costs of planned works and repairs for bus stations and shelters is showing a 10% increase in the current year, with increases expected at 5-10% in 24/25 onwards, an average £100k increase pa.
- 2.12 Finance, Resources and Corporate Committee on 12 July 2022 approved a specific transport reserve of £2 million to support future transport revenue cost pressures following the expected as government funding comes to an end. The current year budget forecast identifies a further £3 million of non-recurring savings on concessionary transport reimbursement costs that it is proposed is transferred in the transport reserve to meet future demand, with this sum then utilised in 2023/24.

Bus Services Improvement Plan

- 2.13 As reported to the previous meeting, the Combined Authority was successful in receiving £69m revenue funding to support the delivery of its Bus Services Improvement Plan over the coming three years. The two major elements of this spend are on fares subsidy enabling the "Mayors Fares" £2 maximum single fare and £4.50 maximum daily fare. The BSIP will also fund bus network enhancement and at the next meeting, it is expected to be able to present the Committee with a Bus Network Development Plan and a list of bus service enhancements to be funded from this pot. This funding will be held and managed separately to the general revenue budget for transport and the Committee will receive periodic updates on this expenditure.

Business Plan 2023/24

2.14 Alongside the budget, the Combined Authority is developing its Business Plan for the coming years. The key themes of the business plan for Transport Committee will be:

- Delivery of the Bus Service Improvement Plan including the Bus Network Development Plan.
- Delivery of schemes within the Transforming Cities Fund, Transforming Cities Fund West Yorkshire Transport Fund and City Region Sustainable Transport Settlement.
- Developing the Mayor's Local Transport Plan and Pipeline.
- Development of a Rail Strategy.
- Ensuring front line passenger services are inclusive and customer focused.
- Reducing the carbon generation from CA transport facilities.

3. Tackling the Climate Emergency Implications

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

4. Inclusive Growth Implications

4.1 The deployment of funds to support bus service provision 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 transport is attractive, inclusive and accessible for all is a key objective.

5.2 An Equality Impact Assessment will be undertaken for any actions by the Combined Authority in its Business Plan which have a significant impact on service provision.

6. Financial Implications

6.1 This report presents the budget issues which will be considered in the process of preparing a budget proposal for the February meeting of the Combined Authority.

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 update on matters relating to setting a Business Plan and Revenue Budget for 2023/24

11. Background Documents

There are no background documents referenced in this report.

12. Appendices

None.