

Report to: West Yorkshire Combined Authority

Date: 2 February 2023

Subject: Bus Service Funding Update

Director: Dave Pearson, Director of Transport Operations and Passenger Experience

Author: Dave Pearson, Director of Transport Operations and Passenger Experience

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 type="checkbox"/> Yes <input checked="" type="checkbox"/> No

1. Purpose of this Report

- 1.1 The accompanying report on this agenda sets out the proposed budget and business plan for 2023/24 and identifies that bus service costs are a major area of risk and uncertainty in the forthcoming financial year. This report seeks to update the Combined Authority on current issues affecting bus services in West Yorkshire and the actions to be taken to mitigate these risks and issued in 2023/24.

2. Information

Current Status Of Commercial Bus Services in West Yorkshire

- 2.1 Since bus deregulation in 1984, most bus services in West Yorkshire operate on a commercial basis with the Combined Authority (as Local Transport Authority (LTA) seeking to facilitate co-ordination between commercial operators, commissioning those services which would not operate on a commercial basis, providing concessionary fares, and managing bus service facilities and assets.
- 2.2 Changing travel habits during and since the pandemic have had a significant impact on bus use which is now at 83% of pre pandemic rates. Since April 2020, bus services have been financially supported by Government grant and by LTAs including the Combined Authority maintaining payments at pre pandemic rates despite the reduction in patronage.

- 2.3 Reduced farebox revenue, reliance on short term public sector financing, a diminishing workforce and rising fuel, labour and other costs have all impacted on the viability of commercial bus operations. This has led to service reductions and withdrawals and issues with reliability and punctuality.
- 2.4 The current Government funding ends in March 2023. At the time of writing, Government officials were advising that an announcement of a 2023/24 funding package for bus services was imminent but the value and nature of this is not known. This uncertainty is leading many bus operators to consider further service withdrawals at the end of March 2023. The Deputy Chair of Transport Committee with responsibilities for bus, Cllr Carlill, has been meeting bus operators and a verbal update on the outcome of these discussions will be provided to the meeting.

Bus Service Improvement Plan

- 2.5 The Combined Authority submitted its Bus Service Improvement Plan (BSIP) to the Department for Transport (DfT) in October 2021. The development of the Bus Service Improvement Plan, which sets out our ambitious vision and plan for improving local bus services, was a requirement of the 'Bus Back Better: The National Bus Strategy for England' (2021).'
- 2.6 The Combined Authority has received confirmation of £69,974,070 of funding to be managed through an Enhanced Partnership with bus operators. The Combined Authority meeting in October 2022 approved expenditure on BSIP and delegated delivery to the Transport Committee. The table below sets out the programme areas and spend:

Funding area	Schemes and interventions	Revenue cost (£m)
Clear and simple fares	<ul style="list-style-type: none"> • 'Mayors Fares' subsidy. • Business to customer sales and marketing. • Business to business sales. 	36.9
New and improved services	<ul style="list-style-type: none"> • Evolution and growth of the bus network. • 'Superbus' town network enhancements. • Service innovation – Demand Responsive Transport and Mobility Hubs. 	30.9
Supporting bus priority and safety	<ul style="list-style-type: none"> • Improvements to coordination of bus, urban traffic and passenger information. • Enhanced Safer Travel Partnership with the WY police. 	2.05
Total revenue costs:		£69.9m

- 2.7 Delivery of the BSIP forms a major element of the Combined Authority’s business plan for 2023/24 as set out on the accompanying report on this agenda. The capped “Mayor’s Fares” initiative was launched in September 2022 and growth in bus use has been observed through the autumn period. Work in progress on developing a bus Network Development Plan will be presented to the February Transport Committee however the delivery of this plan is challenged by the current uncertainty around Government funding and any consequential impacts on service provision.

The Combined Authority’s Expenditure on Bus Services

Provision of socially necessary bus services

- 2.8 The 2022/23 budget contains £16.6m to fund the provision of socially necessary bus services. This is broadly broken down as follows:

Socially Necessary Local Bus Services	£14.1m
School Bus Services (net of revenue and contributions by Councils and other parties)	£2.6m
AccessBus	£2.3m
BSOG – Government Grant /other	-£2.4m

- 2.9 A report to the 22 July meeting revised the forecast expenditure on bus services and approved the transfer of £2.1 million from the concessionary fares budget to accommodate increased spend arising from inflationary adjustment of contracts together with re procurement of contracts which have resulted in increased costs of 8-10%. A further subsequent virement of £0.992m was approved in September largely as a result of the business failure of CT Plus. Whilst spend in 2022/23 can be contained with the budget and subsequent grants and virements, the current situation is providing pressure on spend in 2023/24.

- 2.10 As stated in the accompanying paper setting out the proposed 2023/24 budget, assumptions have to be made regarding the various factors which will impact on bus service expenditure in 2023/24. These can be summarised as follows:

- Expenditure in 2022/23 has been supported by Government funding of £4m. As stated earlier in this report, uncertainty remains as to whether Government funding support will be made available to the Combined Authority and bus operators beyond end March 2023.
- If there is no funding then the Combined Authority must absorb the additional service costs which have emerged since the pandemic. Commercial bus services will be withdrawn leading to communities will look to the Combined Authority to secure a reinstatement of service.
- A partial or full retention of Government funding may ameliorate these impacts however inflationary pressures together with reduced capacity

in the bus industry show no sign of abating. Recent tender procurements have resulted in cost increases of around 30%, and in some cases, no bids returned. If this rate of increase is applied across the budget with no increase in income, the additional costs are of the magnitude of £7m pa.

- Throughout the pandemic bus service contracts were extended by mutual consent with the contracting operators as market conditions were not conducive to procurement and the CA would run the risk of tender prices with high level of risk contingency. There is therefore a significant number of contracts (valued at approximately £5m pa) which will expire early in 2023/24 which will necessitate a phased programme of procurement over the coming financial year. This is in addition to the process of renewing school transport contracts.
- Finance, Resources and Corporate Committee in July 2022 approved the creation of an earmarked reserve for public transport support in response to the current volatility in the bus sector. Given the uncertainties outlined above, it is expected to be necessary to draw on this in 2023/24 to maintain a balanced budget however, moving forward, it will be necessary to look at options which stabilise the spending position.

2.11 A number of workstreams have started to support the stabilisation of spending in this area;

- The process to re-procure current bus services will need to ensure that each service is delivering against the Combined Authority's Bus Service Improvement Plan in a form which delivers best value. Current utilisation of services will be examined to ensure effectiveness and that the costs are delivering social benefits.
- School transport services have been a major element of cost escalation in 22/23. Broadly the Councils and Academy Trusts meet the costs of carrying pupils for whom they have a statutory responsibility to provide transport together with some services that are necessary to support the local admissions policy. The CA funds the operation of buses where it is not possible for pupils to use the general bus network to get to school; there are many schools where the distribution of the catchment area does not correlate well with the bus network. A process is underway to identify CA funded services which are not carrying enough pupils to represent value for money with a view to their withdrawal, absorbing passengers onto other services or increasing charges. This will take place over the spring/ summer ahead of withdrawing services from the start of the academic year should this be required. Engagement with schools and Councils commenced on 23 January 2023. A renegotiation of cost sharing with Councils and Academy Trusts is also underway.

- As costs increase and the capacity of the bus industry reduces, it is becoming clear that the current process to procure bus services requires a major overhaul. Deloitte have been commissioned to advise on how these processes can be modernised and a commercial procurement strategy developed to ensure the CA can obtain the best outcomes from a changing bus market.

Concessionary Fares

- 2.12 The provision of free bus travel for older and disabled people (the English National Concessionary Travel Scheme) is a statutory requirement, currently costing almost £40 million per annum. Following Government advice, LTAs have been reimbursing bus operators based on pre pandemic passenger journeys and rates with deductions made for mileage not operated in 2022/23 that was operated in 2019. This has enabled the surplus which has offset cost growth to date. It is intended to transition back to using actual passenger journeys and update reimbursement rates per journey in 2023/24.
- 2.13 Use of the free concessionary travel scheme for older and disabled people continues to lag behind adult bus travel and, in November and December 2022, was only 67% and 62% of the same months in 2019 respectively. 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. The proposed budget for concessionary fares has been developed following sensitivity testing of various outcomes in terms of passenger demand and reimbursement rates.

Bus Improvement and Reform

- 2.14 The Bus Service Improvement Plan expenditure will seek to adapt the wider network to be responsive to the changing patterns of employment and travel. Maintaining and supporting the recovery of the current network is also key and, whilst BSIP spend and “business as usual” spend will be kept separate, it will be necessary to ensure they are complimentary and that the BSIP funded activities deliver a financially sustainable network in the future.
- 2.15 In 2023/24 the Combined Authority will consider the assessment for bus franchising which may offer a longer term solution to the challenges set out in this report. The emphasis in 2023/24 should be supporting a positive recovery from the economic impacts of recent years to enable a sound platform on which to build a tangible improvement in the network.

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 area 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 which have a significant impact on service provision.

6. Financial Implications

- 6.1 This report provides context to the accompanying report proposing the Combined Authority's budget for 2023/24

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 No external consultations have been undertaken.

10. Recommendations

- 10.1 That the Combined Authority notes the actions being taken to manage bus service costs in 2023/24

11. Background Documents

There are no background documents referenced in this report.

12. Appendices

None.