

**Report to:** Transport Committee

**Date:** 10 February 2023

**Subject:** **Bus Service Funding and Network Plan Development Update**

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

## 1. Purpose of this Report

- 1.1 At its meeting on 2 February 2023, the Combined Authority approved its budget and business plan for 2023/24 and identified that bus service costs are a major area of risk and uncertainty in the forthcoming financial year. This report seeks to update Transport Committee on current issues affecting bus services in West Yorkshire and the actions to be taken to mitigate these risks and issues in 2023/24 – including development of the BSIP funded Bus Network Plan.

## 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 87% 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 further funding is under consideration but were unable to advise on the timing and value of the funding. 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 to discuss their plans ahead of this date.
- 2.5 Bus operators are now working on the basis that funding will reduce or cease on 31 March and have notified the Combined Authority of plans to withdraw services from April. Formal registrations to change services from 2 April will need to be submitted to the Traffic Commissioner by 17 February. As it stands the impacts will be:
- 7 services withdrawn in full
  - 4 services where part of the route will be withdrawn
  - 16 services where service frequencies will reduce
  - 15 services will operate over a reduced span of the day/week
- 2.6 Discussions with the relevant bus operators continue and a verbal update will be provided to the meeting. Details of the affected services will be circulated to Members following the submission of service registrations.

### **The Combined Authority’s Expenditure on Bus Services**

#### **Provision of socially necessary bus services**

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

**Table 1 –2022/23 Initial Budget For Bus Services**

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

- 2.8 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.
- 2.9 The budget for 2023/24 is based on assumptions 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 looking 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 20-30%. 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 are 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.

2.10 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 partner 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. Given the funding constraints the CA and Councils are facing due to Government funding settlements, it is necessary to identify CA funded services which are not carrying enough pupils to represent value for money with a view to their withdrawal or absorbing passengers onto other services. 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 school transport cost sharing with partner Councils and Academy Trusts will also be undertaken.
- 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.

2.11 In the event that some or all of the bus service withdrawals outlined in paragraph 2.5 occur, the Combined Authority has very limited financial scope to subsidise additional services without a stable funding package from Government and/ or partner Councils.

2.12 The current uncertainty around Government funding for bus services is impacting on the confidence of bus operators to submit tenders for contracts with the Combined Authority to operate socially necessary bus services. In late 2022, tenders were invited to operate services in the Otley, Ilkley, Guiseley and Yeadon areas. At the time of writing, insufficient bids had been received to operate all of the CA funded services and it is possible that some services may need to be suspended from February until such time as a bus operator can be found. A verbal update will be provided to the meeting on this situation.

## Concessionary Fares

- 2.13 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.
- 2.14 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.
- 2.15 The Combined Authority funds the provision of cheaper bus fares young people based on the “Fare Deal for Under 19s” approved by the Committee in 2021. The budget for this activity is maintained in 2023/24.

## **Bus Service Improvement Plan – funding of ‘new and enhanced’ services**

- 2.16 The Combined Authority submitted its Bus Service Improvement Plan (BSIP) to the Department for Transport (DfT) in October 2021. The development of the BSIP, 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).’
- 2.17 In the BSIP, the Combined Authority set out its ambition for delivery of an enhanced, fully inclusive and more cohesive bus network – which takes people where they need to go, when they need to go and caters for the complexity of modern travel patterns and different passengers’ need.
- 2.18 To support this, it also committed to the development of a five-year Bus Network Plan, which will include:
- Expansion of the high frequency ‘core network’ – so more people live near a bus stop where a service arrives at least every 15 minutes.
  - Improvements to the regularity and consistency of less frequent services.
  - Increasing services in the early morning, evenings and at night-time.
  - Increasing services in rural, out-of-town and economically deprived areas.
  - Local ‘SuperBus’ networks, with cheaper fares and priority on the roads.
  - More pilots of demand responsive ‘FlexiBus’ services.

- 2.19 West Yorkshire has since been awarded £69.9m in revenue funding by the Department of Transport (DfT) to support delivery of its BSIP, with approx. £31m assigned by the Combined Authority specifically for investment in the bus network.
- 2.20 As previously reported to Transport Committee, work is progress on developing a Bus Network Plan however the delivery of this plan is challenged by the current uncertainty around Government funding and any consequential impacts on service provision.
- 2.21 Importantly, for BSIP allocations, the DfT previously advised their top priorities are “increased service frequencies and new/expanded routes – including better evening and weekend services, new routes that serve identified priorities such as employment sites and services and new Demand Responsive Transport [...] You should not simply use funding to support existing service levels and patterns.”
- 2.22 Therefore, the Combined Authority has been working to analyse current levels of bus connectivity, identify priority areas for improvement, and define key funding criteria based on BSIP strategy. The process was outlined in a report to Transport Committee in October 2022. Crucially, the process has sought to create a difference between the reasons for investment of the Combined Authority’s £17m annual tendered services budget which provides commercially unviable but socially necessary connectivity, and the BSIP funding which should support more transformative improvements and growth of the network.
- 2.23 As reported to Transport Committee in November, direction has also been given from the Mayor, Leaders and Transport Committee members to prioritise investment in expanding the reach of the bus network and establishing new connections at all times of day, as well as improvement to the frequency of existing services. It has also been agreed to continue development of the longer term ‘aspirational’ bus network as part of the development of the West Yorkshire Local Transport Plan, to ensure coordination with other modes and full alignment with the region’s needs.
- 2.24 Furthermore, through engagement on district-by-district basis it has been made clear that there are a range of different transport needs and funding priorities across West Yorkshire, which will need to be balanced as part of any funding package brought forward, rather than the Combined Authority being able to implement a one-size fits all approach.

Proposed funding approach:

- 2.25 To balance BSIP opportunities against the context of current commercial challenges, the Combined Authority is proposing to take a phased approach to BSIP-funded network enhancements over a five-year period. This would comprise four main funding pots:

- **Tranche 1: Network stabilisation and ‘quick wins’ (£3m approx., Years 1-3)**– to fund services which are deliverable within the upcoming financial year, and stabilise/enhance the ‘as is’ network.
- **Tranche 2: New and enhanced routes (£9m approx., Years 2-4)**– comprising more significant and transformative investments as the market reaches a more stable position.
- **Tranche 3: Future development (£6m approx., Years 3-5)** – to be retained for investment in services that meet changing network needs, a more developed vision of the future network, and current ideas which require further scoping.
- **Tranche 4: SuperBus (£10.6m approx., Years 1-5)** – to fund joint commercial ventures with operators, with the Combined Authority ‘pump-priming’ services over the first three years, reducing annually, and operators solely funding for years four and five as commercial viability grows.

2.26 Figure 1, below, visualises this proposed funding programme. The exact amount and funding period for each package are still to be agreed.

**Figure 1 - Proposed network funding programme – DRAFT**

Year	2023/24	2024/25	2025/26	2026/27	2027/28
Annual spend	£1m*	£4m*	£6m*	£5m*	£2m*
Funding Tranche	Tranche 1 – £3m, approx. 10 buses (network protection and quick win enhancements)				
		Tranche 2 - £9m, approx. 25 buses (new connections and further enhancements)			
			Tranche 3 – £6m, approx. 15 buses (further development pot)		
Superbus (Tranche 4)	Superbus Year 1 – £4.8m**	Superbus Year 2 – £3.5m**	Superbus Year 3 - £2.2m**	Superbus Year 4 - £0m	Superbus Year 5 - £0m

2.27 All spend on the network will be subject to the Combined Authority’s usual assurance process. A Strategic Outline Case and initial spend is planned to be brought for Transport Committee approval in May 2023.

2.28 The proposed phased approach to investment seeks to mitigate against current commercial funding challenges by allowing time for the network to reach a steadier state, and the majority of investment in enhancements planned accordingly.

#### Shortlisting route suggestions

2.29 The Combined Authority has compiled a long list of route suggestions for BSIP investment through engagement with politicians, local operators, partner Council officers and the internal Transport Services team.

2.30 There are currently approx. 300 suggestions on the long list, and these are being developed and prioritised based on factors including:

- Whether they are 'new or enhanced' services
- Alignment with wider BSIP strategic priorities – inc. frequency targets and service hours.
- Correlation with background analysis of current bus connectivity and priority areas for improvement.
- Deliverability – including market capacity to provide.
- Commercial viability beyond the funding period.
- Stakeholder support.

2.31 Using this analysis, the Combined Authority will work with partner Councils to agree the schemes to put forward as part of the first funding tranche. The commissioning of these services from operators will then commence, with a view to the first BSIP-funded services being operational from Summer 2023.

2.32 The long list will continue to be developed and reviewed, alongside the overarching network vision, for Tranche 2 and 3 funding over the coming financial year.

2.33 As described earlier in the report, the bus network is challenged by funding uncertainties resulting in service suspension and withdrawals. It is therefore important to focus the initial spend (Tranche 1) on steps aimed at protecting and stabilising the existing network. Once this stability is achieved, Tranche 2 and 3 can focus on new and enhanced services as per the original BSIP ambitions.

#### SuperBus

2.34 £10.6m of the BSIP network funding was set aside for 'SuperBus' partnership schemes with operators to develop and strengthen local networks.

2.35 Bus operators were originally invited to submit proposals as part of the BSIP's initial development. Following confirmation of funding, operators were invited to resubmit bids by the end of November 2022. The total value of proposals received was £19.3m.



- 2.36 Following an evaluation three schemes serving areas of Calderdale Bradford, Kirklees and Leeds districts emerged as suitable to carry forward at a total cost of £4.2m. The Combined Authority is now working with operators to develop these schemes, ready for implementation, and to explore opportunities for the use of the remaining £6.4m.

### **Bus Improvement and Reform**

- 2.37 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.
- 2.38 The actions and approaches outlined in this report represent a significant increase in the Combined Authority’s activities in commissioning bus services. As mentioned earlier in this report, this will necessitate a revision of the systems, processes and procurement strategy for bus service commissioning.
- 2.39 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 Providing bus transport that is attractive, inclusive and accessible for all is a key objective to level up West Yorkshire with a focus to improve connectivity for disadvantaged communities.
- 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 Transport Committee notes the actions being taken to manage bus service costs in 2023/24.

10.2 That the Transport Committee endorses the general approach to the deployment of funds set aside in the Bus Service Improvement Plan award for bus network development and that a Strategic Outline Case be presented to the Committee seeking approval to spend.

## **11. Background Documents**

There are no background documents referenced in this report.

## **12. Appendices**

None.