

Executive

15 December 2022

Report of the Director of Transport, Environment and Planning
Portfolio of the Executive Member for Transport

Bus Network Review

Summary

1. The report updates the Executive of actions taken so far and immediate recommendations to stabilise the local bus network.
2. The bus industry pre COVID in York was worth £24 million pounds and the council funded approximately £0.72 million of this through bus subsidy as well as funding the concessionary fares on the basis of operators being no better or worse off.
3. However, as a result of COVID the industry has shrunk to 80% of pre covid levels with 20% fewer passengers.
4. In addition, significant rise in operating costs and a national driver shortage is creating an extremely challenging context for bus service operation.
5. These challenges have seen operators submit multiple notifications of service withdrawals or changes, with further notifications of planned changes expected in the coming months. Work is being carried out to save and maintain reliable levels of services in the short term.
6. The Council has received £2.2 million pounds of revenue support this year, of which approximately a million pounds is for bus support including the restart of Poppleton Bar Park and Ride.
7. The network enhancement delivered through Bus Service Improvement Plan has to be sustainable. By stabilising the network and supporting the bus industry through driver recruitment etc it sets a foundation to encourage people to return and use public transport.

8. Officers have completed all actions in relation to securing the DfT BSIP funding, the funding grant agreement arrived with CYC on the 3rd November 2022.
9. Whilst the government has provided significant financial support in response to COVID to the bus industry, this support is set to end at the end of this financial year.
10. However, there is therefore a significant risk that unless usage of the bus increases then further service impacts will be felt.

Recommendations

11. The Executive is asked to:

- 1) Agree the principle that maintaining the extent of bus network is the key priority within the budgets available. Preserving the routes takes priority over preserving bus frequency. To the extent that the Council won't fund current commercial services where a reduction in frequency is an option for the operator without significant impact on communities.

Reason: Keeping the bus network even with a reduced frequency if necessary gives a better basis to build back in the future. There is limited funding to deliver bus subsidy.

- 2) Delegate to the Director of Transport, Environment and Planning (in consultation with the Leader of the Council, Executive Member for Transport and the Director of Governance, Section 151 Officer or their delegated officers) the authority to:
 - a) Work with the Enhanced Bus Partnership to deliver bus support funding through the BSIP allocation.
 - b) To reduce bus frequency requirements of subsidised bus services to maintain the network if the overall bus subsidy is greater than the budget.
 - c) Work with all partners, Bus Operators, North Yorkshire County Council and the YNYLEP to identify ways of encouraging recruitment and driver training.
 - d) Work with the Park and Ride Operator towards reopening Poppleton Bar Park and Ride and returning all other Park and Ride sites to pre-pandemic levels of service by Easter 2023.

Reason: to give officer the flexibility to act at pace and ensure the services are maintained

3) Approve the removal of the bus subsidy criteria for a period of one year

Reason: to give officer the flexibility to maintain services within the budget.

4) To bring a report in the summer updating on the Government funding situation, the current levels of bus usage, the progress of action identified in this report and impact on bus services.

Reason: to allow Executive to have oversight and review options and next steps

Background

12. Most bus services in York are operated commercially by independent companies, some of which are part of a larger groups of companies. Bus companies are free to decide how, where and when they will run any services that will provide a financial return. This includes the route, stops, timetables and fares.
13. Where bus companies are unable to provide a service commercially, the Council can provide financial support to operators willing to run the route on its behalf. In these cases, the Council generally sets the route, stops and timetable, monitoring the performance of each service to ensure that the City of York receives the best value for money from its public transport expenditure. These services are normally tendered and then operated under a contract. They are referred to as subsidised services.
14. In some cases, certain parts of a bus service are commercial, with the remainder of the journeys being subsidised. Bus operators are encouraged to show on their timetables which journeys are operated with support.
15. If an operator wishes to change or cancel a bus service. The operator must tell the local authority if changing or cancelling a bus service and must do this 28 days before they apply to the traffic commissioner.

16. Operators must apply to the traffic commissioner at least 42 days before the service changes or stops.
17. The local authority cannot veto or affect the content of a change or cancellation application in any way. Advance notice is intended only to give the local authority 28 days advance so that the local authority can consider if they require certain information to be provided in order to decide whether to commission a replacement service.
18. The council is currently spending approximately £720k on commission subsidised bus services.
19. From annual public accounts posted by local bus operating companies, it is possible to make a fair estimate of the total annual pre-Covid turnover of the York bus industry.
20. It is estimated that for the 2018/19 financial year pre COVID, the combined turnover of all the bus routes operating substantially within the York area was approximately £24m.
21. In this context, the council subsidy of £720k to support tendered bus services represents approximately 3% of the estimated local bus industry turnover.

Covid Impact

22. The York Bus Network has been affected by decreased passenger numbers both on the Park & Ride and wider network with a 20% reduction in passengers compared to pre COVID.
23. Operators are also experiencing rising operating costs in terms of fuel with increases averaging 38% and staff costs increasing on average by 28%.
24. There are national and local driver shortages. The pool of drivers in York is very small and many have either changed to other professions or there has been an increase in retirements. Resource issues are a key problem in many sectors of the economy.
25. Without additional external assistance, the council does not have sufficient financial influence on its own to make much overall difference to the economic viability of the bus network in the long term.

Government Support

26. Financial aid from Government has been important in supporting the provision of bus services since the start of the pandemic, but this is current due to come to an end in March 2023.
27. A range of support funding has been available to bus operators, these are outlined below:

BSOG (Bus Service Operators Grant) – has been in place since the early 2000's. In effect a fuel-duty rebate calculated based on the amount of diesel each operator uses. Since 2013, BSOG has not paid directly to tendered service operators. Instead, a fixed annual grant is paid to each LTA based on their 2012/13 tendered network, which each LTA can spend as they see fit on either tendered service support, bus infrastructure or community transport. The annual devolved BSOG payment to CYC has been around £150k each year since 2013 and this has been utilised to support bus services and staff who promote bus service usage and infrastructure across the network.

CBSSG (Covid Bus Services Support Grant)- ran from April 2020 until September 2021 to make up the gap between pre-Covid and current fares revenue, ensuring bus operators were not put out of business by Covid-related patronage decreases. CBSSG payments for tendered services were made to Local Transport Authorities LTAs, who were responsible for distributing the grant to operators of tendered services. CYC, CBSSG spend is publicly available at <https://www.itravelYork.info/covid-support-bus-operators>

BRG (Bus Recovery Grant)- ran from September 2021. Successor grant to CBSSG, with similar purpose but made on the assumption that patronage would recover to close to pre-Covid levels during 2022. Initially intended to cease in October 2022 but later extended to March 2023 due to lower than predicted patronage recovery across the bus industry. Tendered element of BRG was renamed **LTF (Local Transport Fund)** from April 2022-March 2023. Payments to operators are administered by LTAs.

Concessionary Fares

28. Government have removed the legal requirement for Local Transport Authorities to ensure that bus operators are “no better off” as a result of the concessionary fares scheme (requirement to ensure “no worse off” remains). This has accompanied Department for Transport advice to maintain payments at pre-Covid levels from April 2020 until March 2022.
29. For 2022/23 financial year, Department for Transport initially published a recovery strategy recommending a declining percentage from pre-Covid payments for concessionary fares throughout the financial year to a point that they reflected the concessionary usage. This has been the approach adopted by both CYC and NYCC.
30. This was later followed up by guidance from Department for Transport that Local Transport Authorities continue to pay concessionary fares at pre COVID levels, the indication being that the legal change to allow bus companies to be “better off”, will be extended for another year.
31. A letter from Baroness Vere in August 2022 cautioned LTAs against reducing payments to the bus sector and warned that LTAs which continue to do so may see a reduction in other government funding streams.
32. Officers believe that funding the bus industry is more transparent through bus subsidy than through the artificial payment of concessionary fares. It ensures a targeted approach aimed at the services which are financially struggling.

Council Motion of 20 October 2022

33. At Council on the 20th October 2022 a motion was passed Protecting and improving local bus services. It said
 - i. Council believes that:
 - ii. A reliable, accessible and affordable bus service is essential to all York residents to access shops, services, leisure, employment and education, and to help tackle air pollution, congestion and the Climate Emergency.
 - iii. Continued engagement with bus operators through the ‘Enhanced Partnership’ will be vital in making best use of available financial resources and ensuring that bus routes and timetables are configured in a way that best serves the needs of residents.

- iv. The absence of certainty around Government funding support beyond March 2023 creates the risk of a 'cliff edge' situation where some bus services may be reduced or cut entirely, leading to a material impact on residents' lives.
- v. Council therefore resolves that:
- vi. Officers should continue negotiations with bus providers to retain as many routes as possible and to prevent a gap in service provision.
- vii. Officers should actively engage with members and user groups as part of their work with operators to review bus routes and timetables.
- viii. The Executive should use all opportunities, including working with regional political leaders, to continue to lobby Government for long-term funding to support public transport networks, including support for driver recruitment and training schemes.
- ix. Whilst the agreed 'Enhanced Partnership' approach should be pursued, alternative feasible models should be kept under review and lessons learned from the experience of other cities and regions."

Petition presented to Executive on 6 October 2022

34. A petition was presented to the Executive by Carole Green, on behalf of residents of Bishopthorpe and those along the No 11 Bus route requesting permanent funding of this route.
35. Discussions between officers and First York have established that service 11 is not currently under threat of cancellation, however a slightly reduced service frequency is likely to be required from early 2023 in order to improve reliability during the ongoing driver shortage.
36. Short term tenders have stabilised the 412 and 13 services and that principle would be followed where budgets permit.

Current Response

37. Bus Service Improvement Plans provide a long term vision of the improvements to bus services, some authorities received government funding and York was amongst these.
38. An Enhanced Bus Partnership is a statutory agreement between a local authority and bus operators which sets out binding

commitments and expectations on both parties with regard to the provision of the local bus network and infrastructure to deliver bus support funding through the BSIP allocation. York's Enhanced Bus Partnership was created on the 27th September 2022.

39. Given the challenges facing the bus industry in terms of a shrinking bus industry the BSIP identified short term funding to help support the bus industry and encourage people to use the bus. They have delegated to Council officers the authority to spend this BSIP allocation.
40. The Enhanced Partnership in conjunction with other agencies has taken proactive actions to address the driver recruitment challenge across the wider region, and this has resulted in new drivers joining the York network, but it remains a significant challenge.
41. Operators have recently applied for short notice service changes which enables an operator to change services at less than the 72 days notice period. The Council can and have declined any short notice changes. The reason is that this does not allow time for officers to seek to commission replacement services .
42. The 13 and 412 operated by ConnexionsBuses have given notice that the service is no longer financial viable. Therefore officers have been through a short tender process.
43. The Council has awarded a short-term contract to Harrogate Coach Travel (trading as ConnexionsBuses) to ensure the continued operation of the weekday service 412 (York-Rufforth-Tockwith-Wetherby) and Saturday service 13 (Copmanthorpe-York-Haxby West Nooks) until 31st March 2023. This was awarded to the original operator but the Council is now paying a higher price for the service.
44. The short term continuations will be paid for with CYC BSIP funding in the case of service 13, and 50% from CYC BSIP / 50% from North Yorkshire County Council in the case of service 412.
45. A procurement exercise will be carried out ahead of March to attempt to secure the longer-term future of both services.
46. A number of other minor service changes to other routes are being worked through by officers to secure the services.

47. The risk remains that if government funding ends and bus usage does not return then the budget available may not be sufficient to safeguard all services at their current frequencies.

Options and Analysis to further stabilise the bus network in York:

48. In terms of giving direction to officers of how to best spend the available BSIP funding to support bus services there are a two options:
 - i. the network of service is preserved as far as possible but with a reduced frequency for subsidised services if funding is no longer sufficient to subsidise the network as is. Where operators seek to reduce the frequency of commercial services these will be accepted if there is no significant impact on communities. This will deliver an efficient bus service which serves the same communities as now, all be it with quieter services at a reduced frequency. Any reductions in frequency would be made where they have least impact. Improvements in reliability are key to building services back. It is much easier to increase frequency in the future than it is to start a new service again once people have stopped using the bus.
 - ii. The alternative is to cut bus services which are no longer financially viable and invest the funding where bus usage is higher. This would have a devastating effect on some communities who would lose their public transport links. A further risk with this model is that any reintroduction of bus services is much harder and a financial risk for operators.
49. It is important to note that funding is not the only issue. Whilst the Council does have funding to be administered through the Enhanced Partnership it will not resolve issues affecting the bus industry such as driver shortages. It is recommended that work to stabilise the bus industry continues and the Council continue the work with partners to identify new ways of recruiting and training bus drivers for the future.
50. There are a number of challenges to the Commercial Park and Ride services. Following the start of the Pandemic in 2020, the contract was varied to allow First, the operator, to temporarily sublet the Poppleton Bar site to central government as a COVID testing facility.

51. The council also gave First temporary discretion to alter service frequencies as necessary in response to the pandemic. This has led to the actual level of service provision being somewhat different to the contract terms.
52. The Council is obviously keen to see service levels return to those it has contracted with the operator to provide. On that basis letters were sent by the council to First York in summer 2021 and summer 2022 outlining the areas where the level of service provision was below the contractual minimum and requesting a strategy to restore the service to the contractually required level as patronage recovers. But equally this should not be at the detriment of other services within the city and recognising the shortage of drivers some ongoing flexibility to the operator to build back is needed as regards frequency, although this should not decrease from current levels.
53. The Poppleton site has been out of action since March 2020 due to its use as an NHS COVID Testing Site. The testing site was decommissioned in August 2022 and is awaiting return to Park and Ride operation.
54. The relaunch of Poppleton is to be funded by support from the BSIP package – it is therefore important that it is done in a sustainable way. The DfT are very keen to see delivery of high profile improvements to networks, unfortunately the funding was received too late by the Council to launch for this Christmas.
55. This return of patronage to pre-Covid levels has not yet occurred therefore it is proposed to postpone the launch of Poppleton until the Spring/Summer 2023 subject to receipt of the funding from DfT for year 2023/24.
56. Obviously Christmas is a significantly busier time for the park and ride service. Some analysis of Park and Ride usage will be needed in the new year post Christmas and any lessons learnt incorporated into the relaunch of Poppleton Bar Park and Ride.
57. The council's current criteria for subsidy, is that a bus route will only be subsidised if it carries at least 9 passengers per bus hour and costs no more than £2.67 (at 2018 prices) per passenger, with no subsidy permitted for Sunday services as of 2016. The cost per passenger criteria was never rigidly applied, as it would mean villages such as Elvington would never qualify for a service. The decline in patronage

and increased costs post-Covid have also made these criteria quite out of date, with only around half of our tendered portfolio meeting both criteria. Therefore Executive are advised that this funding criteria is suspended for the next 12 months to allow officers the flexibility to stabilise the network. This does create the risk that some services will be subsidised with few passengers at a greater cost, but this gives time for service usage to return.

Consultation

58. Consultation has been undertaken with Bus Operators and with the York Bus Forum in their response they are keen to support retaining as many services as possible across the City. Frequent updates will be brought to the various groups including both operators and users which form the Enhanced Partnership.

Council Plan

59. The proposals in this report contribute to the following key outcomes in the 2019-23 Council Plan:
- i. A greener and cleaner city – key BSIP objectives include transferring journeys from car to bus and reducing vehicle emissions.
 - ii. Creating homes and world class infrastructure – BSIP commitments include working with developers to ensure high-quality public transport provision for new developments, and improvements to existing public transport infrastructure.
 - iii. Good health and wellbeing – by moving journeys from car to bus, realising air quality improvements and reducing congestion on the highway network, a secondary effect of the BSIP will be to facilitate complimentary growth in walking and cycling mode shares.
 - iv. A better start for children and young people – BSIP commitments include simpler, lower bus fares for children and young people.

Implications

Financial –

60. As summarised in the report there are significant financial pressures around the bus industry. Passenger numbers have not returned to pre covid levels whilst costs have increased due to inflationary pressures both in terms of pay costs and fuel costs. Whilst the government have added further support to the end of March there remains concerns over the impact into the following year.

61. In terms of council support there are ongoing budgets for bus subsidies (net budget £654k) and concessionary fares (net budget £3,969k). There is a projected overspend of c£66k on subsidised bus services as inflationary costs of contracts have been higher than budget.
62. For concessionary fares the council implemented the DfT's "default recovery" strategy which reduced bus company's payments over time prior to concession numbers returning. The level of recovery has been slower than anticipated and this has resulting in a forecast underspend of approximately £600k as passenger numbers have been lower than forecast. The introduction of a maximum single fare of £2 between January and March 2023 will have impact to reimbursement as the average fare will reduce but activity may increase so this value will potentially change. The council will continue to pay concessionary fares in accordance with the strategy. The underspend is being utilised to fund the pressures across bus subsidies and also support the balancing of the 2022/23 council budget position.
63. The council has received the first tranche of BSIP funding £4,575k which is made up of a revenue grant (£2,200k) and capital grant £2,375k. The revenue funding outlined in the report is key to deliver much of the support outlined in the report.
64. As the report highlights there are further pressures facing the bus network in 2023/24 which particularly relate to the cessation of the government funded Bus Recovery Grant. For the council cost pressures are continuing which will increase council costs in both subsidised bus services and concessionary fares. The impact of these will be incorporated into inflation assumptions in the 2023/24 budget. The council cannot assume the level of concessionary fare expenditure will continue at the 2022/23 level as both concession numbers and average fares in the medium term are not in council control. It is possible that the expenditure in future years will increase to previous levels. The BSIP funding for next year is assumed at £2.3m revenue and £4.39m capital and will be key for the council support to the network. Any further support to the network would need to be considered as part of the 2023/24 council budget in February 2023.

Human Resources (HR) – none.

65. **Equalities** – the council will need to take into account the Public Sector Equality Duty under Section 149 of the Equality Act 2010 (to have due

regard to the need to eliminate discrimination, harassment, victimisation and any other prohibited conduct; advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it and foster good relations between persons who share a relevant protected characteristic and persons who do not share it in the exercise of a public authority's functions). An Equalities Impact Assessment will be carried out for each service as it is reviewed.

Legal

66. The delivery of the BSIP through either an EP route or a franchise route is mandated by the Transport Act 2000. EP Plans and Schemes are statutory documents. The Bus Services Act 2017 incorporates a duty on local transport authorities to consult on EP Plans and EP Schemes into the Transport Act 2000.
67. The new Subsidy Control Act comes into force on 4 January 2023 and will govern how subsidies (formerly state aid) are awarded. The purpose of the legislation is to allow public authorities to award subsidies to achieve public policy objectives, whilst also limiting the negative effects of subsidies on domestic and international competition and investment. A subsidy control assessment would need to be carried out in relation to the removal or increase of the subsidy cap to ensure that public money was not causing undue distortion to the commercial market.

Risk Management

68. The minimal-risk option is maintain the base network to support the delivery of the BSIP growth targets. gets

Contact Details

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Report Date 26/10/2022
Approved

Specialist Implications Officer(s)

Finance – Patrick Looker (Head of Service Finance)
Legal – Cathryn Moore (Corporate Business Partner - Legal)

Wards Affected:

All YES

For further information please contact the author of the report

Background Papers:

Report, 20 May 2021 - "York's response to the National Bus Strategy"
(<https://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&MIId=12511>)

BSIP -

<https://democracy.york.gov.uk/documents/s152872/Annex%20A%20York%20BSIP.pdf>

Annexes

Annex 1 – Service Changes

List of Abbreviations Used in this Report

BSIP – Bus Services Improvement Plan
DfT - Department for Transport
EP – Enhanced Partnership

LTA – Local Transport Authority
OOP – Operator Objection Period