



## **CABINET – 29 MARCH 2022**

### **LOCAL BUS SERVICE CHALLENGES AND IMPACTS**

#### **REPORT OF THE DIRECTOR OF ENVIRONMENT AND TRANSPORT**

##### **PART A**

###### **Purpose of the Report**

1. The purpose of this report is to provide the Cabinet with an update concerning the continued impacts of the Covid-19 pandemic and other significant factors, such as increased fuel costs and driver shortages, which are affecting the bus market nationally, and to highlight the issues arising in Leicestershire and the actions being taken to address them.

###### **Recommendations**

2. It is recommended that:
  - a) The challenging situation regarding local bus services in Leicestershire and its implications for the County Council and bus operators, be noted;
  - b) The actions already taken to mitigate the impact, including the payment of a higher level of concessionary travel reimbursement than actual concessionary use, be noted;
  - c) It be noted that the following actions will be taken by the Director of Environment and Transport, following consultation with the Lead Cabinet Member and Director of Corporate Resources, using existing delegated authority:
    - i. To set the level of concessionary travel reimbursement from 1 June 2022 to 31 March 2023;
    - ii. In accordance with the Council's Passenger Transport Policy and Strategy (PTPS), agree with existing supported service providers to extend contracts and where necessary, the payment of short-term increases to them until the new contracted arrangements are in place.
  - d) That the Director of Environment and Transport be authorised, following consultation with the Lead Cabinet Member and Director of Corporate

Resources, to take the necessary steps to award contracts for supported services from July 2022;

- e) Noting the current issues affecting the local commercial bus market, the Director of Environment and Transport following consultation with the Lead Cabinet Member and Director of Corporate Resources, be authorised to take such action as necessary to ensure the continued provision of services in line with the PTPS;
- f) The links and dependencies of the local bus market with the Council's Bus Service Improvement Plan (BSIP) and formulation of its Enhanced Partnership (considered as part of a separate report on the Cabinet agenda), be noted;
- g) That, if the outcome of d) and e) above result in significant changes to local bus services or costs, a report outlining the changes/costs be considered at a future meeting of the Cabinet.

### **Reason for Recommendations**

- 3. To note issues affecting Leicestershire's bus services and the actions taken and planned to be undertaken to mitigate their impact.
- 4. To enable the extension of existing contracts and/or the approval of new contracts for bus services from July 2022 and where necessary, make variations to existing services.

### **Timetable for Decisions (including Scrutiny)**

- 5. The Director of Environment and Transport, following consultation with the Lead Cabinet Member and Director of Corporate Resources, will use their existing delegated authority to decide upon the level of concessionary travel reimbursement the County Council will pay bus service providers from 1 June 2022 to 31 March 2023.
- 6. Subject to approval, the Director of Environment and Transport, following consultation with the Lead Cabinet Member and the Director of Corporate Resources, will award contracts for supported services from July 2022 and make any short-term changes to the County's bus provision, where required, including response to the receipt of a provider's intention to change or withdraw a service.

### **Policy Framework and Previous Decisions**

- 7. In October 2018 the Cabinet approved the Authority's PTPS.
- 8. In May 2019, the County Council declared a Climate Emergency. The updated 2020 Environment Strategy sets out how the Council will reduce the environmental impacts of travel and transport. Providing frequent, high quality

passenger transport services, is a key element in delivering the Climate Change commitment and the Environment Strategy.

9. In November 2020 the Cabinet approved the Leicester and Leicestershire Strategic Transport Priorities document (2020-2050), which highlights where Leicestershire County Council and Leicester City Council will work together to deliver common transport aims and objectives.
10. In June 2021 the Cabinet approved the establishment of an Enhanced Partnership Plan (the Plan) and Enhanced Partnership Scheme (the Scheme) and publication of a statutory notice to that effect, in order to comply with the requirements of the National Bus Strategy (NBS) and guidance. Further to this, work has continued on the development of the Enhanced Partnership.
11. In October 2021 the Cabinet considered a report on the NBS and approved the BSIP. It also approved the issuing of a statutory notice to bus operators and, subject to no objections being received, the undertaking of a public consultation on the Plan and the Scheme. It also resolved that the Council's PTPS be reviewed, to take account of the formal establishment of the Enhanced Partnership and the delivery of the BSIP.
12. A report detailing the outcome of the Council's Enhanced Partnership Plan and Scheme consultation exercise and seeking approval to establish it and enter into an Enhanced Partnership, is presented elsewhere on this meeting's agenda.

### **Resource Implications**

13. On 1 March 2022 the Government announced an additional £150m post-pandemic funding to aid bus recovery between April and October 2022. Details regarding allocation of this funding are still unknown. The uncertainty around the Council's BSIP funding allocation along with the high likelihood of further commercial bus service changes will place significant pressure on the Council's Local Bus Services budget.
14. The potential need to continue with a higher level of concessionary travel reimbursement than actual concessionary use, the likelihood of higher prices when re-tendering the current supported bus services contracts and price increases already agreed until the tendering exercise is complete, will add to this pressure. This has been further compounded by increased fuel prices and driver shortages. Overall, there is a potential additional cost implication in the region of £500,000 for 2022/23 as set out in Part B of this report. Mitigating action is being taken to try to limit cost implications.
15. The Government continues to make clear that ongoing access to passenger transport funding (and possibly wider highways and transport funding) remains contingent on compliance with the requirements of the NBS, the guidance and the delivery timetable.
16. The Director of Corporate Resources and the Director of Law and Governance have been consulted on this report.

**Circulation under the Local Issues Alert Procedure**

This report has been circulated to all Members.

**Officers to Contact**

Ann Carruthers  
Director, Environment and Transport  
Tel: (0116) 305 7000  
Email: [Ann.Carruthers@leics.gov.uk](mailto:Ann.Carruthers@leics.gov.uk)

Janna Walker  
Assistant Director, Development and Growth  
Tel: (0116) 305 0785  
Email: [janna.walker@leics.gov.uk](mailto:janna.walker@leics.gov.uk)

## **PART B**

### **Background**

17. The onset of Covid-19 pandemic in March 2020 resulted in a significant impact to the bus market across the country with a 90-100% reduction in patronage and recovery since has been slow.
18. To support and aid recovery of the bus market, the Government has provided a Covid Bus Service Support Grant (CBSSG), which more recently changed to a Bus Recovery Grant (BRG). Throughout, there have been two strands to this grant support:
  - a) Local Transport Authority (LTA) CBSSG/BRG to enable LTAs to support the operators of their subsidised network;
  - b) Commercial CBSSG/BRG paid directly to bus operators to support their commercial networks.
19. The CBSSG grant ran from 17 March 2020 until 31 August 2021. This grant was claimed for lost fare revenue and other losses incurred by the County Council resulting from the Covid-19 pandemic. Claims were made based on actual loss figures. The initial BRG grant period is from 1 September 2021 to 5 April 2022. This grant is a fixed figure based on CBSSG losses and mainly to cover lost fare revenue.
20. To date the Council has claimed circa £1.7m (£1.1m in 20/21; £0.6m in 21/22) of LTA grant money to support operators of the subsidised network. It is understood that commercial bus operators have claimed significantly more than this from the commercial grant.
21. Throughout the pandemic, the Government has strongly urged LTAs to pay concessionary travel reimbursements at 100% pre-Covid-19 usage levels irrespective of the level of service being provided, and legislation was relaxed to enable LTAs to do this. Under the delegated authority of the Director of Environment and Transport, the Council has therefore been paying reimbursements at 100% pre-Covid-19 usage levels throughout the pandemic period until more recently, where it has been paying 100% pre-Covid-19 usage levels, but purely to the level of service being provided e.g., the actual timetable schedule being made.
22. In February 2020 the Council received £557,000 of Supported Bus Service Grant (SBSG) funding from the Government to improve existing subsidised services and restore lost services. The Government has since allowed this funding to be utilised towards the recovery of the Council's subsidised services throughout the Covid-19 recovery period.
23. Prior to the pandemic, the Council was progressing a PTPS review of all of its contracted services. In response to the pandemic, this review was paused and all bus service contracts were extended until 31 March 2022.

### **National Bus Strategy**

24. In the midst of the Covid-19 pandemic, the Government published its new NBS for England in March 2021. In accordance with the NBS actions and timescales set by the Government, the Council:
- a) Confirmed in June 2021 its intention to establish an Enhanced Partnership by April 2022.
  - b) Published its Bus Service Improvement Plan (BSIP) in October 2021 setting out the themes, schemes and funding ask (includes a request for bus recovery support) from the Government to deliver the NBS ambitions.
  - c) Produced and consulted on the Council's Enhanced Partnership Plan and Scheme (November 2021 to February 2022) – the Enhanced Partnership will be the delivery vehicle for the BSIP and its formulation is essential for the Council to be considered for BSIP funding from the Government.
25. As detailed in paragraph 12, the outcome of this consultation exercise is being reported as a separate item on this Cabinet agenda with the recommendation to establish an Enhanced Partnership in April 2022.
26. The BSIP provides a summary of the estimated additional funding requirement from the Government, over an initial three-year period and over a 10-year period. Within this funding requirement an allowance has been made for providing recovery support for local bus services. An announcement from the Government on the Council's indicative BSIP funding allocation, which will be subject to the establishment of an Enhanced Partnership, is anticipated to be imminent.

### **The Current Bus Market Challenges and Reaction of Bus Operators**

27. On 1 March 2022, the Government confirmed that a final tranche of post-pandemic support will be made available from 5 April, when the current LTA and commercial BRG is due to end, until October 2022. In the region of £150m is being made available but details of the allocation to LTAs are not yet known.
28. Bus operators are experiencing driver shortages due to increased demand and more competitive salaries in the HGV sector and rising fuel costs, compounded by the war in Ukraine.
29. Passenger confidence and usage continues to be low and this has been exacerbated by the Omicron variant. Cost of living pressures could also prolong the recovery:
- a) Usage is currently at around 60/70% pre-Covid-19 (2019) levels.
  - b) Concessionary travel use is at 50% pre-Covid-19 (2019) levels.

30. From April 2022, the Government has asked LTAs to adopt a gradual approach to amending concessionary fare reimbursement payments. The guidance suggested reducing payments by 5% every two months until actual patronage levels are reached, although LTAs are permitted to implement their own approach to reimbursements.
31. As a result of the above and the challenging operating environment, bus operators are starting to confirm plans to change and/or withdraw/reduce their services. Bus operators are also requesting support for fuel increases.
32. To date the Council has received notice on several of its current contracted bus services as well as a high volume of commercial bus service changes.
33. This is likely to impact many communities across Leicestershire who will potentially be left without a service, or a reduced service, if the Council does not step in with an alternative form of provision.
34. Bus operators have highlighted that the risk of further withdrawals will be increased if concessionary travel reimbursement is not paid at 100% pre-Covid-19 (2019) levels.

#### **Local Services and Budgetary Impacts**

35. The Council's net Local Bus Services budget is £1.66m. This covers the provision of 24 supported bus services, 47 Demand Responsive Transport services and three Park and Ride services across Leicestershire.
36. Where a bus operator submits a registration to either change or withdraw a bus service, those registration changes are assessed against the Council's PTPS to determine the need for the Council to step in with some form of provision. It is likely, in a lot of cases, that the Council will determine that there is a need to step in with alternative provision to ensure communities continue to have access to essential services (food shopping, healthcare etc).
37. However, the PTPS objective scoring system used to assess and determine such need is very much dependent on the accuracy of the usage data provided by operators. This presents a challenge as current usage data for services will not provide a true reflection of service performance due to the impacts of Covid-19.
38. Any further moves from bus operators are likely to leave more communities without a service and add further pressure to the Local Bus Services budget if the Authority is required to replace existing commercial services with a reduced supported service.
39. As advised in paragraph 23, the contracts for the Council's supported bus services come to an end on 31 March 2022. A programme to extend (where procurement rules allow) and/or to retender them on a like for like basis for two years (with an option to extend for one year) has been developed and is now underway.

40. This will provide some surety and stability for operators and ensure access to essential services is maintained for communities. However, it is anticipated that there will be an overall increase in current contract costs following this exercise due to factors such as increase in fuel costs and shortage of drivers. It is intended to have the new and extended contracts in place from 31 July 2022, subject to the tender results.
41. A negotiated contract price for the period between 1 April and 30 July (whilst the tender exercise is progressed) is being sought from operators of existing contracts. It is likely that this will result in additional costs during this interim period and/or operators wishing to revert to a minimum cost contract (where the Council takes the fare revenue risk).
42. As detailed in paragraph 32, the Council was given notice on a number of its contracted services and this was due to come into effect from 27 February 2022. The Council has also received further contract price increase requests from operators relating to fuel prices. The Director of Environment and Transport, following consultation with the Cabinet Lead Member and Director of Corporate Resources, has subsequently agreed £207,000 of additional costs up to 30 July 2022 in order to ensure provision on a like for like basis can be maintained for communities and to allow time for these contracts to be retendered and new contracts put in place from 31 July 2022 in line with the tender programme described in paragraph 39.
43. Of the £557,000 SBSG funding, the Council was awarded in 2020/21, there is £447,000 remaining, which can be used to cover some of these additional costs. For the current financial year (2021/22), a balanced budget should be achievable by utilising this along with the LTA BRG.
44. For the next financial year (2022/23) onwards, there is a high likelihood of a shortfall on the Local Bus Services budget, the size of which is difficult to forecast as there are several unknowns at present, namely:
  - a) The resultant costs of the retender/extension exercise for the existing contracts to maintain the status quo. They are unlikely to match existing contract costs.
  - b) Costs of any further commercial bus service changes if a decision is taken to step in to fund the continuation of those services following a PTPS assessment.
  - c) Of the Council's requested BSIP funding £412,000 has been identified to support local bus services and is included in the 2022/23 budget. This allocation has not yet been confirmed by the Government.
  - d) The extent to which bus patronage recovers to pre-Covid-19 levels. This will affect the level of income received on the Council's minimum cost bus contracts.
  - e) The decision taken on the level of concessionary travel reimbursement the Council pays.
  - f) The uncertainty around fuel prices compounding pressure on bus operators and therefore leading to further contract price increases.



45. Dependent on the outcomes of the above, the shortfall in 2022/23 could be anywhere in the region of £50,000 to £500,000, potentially more.

### **Mitigation Approach**

#### Tender Awards for Supported Bus Services

46. The Director of Environment and Transport will consider the results of the tender exercise following consultation with the Lead Cabinet Member and Director of Corporate Resources. A decision to award will be taken on a value for money basis. In the instance that some of the tenders are unaffordable and/or force the need for a substantial change to provision for communities, a further report will be brought to the Cabinet for consideration.
47. Subject to the award of the supported bus service tenders, the Council will robustly challenge any future requests for contract price increases from operators through the auditing and assessment of service data.

#### Commercial Bus Service Changes

48. The data (pre-Covid-19 and current) for all of the Council's contracted services will be kept up to date, to enable any further registrations for bus service changes/withdrawals to be assessed against the PTPS scoring system. A league table approach aligned to the scoring will be taken.
49. In accordance with the PTPS, the Director of Environment and Transport, following consultation with the Cabinet Lead Member and Director of Corporate Resources, will then make decisions on any short to medium-term passenger transport changes.
50. It is likely that commercial bus service withdrawals will score more highly than some of the current contracted services, meaning decisions are likely on whether the Council will need to increase the Local Bus Services budget or accept that some of its current lower scoring supported services will need to revert to Demand Responsive Transport services. If there is substantial change to provision for communities or recommended need to increase the Local Bus Services budget, a further report will be brought to Cabinet for consideration.

#### Concessionary Travel Reimbursement

51. The Director of Environment and Transport, following consultation with the Cabinet Lead Member and Director of Corporate Resources, has approved continuation of the current arrangements for concessionary travel reimbursement, as set out in paragraph 21, until the end of May 2022. This will allow time for the Council's approach to concessionary travel reimbursement to be reviewed further in order to set the level of reimbursement from 1 June 2022 to 31 March 2023.
52. Options to be considered from June 2022 onwards will include:

- a) the continuation of the current arrangements;
- b) the adoption of the Governments recommended approach by reducing the level of reimbursement by 5% every two months until actual concessionary usage levels are reached; and,
- c) other variations of reducing levels of reimbursement.

53. Further information on the Council's level of BSIP funding for 2022/23 should become available from Department for Transport during March. This will help to inform the decision.

#### **Enhanced Partnership and PTPS Review**

- 54. The Council will (subject to the Cabinet's approval) formalise the Enhanced Partnership Plan and Scheme and establish an Enhanced Partnership in April 2022. Through the new partnership, the Council will work with operators to try and mitigate pressures e.g., qualifying agreements, network designs, coordinated headways etc.
- 55. The Council will undertake a review of its PTPS later this year to establish if it is still fit for purpose, and a wider network review of its contracted services. The BSIP sets out that the PTPS will be reviewed in full, once the BSIP and Enhanced Partnership have been developed, to ensure that full alignment is achieved.
- 56. The additional BRG will assist, but the Council will continue to lobby MP's and the Government for additional grant support.

#### **Equality and Human Rights Implications**

- 57. The Equality Act 2010 requires the Authority to have due regard to the need to eliminate discrimination and to promote equality of opportunity between different protected groups.
- 58. An Equality and Human Rights Impact Assessment (EHRIA) screening has been undertaken for the Council's PTPS, BSIP and Enhanced Partnership with their impact being considered as positive/neutral, and therefore a full EHRIA is not required.
- 59. It should be noted that the withdrawal of services may have a significant effect on the elderly, those living in isolated areas and those living in deprived or disadvantaged communities without access to other means of transport.

#### **Environmental Implications**

- 60. Maintaining the supported bus network should help to deliver modal shift away from the private car and would therefore be anticipated to deliver air quality and carbon reduction benefits.

## **Background Papers**

Report to the Cabinet on 16 October 2018, 'Draft Passenger Transport Policy and Strategy':

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=5184&Ver=4>

Report to the Cabinet on 20 November 2020, 'Leicester and Leicestershire Strategic Transport Priorities':

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=5999&Ver=4>

Report to the Cabinet on 22 June 2021, 'National Bus Strategy':

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=6444&Ver=4>

Report to the Cabinet on 26 October 2021, 'National Bus Strategy':

<http://cexmodgov1.ad.leics.gov.uk:9075/ieListDocuments.aspx?CId=135&MId=6447&Ver=4%20>

House of Commons research briefing paper on fuel prices (February 2022):

<https://researchbriefings.files.parliament.uk/documents/SN04712/SN04712.pdf>

Government statistics for weekly fuel prices (March 2022):

<https://www.gov.uk/government/statistics/weekly-road-fuel-prices>

Unite union survey on bus driver shortage (November 2021):

<https://www.unitetheunion.org/news-events/news/2021/november/new-survey-reveals-shocking-shortage-of-bus-drivers/>

Office for National Statistics (ONS) (Oct 2021) report on driver shortages in the wider labour market:

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/fallinhgvdriverslargestamongmiddleagedworkers/2021-10-19>

This page is intentionally left blank