

CYNGOR SIR POWYS COUNTY COUNCIL.

CABINET EXECUTIVE

26th January 2021

**REPORT AUTHOR: County Councillor Aled Davies
Portfolio Holder for Finance, Countryside and Transport**

REPORT TITLE: Bus Emergency Scheme

REPORT FOR: Decision

1. Purpose

- 1.1 This report sets out the wider context, the background to, and reasons for the Bus Emergency Scheme (BES) and seeks the agreement of the Council to sign up to the BES2 scheme.
- 1.2 **It is important to note** that the main body of this report is based on a template report drafted by the WLGA to reflect the national position across Wales. Whilst much of the position is the same in Powys, due to the way we contract and support the majority of local bus services in Powys (where all fare box revenue is returned to the Council), the Council can be seen as the 'bus operator' and so it is important to recognise that where the report refers to the loss of farebox income to the bus operator, in much of the case in Powys, the council has lost the income.

2. Background

- 2.1 Bus travel has been severely affected by the Covid-19 pandemic. Passenger numbers have plummeted, whilst social distancing and additional cleansing requirements have placed added burdens and costs on operators.
- 2.2 Welsh Government (WG) and local authorities (LAs) have stepped in to support the sector with substantial financial assistance. There has also been an excellent, ongoing dialogue between all parties to discuss and agree on support arrangements.
- 2.3 Prior to the pandemic, WG had consulted on a range of proposed changes to the way bus services are delivered in Wales. A Bus Bill was due to have been brought forward during the current Senedd term. Pressures associated with not only Covid but also the large volume of legal work generated by Brexit and the transition period forced WG to postpone the planned legislation.
- 2.4 Due to the large amount of public funding that goes into bus services from WG and LAs, WG would like to see the public sector having greater

influence over areas such as the networks of services provided, ticketing and integration with rail services. It also sees a greater role for Transport for Wales, which is now responsible for rail services in Wales.

2.5 This raises two issues:

- (i) short term survival of operators and
- (ii) longer term reform of the sector.

WG believes that these two can be linked. In the short term, the funding being provided to keep operators afloat is therefore being provided with a number of conditions attached. These are to incentivise operators to engage in planned changes that are in line with their longer-term ambitions for reform.

2.6 The Minister of Economy and Transport and North Wales, Ken Skates MS, has met with Leaders of all 22 LAs, along with his officials, to outline Welsh Government's direction of travel. Further details have been included in the Wales Transport Strategy (WTS) which has been the subject of consultation. More recently, the Deputy Minister, Lee Waters MS, met with all Leaders to discuss the WTS but also to encourage LAs to sign up to the Bus Emergency Scheme 2 (BES2). This is the latest phase of financial support to help operators through the period of the pandemic (more details on BES 2 below).

2.7 Leaders have agreed to establish a WLGA Bus Member Group, with a focus on the longer-term proposals to reform the sector's operations. That group includes the WLGA Leader (who is also the WLGA's Transport Spokesperson), the deputy Transport Spokesperson, the chairs of the four regional transport bodies and the co-chairs of the WLGA Rural Forum. That Member Group is due to meet with Lee Waters on 18th January 2021.

3. **Advice**

3.1 The problems facing operators were recognised at an early stage of the pandemic. Looking ahead, to secure their services for the future, local authorities agreed to continue making payments for contracted services even though many services were initially suspended.

3.2 Alongside this, WG stepped in to help operators deal with reduced income on commercially operated routes and the additional costs being incurred. Initially, WG made £29m available from a Hardship Fund, which operated from April 2020 for three months. This Fund was assembled from monies that would otherwise have been paid via Bus Services Support Grant, Mandatory Concessionary Fare (MCF) reimbursement and the 'My Travel Pass' scheme.

3.3 The Bus Emergency Scheme was then introduced in July to provide ongoing support. This became known as 'BES 1' and it continued to

maintain operators' income at historic levels, based on what was being paid to them under previous grant schemes. In return for this financial support Welsh Government signalled that it expected operators to contribute to a reshaping of bus services in Wales – to include improved regional networks with greater integration with rail services, smart ticketing and timetabling.

- 3.4 'BES 1.5' was introduced in August, administered by the lead Authorities, through whom BSSG had been paid since 2013. It provided £10m of so-called 'ramp up funding' to support the reopening of schools and economic activity. This funding helped to cover the cost of reinstating services suspended when travel restrictions associated with the pandemic were introduced, and which were needed to meet increasing demand, given capacity constraints of social distancing. BES 1.5 was then extended to the end of March 2021 following the announcement of a further support package in September 2020. Operators were once again asked to sign up to a range of terms and conditions to access the BES funding.
- 3.5 WG, working with Transport for Wales (TfW), are now proposing to enter into a longer-term BES 2 agreement with operators and local authorities to protect services. It will operate for an initial maximum term of up to 2 years from the date BES 1.5 commenced (i.e. up until 31 July 2022, unless market conditions recover sufficiently for an operator to no longer require BES support for any of its services whether they be contracted or commercial.

Key Features of BES2

- 3.6 BES 2 will continue to address the loss of farebox revenue and the additional costs associated with responding to the pandemic. Under BES 2 the WG funding will sit alongside local authority funding provided through the Concessionary Travel Scheme and via Revenue Support Grant and the Bus Services Support Grant to make up the shortfall.
- 3.7 Welsh Government will be a co-signatory to the BES 2 agreement with bus operators, along with Transport for Wales. Local authorities retain legal responsibilities for bus services and therefore remain central to determining which local services receive this support. They need to sign up to the principle of the agreement and the relationship with their Lead Authority, in ensuring that the ongoing emergency funding meets their priorities and is delivered on their behalf. This will provide the legal basis for WG to make payments to the operators. In this way, WG can use its powers to support operators, whereas the additional funding would breach local authorities' de minimis limits for direct award contracts (further details in the briefing note in Appendix 1 and the full proposed Agreement is in Appendix 2). Local Authorities will remain responsible for those services which they currently contract directly with bus operators. Local Authorities will need to consider planning for contingencies, such as if the BES2 agreement is not signed or the level of funding for BES2 is reduced during the period of the agreement.

3.8 Key features of BES 2 will be as follows:

- Maximum term until 31st July 2022 or until operators enter into an embedded partnership agreement
- development and delivery of a Reference Network, intended to provide a range of benefits to communities; multi-operator ticketing; and operator sign-up to an Economic Contract at the heart of WG's Economic Action Plan (and its principles of fair work, health, decarbonisation, skills and learning etc)
- long term co-operation and co-ordination across TfW, LAs and operators by entering into partnerships with a clear set of obligations and shared standards
- one agreement per operator in each of the regions that they work in, signed by Welsh Government, TfW, a lead authority and the operator
- operators will be allowed to make a (capped) profit on services that has not been possible under emergency funding to date.

Beyond BES 2

3.9 Discussions are starting to take place in relation to the planning of future networks and the respective roles of WG, TfW, LAs and operators. It is important to note that these are not the prime focus of BES2 agreement. It will be vitally important for further detailed discussions to take place with Members on these matters. However, this is not a reason to delay the signing of the BES 2 agreement. WG does believe that the BES2 offer will help to engage operators in the discussions about the future at a time when their income is more dependent than ever on public sector support. In signing up to BES 2, though, LAs are agreeing to financial support being provided to the sector. They are not committing themselves to any specific, future model of bus service management as that will be the subject of further debate.

4. Financial / Resource Implications

4.1 In the period April to November 2020, the Councils revenue from on bus income reduced by £242.5k based on the same period last year. In

addition to this, the councils Mandatory Concessionary Fares income for the same period also reduced by around £310k which would ordinarily put significant pressure on the public transport budget.

- 4.2 However, due to the interventions of the WG since April as detailed above, the Council has received an additional £3m from the Hardship Fund and 'Ramp Up' funding (BES 1 & BES 1.5) which we will use to reconcile the loss of income to the Council.
- 4.3 Also, it is worth noting that further changes are being proposed by Welsh Government in connection with transport and buses, such as the Corporate Joint Committees and network planning. These are outside the scope of BES2 and Members will be updated in due course on these proposals.
- 4.4 The Council will not suffer any financial detriment as a result of signing up to this agreement and as proposed in the recommendation. It will enable the Council to secure additional financial support for bus services and the industry.
- 4.5 The Head of Finance (Sec 151 officer) notes the content of the report in particular Section 4 and can support the recommendation on that basis.

5. **Legal implications**

- 5.1 Members may have concerns about the impact (if any) that BES2 will have on current Powys contracted arrangements with bus companies.
- 5.2 Effectively, what BES2 is seeking to achieve across Wales, is a model very similar to that which has successfully operated in Powys for around 14 years. The model effectively under-writes the commercial risk to operators as long as they operate to a set of operational parameters such as frequency / vehicle type / days of operation / ticket inter-availability.
- 5.3 Whilst locally this may not be a significant challenge for our bus suppliers to accept, in areas where there were a larger number of dominant commercial operators providing commercially viable which are no longer commercially viable, this agreement will be received with caution. However, Transport for Wales have had extensive dialogue with the industry and local authorities to 'put to bed' as many of the fears and concerns we may have as a result of this new WG intervention.
- 5.4. The Head of Legal and Democratic Services (Monitoring Officer) has commented as follows: "The recommendation can be supported from a legal point of view"

6. **Comment from local member(s)**

6.1 The agreement applies to the whole county and as such local members views are not applicable

7. Integrated Impact Assessment

7.1 Not required.

8. Recommendation

8.1 The Council signs up to the BES 2 agreement (Appendix 2) as regional lead authority to secure (conditional) financial support for the bus sector and to ensure that the ongoing emergency funding meets the authorities' priorities and is delivered on their behalf.

8.2 To call for a further report on bus reform proposals relating to the future management of bus services in Wales.

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CABINET REPORT TEMPLATE VERSION 7

Appendix 1 BES 2 Agreement



BES 2 Agreement 16
December 2020.pdf