

ENVIRONMENT & ECONOMY OVERVIEW & SCRUTINY COMMITTEE

Date of Meeting	Tuesday, 8 th February 2022
Report Subject	Impact of the pandemic on public bus services (commercial and subsidised) and the increase in transport operating costs
Cabinet Member	Cabinet Member for Streetscene
Report Author	Chief Officer (Streetscene & Transportation)
Type of Report	Operational

EXECUTIVE SUMMARY

In November 2021, a report was presented to the Recovery Committee to review the Recovery Business Plan for the Streetscene and Transportation Portfolio.

The overall findings were that the Committee was assured by the Streetscene & Transportation Portfolio Recovery Business Plan; however, the Committee requested that the impact of the pandemic on public bus services (commercial and subsidised) and the increase in transport operating costs should be referred to the Environment & Economy Overview & Scrutiny Committee.

This report provides an overview of the impact of the pandemic on the aforementioned transport services following the report in November 2021 and in line with the Committee's recommendations.

RECOMMENDATIONS

1	That the Environment & Economy Overview & Scrutiny Committee welcomes the report and supports the work undertaken by the Streetscene & Transportation portfolio to maintain key services during the pandemic.
2	That the Environment & Economy Overview & Scrutiny Committee note how public bus services have been funded during the pandemic, the impact on service levels / passenger numbers / bus companies themselves and future proposals
3	That the Environment & Economy Overview & Scrutiny Committee note how school transport services have been impacted by the pandemic, the limited number of operators tendering for contracts and the substantial percentage increase in costs

REPORT DETAILS

1.00	EXPLAINING THE BACKGROUND
1.01	<p>The Council, at its Annual Meeting in early 2021, appointed a new Recovery Committee to guide our second phase of recovery from the pandemic. As part of its role, the new Committee is required to refer risks and issues to the respective Overview and Scrutiny Committees to review in detail as part of their forward work programmes.</p>
1.02	<p>In November 2021, a report was presented to the Recovery Committee to review the Recovery Business Plan for the Streetscene and Transportation Portfolio.</p> <p>The overall findings were that the Committee was assured by the Streetscene & Transportation Portfolio Recovery Business Plan; however, the Committee requested that the impact of the pandemic on public bus services (commercial and subsidised) and the increase in transport operating costs should be referred to the Environment & Economy Overview & Scrutiny Committee.</p> <p>This report provides an overview of impact of the pandemic on the aforementioned transport services following the report in November 2021 and in line with the Committee's recommendations.</p>
1.03	<p>There is no doubt that the last 18 months has been an extremely challenging time for the Council and the entire authority has had to manage unprecedented levels of uncertainty, react to multiple and different pressures and maintain services that are critical to the residents of Flintshire.</p> <p>The COVID-19 pandemic has seen unprecedented restrictions placed upon individuals and organisations. These restrictions have significantly impacted on the operations undertaken and how these were carried out during this time.</p> <p>In Streetscene & Transportation, overall, the service has shown a good level of resilience, although it should be recognised that certain services have and will continue to experience significant disruption.</p> <p>The emergency situation as a result of the pandemic and Brexit is far from over and the following summary provides an overview of what continues to be a fluid and uncertain situation:</p>
1.04	<p>Public bus services (commercial and subsidised) are financially unsustainable due to reduced passenger numbers</p> <p>Bus travel across the UK 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.</p> <p>Over the last 20 months there have been constant and significant changes made to government guidelines relating to public transport. To reinforce the stay at home message and discourage non-essential journeys throughout the lockdown periods, operators were mandated to suspend or reduce service levels and frequencies.</p>

	<p>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.</p>
1.05	<p>Alongside this, Welsh Government stepped in to help operators deal with reduced income on commercially operated routes and the additional costs being incurred. Initially, Welsh Government 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 the Bus Services Support Grant (BSSG), the Mandatory Concessionary Fare Reimbursement Scheme and the 'My Travel Pass' scheme.</p>
1.06	<p>The Bus Emergency Scheme was then introduced in July 2020 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, the 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.</p>
1.07	<p>BES 1.5' was introduced in August 2020, 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.</p>
1.08	<p>The Welsh Government, working with Transport for Wales (TfW) have now entered into a longer-term BES 2 agreement with operators to protect services. BES 2 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).</p>
1.09	<p>Despite the financial support detailed above, recent experience has demonstrated that bus operators are finding it increasingly difficult to maintain the commercial viability of some bus services. Passenger numbers on public transport have declined significantly over the last 18 months, which is significantly impacting the sustainability of bus services.</p>
1.10	<p>In July 2020, due to the global pandemic and the long term impact projected on fare revenue and passenger numbers, the operator of the number service 5 bus route served notice to end the operation of the route. The service 5 forms part of Flintshire's Core Bus Network and operates on an hourly frequency in both directions from Mold to Ellesmere Port via Buckley, Queensferry, Deeside Industrial Park (DIP) and Cheshire Oaks and, as such, it was deemed necessary to re-procure the route. The re-procurement of the Service 5 took place in October 2020 and resulted in a significant increase in the cost of the route, by nearly threefold.</p>

1.11	<p>Over the years, we have observed a reduction in the number of bus operators in the market, which is an issue across the country. Consequently, the current competition in the bus industry is extremely limited, which resulted in only two operators submitting bids for the number 5 bus route.</p>
1.12	<p>Whilst we have been able to utilise BES funding to bridge the gap in funding, the increase in the cost of the route has had a knock-on effect on subsidised bus service budgets and subsequently a budget pressure of £100k has been declared since Period 4 monitoring 2021-2022.</p> <p>Passenger numbers are gradually increasing on the service; however, it is recognised that public service users' travel trends may have changed with many more employees continuing to work from home or having found alternative transport methods in the intervening time.</p>
1.13	<p>Additionally, operators have seen a marked increase in operating costs due to the rise in fuel prices and shortage of vehicle parts for the repairs and maintenance of vehicles. Operators have reported a loss in drivers due to the long term effects of having contracted COVID, resignations due to concerns surrounding personal safety due to the virus and in many cases, more attractive salary options in alternative driving roles, in particular delivery driving. This has resulted in an overall shortage of qualified drivers.</p> <p>An additional pressure reported by operators has been the shortage of suitable training available and driving test opportunities for newly trained drivers, this has significantly impacted on an operator's ability to maintain pre-COVID service levels.</p>
1.14	<p>Whilst the public transport network is slowly starting to recover and services have started to stabilise we continue to face challenges ahead with the consumer price index for transport services in the UK indicating that, since January 2015, prices in the transport sector have increased by over 27%. Governments and local authorities are keen to address the decline in bus use that has been experienced over the years and making bus services more attractive is key to achieving this; we recognise that we need an effective public transport network to ensure economic recovery and that communities are connected, car dependency and congestion is reduced, active travel is promoted, as well as ensuring that carbon emissions and climate change, air quality and health, social inequalities are tackled.</p>
1.15	<p>Officers are working with Transport for Wales (TfW), the WLGA and the Welsh Government to review the current public transport network within Wales and the aspiration is to have a passenger-focussed, easy-to-understand, better coordinated, consistent and strongly-branded bus network, which gives people confidence in using buses – this includes anything from community transport through to long distance bus services such as the TrawsCymru services – and everything in between.</p> <p>We recognise that implementing network improvements will require other elements of the bus system to be in place, including cross-ticketing, infrastructure, information and marketing initiatives, and associated agreements and arrangements with operators.</p>

1.16	Officers also attend the Welsh Government ‘Bus Reform Working Group’, which is currently developing a five year plan for bus services in Wales, the vision of which is “ <i>A stable and coherent network of bus services that are fully integrated with other modes of public transport, that are reliable, affordable, flexible, easy to use, low-carbon and that encourage more people to use the bus rather than their cars.</i> ”
1.17	<p>The increase in transport operating costs</p> <p>In 2017, Flintshire County Council introduced a Dynamic Purchasing System (DPS) for the procurement approach for the provision of home to school transport, special educational needs transport, adult social care transport, music services, post 16, short term care, children’s services, community transport, supported local bus services, ad hoc taxis and any other passenger transport services that the Council provides.</p>
1.18	<p>The purpose of the procurement process in 2017 was to allow the Council to establish the DPS as a framework under which a number of suppliers provide and operate a high quality, responsive and cost effective passenger transport service for a range of passenger transport requirements. The DPS is a completely electronic tendering process for the selection of suppliers that comply with the Council’s minimum service requirements.</p> <p>The transport routes awarded under the DPS in 2017 were for a contract period of 4 years. Whilst some routes have naturally come to an end, been reviewed and where appropriate, re-procured, approximately 200 routes were due for renewal in July 2021.</p>
1.19	<p>Due to the pandemic, operators were in a difficult position, for many, school transport contracts were their only source of income. To provide operators with the time to recover, a report was taken to Cabinet in March 2021 and it was agreed that the routes due for procurement in 2021 would be extended for a period of up to one year.</p> <p>Similarly to subsidised bus services, we are witnessing increased transport operating costs due to the reduction in the number of operators available to run services. The pandemic has seen some operators struggling to continue operating due to driver shortages and increased costs, such as fuel, driver wages and insurance. This is having an impact on transport contract prices when we have to procure routes.</p> <p>Recent procurement exercises have highlighted the limited availability of operators with just 2-4 operators bidding for each route and an average increase in costs of routes of 29%. The number of bidders for more specialist vehicles can be fewer than this number.</p>
1.20	Approximately 220 transport routes are due to be procured this year, which includes primary taxi and buses, secondary taxi and buses and special educational needs (SEN) routes. Due to the predicted increase in costs a budget pressure ranging from £184,550 - £554,650 has been proposed for 2022-2023. This report highlights that, whilst operators, are slowly recovering, the Council faces challenges ahead with limited competition and the substantial increase in operating costs.

2.00	RESOURCE IMPLICATIONS
2.01	A revenue budget pressure of £100k has been declared since Period 4 monitoring 2021-2022 for the increased costs on the number 5 bus route.
2.02	Approximately 220 transport routes are due to be procured this year, which includes primary taxi and buses, secondary taxi and buses and special educational needs (SEN) routes. Due to the predicted increase in costs a budget pressure ranging from £184,550 - £554,650 has been proposed for 2022-2023.

3.00	IMPACT ASSESSMENT AND RISK MANAGEMENT
3.01	Any changes to service provision during the pandemic were progressed through the relevant Tactical Groups and EMRT for decision making and approval, and were tracked through daily Business Contingency Plans.

4.00	CONSULTATIONS REQUIRED/CARRIED OUT
4.01	The business contingency plans put in place during the pandemic were developed with wide consultation with officers within and across portfolios and trade unions. All decisions regarding operational service levels during the pandemic were made through EMRT and the various Tactical Working Groups that were set up.

5.00	APPENDICES
5.01	None.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	None.

7.00	CONTACT OFFICER DETAILS
7.01	<p>Contact Officer: Katie Wilby, Chief Officer (Streetscene & Transportation) Telephone: 01352 704530 E-mail: katie.wilby@flintshire.gov.uk</p> <p>Contact Officer: Ceri Hansom, Integrated Transport Unit Manager Telephone: 01352 704531 E-mail: ceri.hansom@flintshire.gov.uk</p>

8.00	GLOSSARY OF TERMS
8.01	None.