

Delegated Decision report - reconsideration



10 November 2020

CONCESSIONARY AND CONTRACT PAYMENTS FOR BUS OPERATORS - RECONSIDERATION OF 1.2 OF THE DELEGATED DECISION TAKEN ON 29 SEPTEMBER 2020

Name of Cabinet Member	Councillor Lauren Townsend (Cabinet member for Community and Safety)
	Councillor Rob Middleton (Cabinet member for Resources)
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Exempt/confidential/not for publication	No
Council Plan reference	Ref number / Not in Council Plan
Wards affected	All wards

Executive Summary

A Delegated Decision was taken on 29 September 2020 in relation to the payment of concessionary contract payments to operators. This included a decision to introduce a Demand Responsive Transport service from 1 April 2020, which was subsequently called in, by Castlethorpe and Hanslope Parish Councils and Councillors Bint and Walker.

Further to mediation meetings, an undertaking to reconsider the decision was given by the Cabinet member for Community and Safety with the provision of further information to support the decision, which is included at Section 3 of the report and associated Annexes.

1. Decisions to be Made

- 1.1 That the public and press representatives be excluded from the meeting by virtue of Paragraph 3 (Information relating to the Financial or Business Affairs of the Authority) of Part of Schedule 12A of the Local Government Act 1972, in order that the meeting consider the **confidential Annexes** to the report.
- 1.2 That a Demand Responsive Transport service be introduced from 1 April 2021.

2. Why is the Decision Needed?

- 2.1 From 1 April 2021, residents in areas with no alternative scheduled buses will be able to use Demand Responsive Transport (DRT). This is a smaller vehicle that can collect passengers from a fixed point and take them to their destination or a suitable interchange. The service will have fixed maximum wait times, and an average response time to meet. Route planning is optimised using software to make the most efficient use of the vehicles. Trips that begin and end within 400m of an active bus stop will be directed to the local bus service unless there are special requirements, such as people with disabilities. An equality impact assessment is being finalised and engagement with the Disability Access Group will take place. It is expected that concessions will be accepted, although usage may be capped.
- 2.2 External advice has been sought as to the cost of such a service. With the use of tariff and section 106 funding to offset some of the costs, this should result in a saving.

3. Additional Supporting Information

Financial

- 3.1 The Council has faced significant cost and income pressures as a result of the pandemic crisis, and we have no way of knowing how long the economic recovery will take both on a national or local level. It is noted that the UK has now technically entered recession, one which many experts have characterised as the sharpest and deepest in modern history. In having to rapidly respond to the crisis we have had to re-consider how we deliver services in the future.
- 3.2 The future uncertainties we face have never been greater: for example, what funding will Central Government provide to local Government, how much income will we receive from local businesses given the seismic shifts in the economy, and how much help will we need to provide to struggling local residents and families as job losses mount.

- 3.3 From the onset of the pandemic we have developed three potential budget scenarios based on a low, medium and high impact on the Council's finances over the medium term. The Medium-Term Financial Plan, presented to Cabinet in September 2020 identified a funding gap in 2021/22 of between £17.8m on low impact scenario to a £45.8m on high impact scenario, with the shortfall increasing in subsequent years.
- 3.4 There is also a significant risk to the council's finances due to the impact of COVID-19 on both the size of the tax base and our ability to collect revenue. We have no way of knowing with any certainty at this stage how significant the impact of COVID-19 on the collection of local taxation income will be or how long it will take to recover. The medium scenario suggests a shortfall of £13.4m in collection fund income to the Council in 2020/21.
- 3.5 Government funding has been awarded to support Council's through 2020/21, which includes a total of £20.7m of general fund grant income to Milton Keynes, and the ability to recover approximately 70% of lost fees and charges income from the Income Guarantee Scheme. This will reduce the shortfall in 2020/21 however currently no announcements have been made for 2021/22 onwards, leaving the Council with a significant financial challenge ahead.
- 3.6 Parking income is one of the areas most impacted by COVID-19. Income in May 2020 dropped to 3.1% of that collected in May 2019. Whilst the reopening of shops, and schools has resulted in increased demand, income levels in both September and October have stabilised at approximately 42% of previous amounts. Assuming current trends continue, this will result in a budget shortfall of approximately £8.5m.

Buses Subsidies / Patronage

- 3.7 The cost of bus subsidies, which in the main have historically been funded from the parking surplus, have been increasing year on year. A 5% inflationary increase was included in the 2020/21 budget, however the last 2 contracts let have resulted in a 72% and 75% increase in costs. In addition, developer funding for a number of routes is due to expire in 2020/21, meaning the Council would either face additional cost pressures on the general fund or end the services affected.
- 3.8 Passenger numbers have been decreasing even before COVID 19. Trips have decreased 13% in Milton Keynes across the network between August 2016 and August 2019 and were showing no sign of recovery. With average subsidised costs per journey at £7.18 in August 20 and an estimated 632 regular users (0.3% of the population of MK) taking subsidised routes, the value for money of current subsidised services needs to be revisited.

3.9 The subsidised bus network in Milton Keynes is largely historical and many routes have not changed significantly for years, while the city has. The network needed a detailed review but without in-depth origin and destination information for passengers and potential passengers it is extremely difficult to determine what trips are needed. DRT will provide much of that data and inform future transport planning in the Milton Keynes area.

Demand Responsive Transport (DRT)

- 3.10 DRT offers the potential to improve job opportunities as it increases access to areas previously not served by public transport at all, or adequately.
- 3.11 DRT permits more efficient linking in of rural communities which are often among the first to lose their bus service and often don't have one that can be used to access work effectively. As they only need to send a vehicle when demand is in place operators aren't costing for long routes with extremely low usage and running empty buses part of the day in order to maintain a minimum service level.
- 3.12 The system has the potential to link areas far more effectively than costly and time consuming 'circular' routes by picking up on those movements desired rather than having to provide a complete circuit all the time just in case.
- 3.13 It is much easier to move a fleet of smaller vehicles to electric than full size buses, and reduces wasted mileage on the roads, both of which are important contributions to the authority's agenda to reduce carbon emissions. Carbonindependent.org suggests the average carbon emissions from a standard bus are 822g/km. We are targeting half of the DRT fleet to be electrically powered. For some residents, DRT may be an attractive alternative to car travel.

4. Implications of the Decision

Financial	Yes	Human rights, equalities, diversity	Yes
Legal	Yes	Policies or Council Plan	No
Communication	No	Procurement	Yes
Energy Efficiency	No	Workforce	Yes

(a) Financial Implications

A summary of the current and proposed delivery model is set out in more detail for comparison purposes at Table 1.

Table 1

	Existing Subsidised Contract 2020/21 (Est Costs)	New DRT model 2021/22 (Est Costs)
General Fund	£1,495,548	£300,000
BSOG operator grant*	£604,376	£0
S106 developer funds	£297,285	£215,000
Tariff developer funds	£502,246	£502,000
Total	£2,899,455	£1,017,000
Budget (GL, BSOG*, Sect 106 and tariff)	£2,807,075	£2,106,493
(Shortfall)/Saving	(92,380)	£1,089,493

* BSOG is not confirmed for 21/22

(b) Legal Implications

The Council's Constitution allows for a decision to be called in as part of its overview and scrutiny procedure rules. Director Law and Governance shall call-in a decision for scrutiny by a sub-committee of the appropriate scrutiny committee if so requested in writing by any two Members of the Council, the chair or clerk of any Parish or Town Council, on behalf of the Parish or Town Council, or any 20 residents of the Borough, and shall then notify the decision taker of the call-in. Decision 1.2 relating to the introduction of a Demand Responsive Transport service from 1 April 2021, which was taken on 29 September 2020, was called in at the request of two parish councillors and two Ward councillors.

As a result of mediation, agreement was reached for the responsible Cabinet member to reconsider the decision with inclusion of the additional information that had been circulated as part of mediation. This agreement at mediation meant that in accordance with the Council's constitution the scrutiny sub-committee meeting was not required.

The Constitution further provides that in order to ensure that call-in is not abused, nor causes unreasonable delay, a decision, or decision to similar effect may only be called in once in any six-month period. The reconsideration of decision 1.2 as detailed above is therefore not subject to a further call in.

5. Alternatives

5.1 Continue with Current Network

This was considered, but last year prices went up by 72% and 75% on two contracts that were retendered, so continuing the network with no changes will lead to further taxpayer funding to just maintain it. As such extensions of the current network will only be until 31 March 2021 and at the April 2020 price.

With the loss of revenue to the authority continuing with the existing network is not a viable option.

5.2 Continue with Original Network Proposals

The Council was previously seeking to make the existing network more efficient by removing duplications and potentially trialling demand responsive in areas with especially low demand. These changes were intended to prevent increasing costs and were not expected to show any savings on the network, as such post-COVID-19, they were not sustainable.

Given the scope of the changes necessitated by COVID-19 and the speed with which these proposals have had to be brought forward interested parties are being notified of the new proposals as a matter of urgency.

It is also noted that should demand increase beyond the capabilities of DRT, the Council will continue to work with operators to support introduction of additional commercial routes and if there is a strong financial recovery may even consider reinstating routes.

List of Annexes

- Annex A Contract Information and Prices (confidential)
- Annex B Modelling Data (confidential)
- Annex C List of subsidised services and funding sources
- Annex D Map of commercial network
- Annex E Patronage information for the last twelve months for the whole network and the subsidised network and network wide annually over the last ten years

Annex F A presentation by ViaVan who have provided DRT in several forms worldwide

Annex G Tendered service patronage per weekday

Annex H A list of the services effected by the change

List of Background Papers

Delegated Decision - 19 May 2020

[Delegated Decisions - 19 May 2020](#)

Delegated Decision - 7 July 2020

[Delegated Decisions - 7 July 2020](#)

Delegated Decision - 29 September 2020

[Delegated Decisions - 29 September 2020](#)

Call in Notice of Decision taken on 29 September 2020

[Call-In Notice](#)