

ENVIRONMENT AND TRANSPORT SELECT COMMITTEE

19 JANUARY 2015

REFERRALS FROM THE BUDGET REVIEW GROUP - COUNCIL BUDGET 2015/16

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Executive Summary

The Committee is considering a referral from the Budget Review Group meeting of 7 January 2015 on proposals in the Council's draft budget relating to:

(a) Bus Subsidies

The Committee is wanting to receive details on the reduction in bus subsidies of £907k included in the Council's draft budget, which will result in a loss of some routes and changes to others including:

- an update on negotiations with bus companies;
- details of which bus route subsidies are proposed to be cut;
- an update on consultations with users on the potential reductions;
- the political rationale for the reductions in terms of the budget strategy, and for the specific routes chosen to be cut; and
- transition arrangements where bus route subsidies are to be cut.

(b) Concessionary Fares

The Committee is wanting to receive details on the reductions included in the Council's draft budget to senior non-statutory peak travel concessions and junior fare concessions to half fare with would achieve savings of £785k, together with an update on consultations with users on the potential reductions

The report that follows deals with each of these items in turn.

(a) Reduction in Bus Subsidies**Background**

The operation of bus services in Milton Keynes, as in most parts of the UK outside London, is regulated by the Transport Act 1985 with some changes subsequently introduced by the Transport Act 2000 and the Local Transport Act 2008. The 1985 Act deregulated and privatised the bus industry. This means that it is the private sector bus operators (licensed by the Traffic Commissioner) that determine the level of most services provided in the borough, including the route, timetables, frequency, fares and type of bus used. Bus operators are required to give councils 56 days' notice of any new, cancelled or changed services but are not required to get agreement from the Council

Under the Transport Act 1985, the Council has a duty to consider whether there are gaps in the commercial bus network and if it thinks appropriate, fill in those gaps to meet unmet social need. In general, most subsidised services have to be secured by competitive tender (a procurement process which has to comply with the 1985 Act, Council Procedure Rules and EU regulations). As far as possible, subsidised journeys should not compete with commercial bus services (although it is unavoidable in some cases).

At the present time around 25% of the bus network, services that would not otherwise be provided commercially, is subsidised by the Council. These services are generally into the areas of lower population density in the urban area and in the rural areas of the borough. These services carry around 20% of passenger journeys within the borough.

In the current financial year, the budgets for subsidised services amount to £2.956m made up of:

- £1.440m from parking revenue.
- £1.052m from developer contributions.
- £465k from devolved Bus Service Operators Grant.

There has been a significant reduction in Council spending on bus services in recent years, but this has not, so far, had a measurable impact on overall bus patronage. The savings have been achieved by changing the focus of subsidised services so that the majority of the spend is now on daytime services to maintain accessibility for the rural areas and for those areas of lower population density in the urban area, as well as taking into account value for money (based on the cost per passenger journey) and the availability of alternative services.

The table below shows the savings delivered against bus patronage.

Financial Year	Budget Incl s106 funds	Budget Excl s106 funds	Reduction in base budget	Bus Patronage*	% change in Bus Patronage
2010/11	£3,404,608	£2,573,640		9,087,355	
2011/12	£3,202,056	£2,273,640	-£300,000	9,593,977	+6%
2012/13	£3,042,325	£2,062,640	-£211,000	9,406,991	-2%
2013/14	£2,737,714	£1,654,640	-£408,000	9,956,037	+6%
2014/15	£2,493,989	£1,443,214	-£200,000	10,200,000 (estimate)	+2.4%
2015/16	tbc	£536,214	-£907,000		

Note *: The bus patronage figures shown here are those reported by the Council (previously NI177 Total Bus Patronage (BVP1102)) - this is the total number of single bus trips originating in Milton Keynes in the financial year shown. Originating trips mean that a trip from Milton Keynes to Bedford would be included, but a trip from Bedford to Milton Keynes would not. A return journey counts as two trips. The Council is required to collect this data which is based on returns made by the bus operators.

2015/16 proposals

For 2015/16, against the background of continuing pressure on local authority budgets, a number of options for budget savings were considered across all service areas. The scale of savings required across the Council means that some significant reductions have had to be considered. In relation to Planning and Transport, the Transport area is now required to be self-funding from within the parking income with the result that the previous £2.9m contribution to Transport from the General Fund will be removed in 2015/16. The savings required mean that the budget for subsidised bus services for 2015/16 is further reduced by £907k. This figure has been derived from a necessary 50% reduction in the budget from £1,443k to £722k, to which was added a further £185k because of the need to produce a balanced budget.

In considering how this saving might be delivered, the following actions have been taken:

- Negotiations with bus companies: In previous years, some of the savings have been achieved where operators have taken on services or parts of services on a commercial basis. This year, however, the scope for such action is more limited because the 'quick wins' have already been achieved. Meetings have been held with the four operators that operate most of the contracted bus services (Arriva, Z&S, Red Rose, Red Line and Vale Travel) but no firm proposals have been forthcoming at the time of writing (15 January 2015). These discussions are not complete and will continue during the consultation period on the Council's budget proposals and beyond.
- Consultation with the Milton Keynes Bus User Group (MK BUG): A workshop session was held with MK BUG on 14 January 2015 at which the group was represented by members of its committee's Infrastructure Group. The meeting identified the scale of the savings proposals and MK BUG will no doubt respond in detail to this separately. Again, these discussions are not complete and will continue during the consultation period on the Council's budget proposals and beyond. The views of MK BUG expressed at the meeting were:
 - Concern over the scale and likely impact of the reductions, particularly in the outlying areas of the borough.
 - As representatives of Bus Users their focus/remit was to support the needs of bus users and therefore as a group they were unable to support reductions in subsidies (routes) which might affect users to the extent that no alternatives were available to travel to key destinations by public transport.
 - The group accepted that the council was facing difficult choices, but consider that public transport is important to the sustainable future for Milton Keynes.
 - There was acceptance of the principle to ensure as much as possible that future services provided by MKC should address 'gaps' in the current core network.
- Officers have been looking at proposals that take into consideration those areas of the borough, including the rural areas, which would be more than 400m from a daytime bus service that is not subsidised by the Council (ie commercially operated, developer funded, or running in from a neighbouring authority), and on the value for money of the existing contracts.

- The map on which this analysis has been based is attached as **Annex A**. While this approach is broadly similar to that followed in the previous years, in that it would protect services in areas where there are no commercial bus services, there are a number of local links which are not covered as indicated in the annex.
- As a result of the discussions with operators and the MK Bus User Group to date, and the analysis referred to above, an officer proposal has been developed and is attached as **Annex B**. It should be noted, however, that this may well change as the discussions with operators, the MK Bus User Group, and other interest parties continue.
- **Annex C** attached details the current contracts, their expected costs, estimated passenger journeys and shows the cost per passenger journey figures.
- **Annex D** attached details the current and planned allocation of the income and expenditure on the Parking Account.

There have been suggestions that smaller vehicles should be used on the subsidised bus service or that they could be replaced by a demand responsive transport (DRT) solution. The Council is working with the promoters of one such scheme which hopes to see a pilot operation up and running by the end of 2015. This would take advantage of advances in technology to allow the real time booking and scheduling of 8 to 10 seat vehicles priced between bus and taxi fares. If this is successful, this effect of this might be to replace subsidised bus services, but there are risks because the format is unproven. It should also be noted that Annex C shows that the taxibuses in operation in the rural area (linking Newton Blossomville to Olney, and Little Linford/Haversham to Wolverton and Newport Pagnell are among the contracts with the highest cost per passenger journey).

(b) Concessionary Fares

Under the provisions of the Concessionary Bus Travel Act 2007, as amended, the current statutory concession consists of guaranteed free off-peak (from 0930 until 2300 on weekdays and all day at weekends and on Bank Holidays) travel for older and disabled people on all local buses anywhere in England (this was introduced by the Concessionary Bus Travel Act 2007). It is up to the travel concession authorities (usually the same as local transport authorities) to ensure that eligible residents in the area are issued with a pass, if they request one, that is an ITSO compliant smartcard. The pass must be issued free of charge, but replacement passes can be charged for. The age at which older people qualify is linked to the female state pension age and will rise to 66 by October 2020. Eligible disabled people are those specified in the 2000 Act, as amended.

Enhancements to the statutory concessionary scheme can be offered by local authorities and currently the Council offers two discretionary enhancements:

- Elderly and Disabled pass holders can travel for a flat fare of 50p before 0930 on Monday to Friday, within Milton Keynes. A similar concession was offered for travel on local rail services but this was withdrawn in April 2013.
- In addition, the Council operates a concessionary fares scheme for those up to the age of 19, currently all residents of Milton Keynes aged under 19 qualify, including those not in full time education. Pass holders (the **All in 1 MK** card) can travel for a flat fare of 50p at any time within Milton

Keynes (increasing from 35p to 40p in April 2013, and from 40p to 50p in April 2014).

In 2014/15, the forecast expenditure on all concessions is around £4.443 million made up of about £3.626m for elderly and disabled concessions, and £816k for Junior concessions.

The Council is required to reimburse bus operators for participating in the concessionary fares scheme, but the reimbursement takes account of the generated demand and the bus operators must be “no better or worse off” as a result of providing concessionary travel. In addition, the basis behind the national scheme is that the authority where the bus journey starts picks up the reimbursement for that journey, regardless of either the destination, or the pass holder’s place of residence (for example, a pass holder’s journey from Bedford to Milton Keynes would be reimbursed by Bedford Borough, while the return journey to Bedford is reimbursed by Milton Keynes Council).

Historically, reimbursement is calculated on the basis of the actual number of concessionary journeys, linked to the average adult fare, with the result that budget forecasts can be difficult, especially where patronage is increasing. An alternative method is the use of a “fixed pot”, where an agreed budget is set and payments made regardless of the number of journeys made.

The Council entered into a “fixed pot” agreement with Arriva, the largest operator, for a three year period from April 2012 to March 2015.

For the discretionary elements of the concessionary fare scheme, operators are reimbursed net of fares received.

For 2015/16, against the background of continuing pressure on local authority budgets, it is proposed that the fares charged for the discretionary elements of the concessionary fare scheme should be increased from 50p per journey to half fare (on average about £1.05).

This is because, over the last four years, there has been an increase of nearly 30% in the number of junior scheme journeys. The increase in journeys can be attributed to.

- The removal of the Council’s discretionary transport scheme for post 16 students from September 2011 pushing post-16 students onto the local bus network.
- The phased removal of the Council’s discretionary transport scheme for denominational pupils from September 2012. This particularly related to travel to St Pauls School. Again this has had the effect of pushing these students onto the local bus network.
- The extension of the scheme to all under 19s, not just those in full time education. This is not quantifiable but it is probably less of an impact than the previous two points.

The table overleaf shows the number of passes in circulation, and the estimated total number of journeys for 2015/16:

	1 April 2014	5 Jan 2015	Estimated no of journeys in 2014/15
Disabled Passholders	3,159	3,519	
Senior Passholders	26,220	27,147	
Total	29,379	30,666	Free 2,266,538 Before 0930 141,076
Junior 5 to 11	840	1,865	
Junior 11 to 19	6,869	8,861	
Total	7,709	10,726	All junior journeys 1,249,340

The assumption on the savings proposals are as follows:

- S89: 147,697 journeys for which on average an additional 55p is paid = £81,000 saving. This assumes 5% increase in journeys because of previous growth of these journeys, and no transfer of peak journeys into off-peak (free) journeys.
- S90: 1,280,000 journeys for which on average an additional 55p is paid = £704,000 saving. This assumes a 2% increase in journeys because of previous growth of these journeys, and no resistance to the fare increase. If the overall number of journeys falls, overall reimbursement should fall resulting in a greater saving.

Annexes:

Annex A – 400m catchment area around the commercial network

Annex B – Officer Proposal

Annex C – Current Bus Contracts table

Annex D – Parking Account Statement