

Delegated Decisions report



11 July 2023

SHORT TERM BUS SUPPORT

Name of Cabinet Member **Councillor Jenny Wilson-Marklew**
(Cabinet member for Climate and Sustainability)

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|---|---|
| Exempt / confidential / not for publication | Yes - Confidential Annex |
| Council Plan reference | 'Support struggling bus routes by giving private providers time to make services commercially viable' |
| Wards affected | All Wards |

Executive Summary

Additional government support for Bus operators, Bus Recovery Grant (BRG) was introduced during the Covid pandemic to aid with the significant drop in passenger numbers, ensuring that bus services remained in place both during, and after the Pandemic. This support is due to cease at the end of June 2023.

Additionally, local authorities were encouraged to continue with concessionary payments at pre-pandemic levels. Currently concessionary fares are supported at a calculated 80% of pre-pandemic passenger numbers, however with the BRG ending in June 2023, it is also necessary for concessionary payments to return to calculations based on current day actual passenger numbers from end of May 2023. This will result in a reduction of approximately 15% in concessionary payments to bus operators. BRG support payments are due to significantly reduce (around 70%), and the £2 fare while popular on longer routes has made limited impact on inner city routes where most regular users have period passes that already offer better value. Several public transport operators have approached the Council outlining their concerns for the viability of some routes, particularly those routes that have been disproportionately affected by the recovery of concessionary traveller patron numbers. They have asked if there are any other support mechanisms that the Council can apply to these routes while further stabilisation and future assessment of the passenger numbers is undertaken.

This report sets out the options for providing that additional support and seeks delegated approval to undertake both the interim support measures to retain bus service provision for residents of the MKCC and to undertake significant marketing and public awareness of public transportation to try and aid the longer-term recovery of services and self-sustaining commercial viability.

1. Proposed Decisions

- 1.1 That the public and press be excluded from the meeting by virtue of Paragraph 3 (Information relating to the Financial or Business Affairs of the Authority) of Part 1 of Schedule 12A of the Local Government Act 1972, in order that the meeting may consider the **exempt Annex** to the report.
- 1.2 That a short term (eight month) one-off support funding be provided to specific at-risk services, as listed within this report, via the use of Local Transport Fund (LTF) Grant as a grant of subsidy.
- 1.3 That a marketing campaign be undertaken to raise awareness of the at-risk status of the services and to encourage patronage to attempt to make these services commercially sustainable.
- 1.4 That authority be delegated to the Director - Environment and Property to:
 - (a) to finalise the arrangements for allocating the short term LTF funding to operators to support the listed at risk services; and
 - (b) approve and finalise the allocation of further LTF funding to support additional routes that meet the same criteria should they be brought forward after this decision is taken and subject to LTF fund still being available. That this delegation includes the grant of authority to the Director - Environment and Property to approve the allocation of such funding including in cases where such funding is assessed to constitute a subsidy under the subsidy control legislation in the future.

2. Why is the Decision Needed?

- 2.1 Following confirmation from the DFT that both the BRG for operators and the £2 fare support are being operated until to end of June 2023, the Council followed guidance that the Concessionary Scheme, (which must be agreed annually with three months' notice period) would also reduce. Notification was given to all public transportation operators, informing them that concessionary fare support would begin the roll back from end of April 2023, at 5% every two months, until we are paying on actual trips taken, resulting in an approximate 15% drop in concessionary payments from MKCC.
- 2.3 This has resulted in operators who have been claiming BRG and concessionary fare payments considering operating 10-15% less routes when all additional support is withdrawn, resulting in several non-viable routes being 'at risk'.

- 2.4 Several operators have approached the Council to seek support for at risk services while the full impact of the ceasing of BRG support and the changes to ENCTS take effect so the full picture can be considered.
- 2.5 The Council is in receipt of LTF grant, which is designated to support local services, although these funds are ringfenced and must meet a number of nationally prescribed criteria to be utilised.
- 2.6 Following confirmation from the Department for Transport, the funds can be used to support 'at risk' services for around eight months in a limited and targeted support package, allowing operators and MKCC to do targeted marketing to make residents aware the services may be withdrawn at the end of that period and to understand the 'new normal' so any reductions or withdrawals are measured and in line with the impact of funding changes.
- 2.7 There is already some additional support in place. As of February 2023, the price of the 'Allinone' youth concession was increased from £1.10 to £1.40. This was the result of a vote by operators. The Council is as a short-term cost of living measure, funding 20p of the difference on single tickets until end of February 2024 from the Bus Services Operator Grant (one off funding) to reduce the impact of the change on young people and their families in addition to the standard concession. The Council does not set the price of multi operator tickets, such as 'Allinone', however does provide some support through the concessions scheme to keep the price down, this has a value of 50p per trip.

Specific Route Issues

- 2.8 Any bus operator within Milton Keynes who meets the eligibility criteria can make an application for funding support until the available LTF is fully committed. Eligibility for support is based on the Milton Keynes routes having existed prior to the pandemic, being open to the public and being at risk due to poor patronage recovery.
- 2.9 It is proposed to provide short term one-off support and marketing for the 'at risk' services to support increasing the possibility of them becoming viable when support ceases.
- 2.10 At the time of going to decision three applications for additional support are considered to meet the requirements, a further operator was unsuccessful, some funds remain uncommitted in case of additional applications.
- 2.11 Three local operators (Red Rose, Stagecoach and Arriva) have all indicated they would welcome the partial support and work with the Council on promotion. Support would run from May 2023 to December 2023 (inclusive) to reduce impact of the ENCTS rollback and maintain the network while promotional activities are undertaken. Support can be requested by any operator and will be reviewed against the criteria.

Operator - Red Rose

- 2.12 They have worked with the Council throughout on the 21 route, and it is the view of the Council's Transport team that there is the potential to continue working with the operator to make the service more sustainable in the long term. It is therefore recommended that the Council provides short term support in combination with a marketing approach to support Red Rose on this route.
- 2.13 However, if route 21 is still withdrawn by Red Rose, it is proposed to tender for a replacement service for twelve months only, with the same 'at risk/promotional' messaging and a clear message that the route will not be retendered using normal processes after the twelve-month period unless it is viable on the previous partial tender basis. Service levels will be reduced as part of the tendering process.

Operator - Stagecoach

- 2.14 The service provided as part of the 41 by Stagecoach which runs between Bedford and Northants, coming into the northern part of Milton Keynes, was re procured from October 2022. While costs increased, service levels decreased significantly due to reduced use in Milton Keynes. As such, it is being included in the support review as current levels are not adequate for local needs and The Council believes a short-term service level improvement with marketing may help Stagecoach re consider service levels on the route in the longer term. Any increased income from Allinone changes on this route would be negligible so are not being considered.

Operator -Arriva

- 2.15 Arriva have raised concerns around the roll back on concessions and flagged the following services as at risk of reduction or removal:
- 1 via Newport Pagnell, Green Park, Downs Barn.
 - 2 via Newport Pagnell, Poets' Estate, Downs Barn.
 - 3 via Lovat Fields Village.
 - 4 via Greenleys, Great Holm, Shenley Church End.
 - 7 via Oakridge Park, Great Linford.
- 2.16 Arriva will also undertake a review of the wider network after 19:00 Monday to Saturday, and all-day Sundays meaning additional routes may lose Sunday and evening services.
- 2.17 LTF grant funding is provided to support buses and DRT under supported services. Additional permission has to be obtained from the DfT for use on purely commercial services and this has been done.

- 2.18 Based on the need to support the residents of MKCC to have viable and usable scheduled bus services, particularly during the cost of living crisis, it is recommended that utilisation of the available LTF Grant be considered to provide eight months of targeted one-off support for at risk services.
- 2.19 In parallel, it is planned to undertake the running of a strong marketing campaign around sustainable transport methods including walking and cycling. The marketing would also focus on GetAroundMK and multi-operator ticketing to help raise awareness and patronage. Some specific marketing in the areas of the 'at risk' services would be undertaken to raise awareness of the fact that if not supported by local residents the services will see cuts. Patronage at specific locations will be monitored throughout the process.

3. Implications of the Decision

| | | | |
|-------------------|---|-------------------------------------|---|
| Financial | Y | Human rights, equalities, diversity | Y |
| Legal | Y | Policies or Council Plan | |
| Communication | | Procurement | |
| Energy Efficiency | | Workforce | |

(a) Financial Implications

There is currently £0.492m available of LTF grant.

Discussions were held with the operators to understand the estimated level of revenue losses from the reductions in the BRG and concessionary fares funding. The table below reflects funding the full loss of the services, an assessment by the Council of a reasonable partial funding and then the costs of the partial funding plus the added costs of a new contract on the 21-service route should the partial funding prevent the current contract from being commercially viable.

| | One off Local Transport Grant Funding | On Going Council Cost |
|--|--|------------------------------|
| Do nothing | 0 | 0 |
| Full Support | £0.500m | 0 |
| Partial Support | £0.453m | 0 |
| Partial support + retender of the 21 service | £0.358m | £0.177m |

On the assumption that the partial support will be sufficient to retain the existing service provision, it is recommended that support of £0.453m is offered from the £0.492m grant.

An internal budget of £50,000 has been allocated to the marketing campaign to begin early May and run for six months. This is funded from internal Bus Service Improvement Plan funding allocations.

(b) Legal Implications

The Council has general powers of competence under Section 1 of the Localism Act 2011 to enable it to give the support by way of grants as provided for under this report. However, this power is subject to any restrictions in other legislation and also subject to any conditions that are contained in the grant funding agreement which includes the requirement for the Council to comply with subsidy control legislation.

In proposing to give the financial support, the Council has to consider the requirements of the subsidy control legislation.

The report proposes to award grants to the following operators:

- (i) A grant of £92K to Red Rose. Under the Subsidy Control Act 2022, this amount of grant falls under the minimal financial assistance exemption threshold which is £315k over the past three financial years (counting back from the present financial year). The Council can only give this grant if it has complied with the procedural requirements under section 37 of the Subsidy Control Act 2022 which requires the Council to have received written confirmation from the grant recipient that receipt of the grant will not cause the grant recipient to have received support from the public purse in excess of the minimal financial assistance threshold over the stated period.

The Council has obtained written confirmation from Red Rose that the receipt of grant amount, will not cause it to exceed minimum subsidy allowance over the last three financial years.

- (ii) A grant of £92k to Stagecoach and a grant of £264k to Arriva. The proposed grants have been assessed against the Subsidy Control Principles and the legal opinion is that grants comply with the principles. A compliance matrix has been completed to evidence the analysis. The principles which must be complied with for a grant of subsidy are each of the following:
 1. the subsidy pursues a specific public policy objective to remedy an identified market failure or to address an equity rationale such as social difficulties or distributional concerns;
 2. the subsidy is proportionate and limited to what is necessary to achieve the objective;
 3. the subsidy is designed to bring about a change of economic behaviour of the beneficiary that is conducive to achieving the objective and that would not be achieved in the absence of the subsidy being provided;

4. the subsidy should not normally compensate for the costs the beneficiary would have funded in the absence of any subsidy;
5. the subsidy is an appropriate policy instrument to achieve a public policy objective and that objective cannot be achieved through other less distortive means;
6. the subsidy is designed to achieve a specific public policy objective while minimising any negative effects on competition or investment within the UK;
7. the subsidies' positive contributions to achieving the objective outweigh any negative effects, in particular negative/material effect:
 - (a) on competition or investment within the UK; or
 - (b) international trade or investment between the UK and EU.

The proposed grants do not constitute prohibited subsidy.

Where further grants may be proposed in accordance with the authority delegated to the Director Environment and Property, subsidy control considerations will need to be conducted for each proposed grant and such grants should only be awarded where they are compliant.

Any grant with a value above £100,000, will also require the Council to comply with transparency requirements under Part 2, Chapter 3 of the Subsidy Act. This imposes a duty on the Council to make an entry into the subsidy database in respect of a subsidy that it gives. The subsidy database is one that is set up by or under the direction of the Secretary of State and the entry must be made by the Council within three months of the confirmation of decision to grant the subsidy. Any future modifications to the subsidy must also be recorded in the database.

(c) Other Implications

Not providing support will lead to de registrations taking place over the summer and prior to any communication being provided to residents. These de registrations will disproportionately impact on more vulnerable residents and rural areas.

4. Alternatives

4.1 Do Nothing

This may result in the following impacts:

- (a) Red Rose - the 21 will be withdrawn which will impact on villages up towards Emberton including some school routes. While the 21 is borderline it does carry more patronage than could be easily picked up by MK Connect.
- (b) Route 41 - Stagecoach will continue as per the current contract.
- (c) Arriva will likely withdraw and reduce some services mainly impacting on Newport Pagnell, Shenley Church End and Great Linford.

4.2 Fully Support

There is £492,000 in the LTF grant funding payments that have been made and remain to be made to the Council, to support COVID-19 recovery to make up the difference for operators. There may be an additional payment, but this has not been fully confirmed.

While this amount would potentially allow us to roll back our decision on reducing ENCTS without creating a core budget pressure, it just delays the issue of bus route sustainability without solving it so, as stated above, we do not propose this approach.

5. Timetable for Implementation

- 5.1 Support payments will commence late July 2023, with the June payment after which each payment will be made in the following month on receipt of the patronage data required.

List of Annexes

Annex Subsidy Matrix (Exempt)

List of Background Papers

None