

# CHESHIRE EAST COUNCIL

## CABINET

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**Date of Meeting:** Monday 1<sup>st</sup> August 2011  
**Report of:** Strategic Director – Places  
**Subject/Title:** Public Transport Support Criteria  
**Portfolio Holder:** Councillor Rod Menlove, Cabinet Member for Environmental Services

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### 1.0 Report Summary

- 1.1 This report outlines revised public transport support criteria which will guide future investment in local bus, rail and community transport services financially supported by the Council.
- 1.2 Through applying revised support criteria, the Council are seeking greater value for money on the overall package of supported public transport services. The recent changes in central government allocation of funding have increased pressure on local authority budgets and the funding available to support public transport. For example, the specific grant to support rural public bus services has been withdrawn, increasing pressure on the Council's Revenue Support Grant.
- 1.3 The Council will still be supporting more than 2 million passenger journeys a year, and committing to budget support of £2.3m a year. This is substantially more than many other local authorities.
- 1.4 The previously adopted criteria related solely to perceived value-for-money criteria, namely the cost per passenger journey. This no longer reflects the strategic ambitions for transport, especially since the adoption and publication of the 3<sup>rd</sup> Local Transport Plan (the first which is specific to Cheshire East Council). In that plan and its associated implementation plan, full Council agreed to implement revised transport support criteria, to better reflect the aspirations in the LTP.
- 1.5 The criteria proposed in this report fully reflect the key themes and aspirations contained within the LTP. The LTP was subject to extensive public and Member consultation, and the prioritisation exercises undertaken as part of that consultation have been used extensively to shape the criteria proposed for adoption.

### 2.0 Decision Requested

- 2.1 Agree to the revised public transport support criteria in Appendix 1;
- 2.2 Agree to implement the revised support criteria and withdraw support for "low priority" services as identified in Appendix 2, in line with the timetable outlined in Appendix 3;
- 2.3 Note the comments from Environment Scrutiny Committee.

### **3.0 Reasons for Recommendations**

- 3.1 The proposed criteria reflect wider aspirations for the area contained within the Sustainable Community Strategy (SCS), Corporate Plan, Economic Development Strategy and emerging Local Development Framework (LDF). They are also directly linked to the Local Transport Plan, which was shaped by widespread stakeholder consultation including prioritisation exercises.
- 3.2 The proposed criteria enable existing and any potential future contracts to be tested in terms of strategic priorities for transport, accessibility and financial considerations. The proposed criteria aim to provide a fair, transparent and accountable process to manage contracts within budget constraints, provide maximum value for money and support wider strategic considerations.
- 3.3 Significant analysis has been undertaken by officers to weigh each current supported transport contract against objective criteria. However, it is inevitable that some element of subjectivity must be brought to bear. Members on the Environment and Prosperity Scrutiny Committee have been given opportunity to challenge the criteria, including suggestions for modifications and additions to the criteria, to minimise the subjectivity that may remain.

### **4.0 Wards Affected**

- 4.1 All

### **5.0 Local Ward Members**

- 5.1 All

### **6.0 Policy Implications including – Carbon Reduction – Health**

- 6.1 The criteria link directly to the Local Transport Plan. The proposals contribute towards delivery of the Council's carbon reduction agenda and Air Quality Strategy by including carbon emissions as part of the assessment criteria, which has associated health benefits. In terms of wider Council policy, the revised criteria aim to promote equality of access to local services. Finally, the revised criteria ensure the longer term financial sustainability of supported transport contracts.

### **7.0 Financial Implications (Authorised by the Borough Treasurer)**

- 7.1 Local transport authorities are free to decide the total budget that they wish to devote to supporting passenger transport services, in the light of overall budget availability, local needs and local priorities. Whilst central government has traditionally provided specific funding pots (e.g. Rural Bus Subsidy Grant and Rural Bus Challenge Grant), those grants have now been absorbed into the Council's Revenue Support Grant and this element of funding is therefore largely discretionary.
- 7.2 Through applying revised support criteria, the Council are seeking greater value for money on the overall package of supported public transport services in Cheshire East. The policy changes are expected to lead to savings of approx £500k, which is the

agreed level of saving required under the council's Medium Term Financial Strategy and current annual budget. A new set of criteria will determine which public transport services are supported, so that the Council achieve maximum value for money within the agreed budget limit for 2011/12.

- 7.3 In addition, the Council supports local community transport groups. It is proposed that in future the budgets for public transport and community transport be jointly managed, and consistent criteria applied to the combined budget, to ensure the most appropriate transport support is procured irrespective of the end provider or organisational structure.

## **8.0 Legal Implications (Authorised by the Borough Solicitor)**

- 8.1 The Transport Act (1985) imposes duties on and grants powers to local authorities to establish policies and carry out certain functions in relation to public transport.

### **8.2 Section 63, (1) states:**

In each non-metropolitan county of England and Wales it shall be the duty of the county council — (a) to secure the provision of such public passenger transport services as the council consider it appropriate to secure to meet any public transport requirements within the county which would not in their view be met apart from any action taken by them for that purpose.

#### In addition:

A non-metropolitan county council in England and Wales or, in Scotland, a . . . council shall have power to take any measures that appear to them to be appropriate for the purpose of or in connection with promoting, so far as relates to their area —

(a) the availability of public passenger transport services other than subsidised services and the operation of such services, in conjunction with each other and with any available subsidised services, so as to meet any public transport requirements the council consider it appropriate to meet; or (b) the convenience of the public (including persons who are elderly or disabled) in using all available public passenger transport services (whether subsidised or not).

#### Finally:

It shall be the duty of a county council or (as the case may be) of a regional or islands council, in exercising their power under subsection (6) above, to have regard to a combination of economy, efficiency and effectiveness. It shall be the duty of any council, in exercising or performing any of their functions under the preceding provisions of this section, to have regard to the transport needs of members of the public who are elderly or disabled and to the appropriate bus strategy.

- 8.3 The criteria proposed by this report discharges the statutory obligation to: firstly, establish policies; secondly, secure appropriate public transport to discharge these policies; finally, takes into account the needs of members of the public who are elderly or disabled, and has due regard to economy, efficiency and effectiveness.
- 8.4 The council is required to identify the impacts on certain protected groups to ensure equality of opportunity. For example, there must be an assessment made of the

impacts on groups or individuals who are disabled, who belong to ethnic or racial groups, and on the grounds of age or sex discrimination. A full equality impact assessment has been drafted to inform the proposals and it will be finalised following the outcome of the Cabinet meeting.

## **9.0 Risk Management**

- 9.1 If Cabinet decides to adopt the revised criteria, there is a need to manage implementation carefully to minimise the reputational risk to the authority in withdrawing, or providing alternative ways of delivering, public transport services which are relatively low priority in comparison to other services.
- 9.2 Members have also pointed out the potential risk that subsidy withdrawal may present to the financial health of either individual companies, or the bus industry at large. Cheshire East Transport is currently in discussion with a large number of companies who may be affected by the revised criteria (and the potential subsidy withdrawals) to mitigate the impact wherever possible on each company and the industry.

## **10.0 Background and Options**

- 10.1 Currently 80% - 85% of the bus network in Cheshire East is operated commercially and the remaining 15% - 20% is subsidised by the Council. Cheshire East Council currently spends £2.8m on subsidising local bus services, which are not commercially viable but are considered to require taxpayer support. In addition, the Council provides around £450k of funding to support community transport.
- 10.2 The statutory duty for local transport authorities to support services which are necessary to meet the travel needs of the area does not include a clear definition of what this means in practice, so it is for each local authority to decide what it considers to be necessary, and prioritise the range of community travel needs.
- 10.3 There is a specific duty to identify the needs of older and disabled residents; a duty that the council currently discharges mainly through the support for community transport, but also through infrastructure measures such as wheelchair accessible bus stops, stations and vehicles. However, Members have pointed out that no specific assessment of older and disabled travel needs has previously been undertaken, and therefore revisions have been made to the initially-suggested criteria (see 10.14).

### Current Inherited Criteria

- 10.4 Currently the local bus services which are supported by the Council are a result of historical arrangements inherited from the previous Cheshire LTPs (2001-2011). The criteria considers subsidy per passenger journey only and does not take account of wider social, economic and environmental considerations, nor does it specifically include the duty to consider the needs of elderly or disabled people.
- 10.5 This blunt assessment does not reflect the range of community travel needs and is not linked to the wider transport strategy contained in the new LTP. The criteria do not reflect the specific transport aspirations of Cheshire East Council which have emerged since Local Government Reorganisation. The criteria adopted are therefore

considered to be inappropriate for the needs of Cheshire East Council, and therefore revised criteria are required.

### Total Transport Transformation

10.6 Cheshire East Council is driving forward a major transformation programme which aims to revolutionise the way in which transportation is delivered across the borough. The aim is to meet the future needs of customers by providing more effective and efficient public services. The programme includes the development and implementation of a new LTP setting out the strategic priorities for transport over the next 15 years.

### Cheshire East's New Local Transport Plan (2011-26)

10.7 Cheshire East's new LTP is framed around the seven priorities of the Sustainable Community Strategy (SCS) so that the role of transport in delivering the economic, environmental and social ambitions for the area is clearly understood. The LTP provides the strategic framework for transport in the borough and aims to shape investment in local highway and public transport networks over the next 15 years.

10.8 Following extensive stakeholder and community consultation, the strategic priorities for transport are to "ensure a sustainable future" and "create conditions for business growth". The first LTP implementation plan includes a commitment to introduce new public transport support criteria to prioritise investment in local public transport services in line with the overall strategic priorities for transport.

### Proposals for Revised Support Criteria

10.9 Establishing new locally determined criteria, specific to Cheshire East, will create a framework to guide decision-making on what support is made available in order to achieve maximum value for money in a climate of budget constraints. The intention is for all existing public transport contracts and any future requests for additional services to be subjected to the criteria to identify those services deemed suitable for council support.

10.10 To assist Members in deciding what transport support is considered to be necessary in Cheshire East, a range of potential criteria have been explored, including:

- Assessment of utility of service / journey purpose (e.g. health, employment)
- Assessment of travel time
- Cost per passenger journey
- Total revenue / total cost ratio by service
- Number of passengers – total, average, minimum
- Passenger trends / commercial potential
- Availability of alternative transport services (e.g. community transport), particularly in respect of residents with significantly impaired mobility
- Deprivation measures, socio-economic measures or geographic criteria
- Specific links to economic regeneration
- Travel to work corridors
- Impact on carbon emission (e.g. air quality management area, congestion hotspots)
- Settlement size, with larger settlements typically favoured over smaller

- Integration between modes of transport
- Ability to attract external funding / cross-departmental internal resources

10.11 It is clear that there are many ways in which we can approach this issue and many criteria (including some not listed above) which could be used as an eventual solution, so it is necessary to focus upon what is important to Cheshire East Council and reflect wider strategic aspirations for the area.

10.12 Appendix 1 sets out recommended criteria based on three main objectives - LTP priorities, accessibility and financial considerations:

- **LTP Priority Themes** – Public transport has a role to play in “creating conditions for business growth” and “ensuring a sustainable future” by supporting access to employment and economic regeneration, as well as encouraging modal shift towards greater use of public transport.
- **Accessibility** – Community consultation on both the Sustainable Community Strategy (SCS) and LTP identified a desire for improved integration between different modes of transport, particularly bus and rail services. It is also important to consider the level of travel choice and alternative travel options available to avoid communities becoming socially isolated and excluded.
- **Financial Considerations** – The current financial challenges, which are expected to continue over the coming years, require the need to ensure maximum value for money. In addition, there is a statutory duty to consider the economy, efficiency and effectiveness of the supported network. Cost per passenger will continue to be an important factor to consider, as well as whether a service attracts external funding from other sources, the number of passengers using the service and the commercial potential (e.g. patronage trends).

10.13 The criteria have been translated into a scoring mechanism which attempts to rank currently supported services into one of three categories of priority for funding – low, medium and high. It then follows that as part of the requirement to reduce expenditure, it is those contracts in the “low priority” category that would be considered first.

#### Comments from Elected Members

10.14 In examining the proposed criteria, a range of issues and concerns have been expressed by Members and comments have been noted. The key suggested changes and officer responses are shown below:

##### **1. *More consideration given to the travel needs of rural areas***

- The proposals aim to reflect the needs of rural areas through the ‘travel alternative’ criteria, which gives a higher score to those services where there is little or no reasonable alternative in the local area. However, it is inevitable that since most of our support is for rural bus services, that the impact appears to fall disproportionately on rural areas.
- It is considered that the existing criteria appropriately reflect the need of rural areas as far as is possible. In addition, work is currently being undertaken to examine the

coverage of community transport provision and it is likely that more areas will have access to community transport, albeit with different frequency or model of operation.

## **2. *A specific measure for older and disabled travel needs***

- The council has a specific duty to identify the needs of older and disabled residents. Concessionary fare data has been used to identify the proportion of passenger journeys by concessionaires. Unsurprisingly bus services that operate in the middle of the day (between 09.00 and 15.30) are more likely to be used by older people.
- Following discussion with Members, Appendix 1 has been amended to include criteria relating to older and disabled people. Concessionary fare data has been incorporated and those services carrying a high proportion (+50%) of older and disabled people score more highly.

## **3. *Consideration of the impact on younger people***

- Services that operate wholly or mainly for younger people are for children who live either too close to school to qualify for taxpayer support on statutory grounds, or are not attending the nearest suitable educational establishment. As such, there is no statutory requirement to consider their needs, other than in the context of the promotion of sustainable school travel.
- The statutory duty to consider whether a route to school (within the statutory walking distance of the nearest school) is abnormally hazardous / unsafe and to provide free home to school transport for pupils who are eligible, in line with nationally agreed criteria, is part of the Council's home to school transport policy – which is completely separate and unaffected by the proposals for revised public transport support criteria.
- Members considered that – whilst there is significant sympathy for parents and children affected by potential subsidy withdrawals – the current criteria fairly reflect the priorities identified during the LTP consultation and should therefore be adopted.

## **4. *Increasing the priority given to health / medical / welfare travel needs***

- Members considered that too low a priority had been attached health / medical / welfare travel within the journey purpose criteria. This is acknowledged and the scoring system amended (from 3 to 4 points).

## **5. *The extent to which “choice” should be considered***

- Members identified that should the criteria be adopted, there would be an impact on the travelling public in terms of choice of travel – whether it be choice of destination, time of travel, day of travel, school choice, and indeed ability to travel if fares increased. It is recognised that the criteria do restrict choice, but the criteria aim to support access to essential services – rather than provide choice.

## **6. Consideration of forums for the public and members to input into strategic debate with public transport operators**

- Members welcomed the desire of the Portfolio Holder to reinstate local representation on the public transport forums, but expressed desire that this process be given a higher priority. It is considered that representation on the appropriate public transport forum would assist officers to better understand the needs of local communities.

### Potential Impact of New Criteria

10.15 The table below illustrates the type of local bus services which are currently subsidised by the Council. This includes the £2.8m supported bus budget. As noted above a further review of community transport has been launched and it is proposed no change to either increase or reduce the current support for community transport is made at this time.

10.16 Currently, weekday contracts make up the largest proportion of expenditure (58%), including urban, inter-urban and rural services. Nearly a third (30%) of expenditure provides bus services to local schools for children who either live too close to school to be eligible for statutory travel assistance, or are attending a school that is not the nearest suitable educational establishment.

<b>Type of Service</b>	<b>Gross expenditure</b>	<b>Proportion of expenditure</b>	<b>Estimated No. of Passengers by type of service</b>
School (term time only)	£986k	30%	1,679
Mon to Fri/Mon to Sat	£1,885k	58%	5,990
Evenings	£236k	7%	741
Sunday	£111k	3%	1,526
Market/Single Day	£38k	1%	530
<b>TOTAL</b>	<b>£3,256k</b>	<b>100%</b>	<b>10,466</b>
Income received	(£495k)		
<b>Net expenditure</b>	<b>£2,761k</b>		

10.17 In order to assess the potential impact of applying the revised criteria, each of the current contracts has been scored and ranked to assess the relative ranking and hence priority attached to each service.

10.18 The types of services which score highly and are considered “high priority” are mainly weekday services operating on urban or inter-urban routes, such as Crewe-Macclesfield, Beartown network in Congleton, and Macclesfield-Poynton. There are also a number of evening and Sunday services providing access to the hospital in Crewe, leisure facilities in Greater Manchester etc that are not served by alternative provision, whether commercial or subsidised.

10.19 The routes which score highly provide access to employment and essential services, as well as serving congestion hotspots and air quality management areas. They are considered “multi-use” in terms of journey purpose. These services also carry a

significant number of passengers with relatively low cost per passenger. Cheshire East Transport will seek to work with transport providers to determine if these services could potentially be operated commercially (if they present a suitable commercial opportunity).

10.20 The types of services with lower scores which are considered “low priority” are mainly school services that operate during term time only, for children who live too close to school for children to be entitled to transport at taxpayer expense or are attending a school that is not the nearest suitable educational establishment. These bus services are predominantly “single-purpose” in providing access to school only. Other services in this category include Sunday services and weekday services operating in rural areas with low passenger numbers and are high cost per passenger relative to other services.

### Mitigating Impacts

10.21 It is accepted that even though the relative numbers of current users may be low for services from which subsidy may be withdrawn, there is still an impact on the passengers who currently use the services. It is therefore appropriate to outline the mitigating factors that the council will undertake should subsidy be withdrawn.

10.22 For those services with a relatively low score for accessibility, it means there are suitable alternative services within reasonable walking distance of the service at risk. Whilst the alternative service may not be a direct service (i.e. requires a change of bus partway through the journey), or may not operate at the same time as the service at risk, it is considered that there is a suitable alternative already in place.

10.23 Cheshire East Transport have carried out a full analysis of the alternative transport options available should the withdrawal of council support for “low priority” services result in the service being withdrawn by the operator. A number of commercial bus services could provide a reasonable alternative for the school day public bus services. For those “low priority” services affecting the general public, the aim would be to work closely with community transport operators to provide “lifeline” journeys wherever possible. However, should the bus companies decide to withdraw services there will be an impact on the travelling public.

10.24 For some services, there is potentially a compromise with commercial operators who will be encouraged to operate some or the entire route commercially. For example, some services operate with relatively low levels of subsidy per passenger, and it may be that with additional marketing, promotion and publicity of these services they may become commercially viable. The initial consultation with bus operators has identified a number of routes which the operators are minded to continue without council support.

10.25 Also, through acceptance of increased fares, it may be possible to shift the balance away from taxpayer support in favour of a greater share of cost being borne directly by passengers. For some services, a moderate increase in the fare charged would entirely eliminate the taxpayer subsidy required, and it is proposed that any service that requires less than 75p per journey subsidy becomes subject to negotiation with commercial operators to identify options for reducing taxpayer support.

- 10.26 However, it may not be possible to mitigate the impacts of subsidy withdrawal in every case. This may result in the operator deciding not to operate the route in future, and it may be that in some instances there is no suitable alternative transport.
- 10.27 In addition, many of the routes that are currently considered to be low priority are for support for transport for children who live too close to school to qualify for transport at taxpayer expense, or are not attending the nearest suitable school. These routes interact with other routes which have been the subject of policy proposals from Children's and Families Services, although the decision has been deferred for a period of twelve months.
- 10.28 However, these proposals have no bearing on the recently proposed changes for home to school transport, which are provided under the Council's home to school transport policy. None of the routes recommended for withdrawal of subsidy in this report result from the home to school transport policy proposals but are instead completely separate bus routes currently supported for public transport strategic reasons. The reductions in funding available to the Council for public transport support leave no option but to withdraw subsidy in the current financial year from currently supported routes and therefore the changes must be implemented as soon as practicable.
- 10.29 The council's support for public bus services which carry school children not eligible for home to school transport is a significant benefit – however, this level of provision is not available to all. There is currently inequity in the way school day public bus services are supported, which is a result of historical arrangements and decisions prior to Local Government Reorganisation.
- 10.30 It is considered that the most appropriate mitigation for these routes would be to identify suitable alternative routes for the children potentially affected, and if none exist, the council commits to working with the affected schools, parents and local transport operators to seek to ensure that accessible and sustainable travel continues to be available for pupils attending affected schools, subject to parents and / or schools bearing the full costs of the transport.
- 10.31 It should be noted that whilst every effort has been and will be made to mitigate impacts, withdrawals of support for public transport are inevitably an unpopular and unwelcome development. Cheshire East Transport will endeavour to accommodate any reasonable request for examination of issues in particular areas to identify alternative solutions should significant adverse impacts result from the implementation of revised support criteria.
- 10.32 It is also important to consider wider factors affecting bus industry, including the Government's reduction in the Bus Service Operators Grant (BSOG) to be implemented in April 2012. This may result in de-registration of commercial bus services which are no longer viable and/or an increase in the cost of tenders for supported services. However, the proposal to change the way the payment is allocated from 'number of miles' to 'number of passengers' has been deferred following consultation, as it was recognised that this would have a negative impact on rural bus services, which is a positive outcome for Cheshire East.

10.33 Even with the proposed subsidy withdrawals, the council will still be supporting more than 2 million passenger journeys a year, and committing to budget support of £2.3m a year. This is substantially more than other local authorities have been able to commit to, as many have either already or are in the process of withdrawing a substantially greater proportion of their existing support. The estimated net cost per passenger journey of the contracts proposed for subsidy withdrawal average £2.35 per passenger journey; the routes proposed for continued support average £1.05 per passenger journey. It is clear that this represents better value for the taxpayer since the routes with highest levels of passenger subsidy are in the lowest priority category.

## **11.0 Access to Information**

The background papers relating to this report can be inspected by contacting the report writer:

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