

Forward Plan ref: FP/093/03/23

<b>Report title: Supporting Local Bus Services - 2024 onwards</b>	
<b>Report to:</b> Cabinet	
<b>Report author:</b> Councillor Lee Scott, Cabinet Member for Highways Maintenance and Sustainable Transport	
<b>Date:</b> 23 May 2023	<b>For:</b> Decision
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<b>County Divisions affected:</b> All Essex	

## 1. Everyone's Essex

- 1.1 Everyone's Essex sets out the following strategic priorities for Essex County Council (ECC). That Essex:
- Has a strong, inclusive and sustainable economy
  - Has a high-quality environment
  - Offers health wellbeing and independence for all ages
  - Is a good place for children and families to grow
- 1.2 Buses contribute to all these outcomes. They support economic growth by getting people to work, training and school. They support the reduction of adverse air quality emissions and carbon emissions. They allow young people, older people and those with disabilities or without cars to travel. They support diverse and thriving communities and help combat loneliness and isolation.
- 1.3 The majority of buses in Essex, around 85% of the network, are run commercially. Where there is no bus service, Essex County Council has a legal duty to consider whether one should be provided. It is then entirely discretionary whether a service is provided or not. The policy framework under which ECC makes these decisions is set out [here](#).
- 1.4 The policy now forms part of ECC's Bus Service Improvement Plan and has therefore been formally extended until 2026. Currently around 15% of the network is supported by taxpayers under this policy at a cost of £10.1m annually (based on the 2023/24 budget). The contracts for these current services expire in 2024 and ECC must now make a decision on what services to provide after that point.

## 2 Recommendations

- 2.1 Agree that the Director, Highways and Transportation shall consult as follows:

- (a) Retendering the 97 Local Bus contracts in appendix A, with an approximate annual net cost of £4.9m, for a four year period with the possibility of extending for a further two years.
  - (b) The re-design and re-procurement of 43 contracts at appendix B: the 39 Local Bus contracts with an approximate annual net cost of £3.3m and 4 new Local Bus contracts with an approximate annual net cost of £1.1m for a two year period with an option for extension for up to a further three years.
  - (c) That the consultation referred to in (b) will be on the basis that if these services are not on course to meet the subsidy requirement of no more than £5 per passenger journey by the time we need to make a decision on what happens after the end of the two year period, the Council may consult on withdrawal, noting that consultation would not take place until 2025 at the earliest.
  - (d) The withdrawal of the 21 low use Local Bus contracts listed in appendix C where the cost is currently more than £10 per passenger journey.
- 2.2 Note that following consultation, decisions on which services to extend; which services to procure; which services to award; and which services to withdraw will be taken by the Cabinet Member for Highway Maintenance and Sustainable Transport as long as decisions can be accommodated within the overall local bus budget.
- 2.3 Note that some contracts for services may need to be the subject of a short term extension if it is not possible to consult and award contracts by the expiry of the current contracts in July 2024.
- 2.4 Note that proposals for innovative new delivery models will be brought forward for consideration, including but not limited to devolving hyper local services; digital demand responsive services; low rate flat fares building on the success of the national £2 single fare offer; and marketing and promotion of services, including wider ticketing offers. Such investment proposals will be subject to agreement in a decision taken by the relevant Cabinet Members.

### **3 Background and Proposal**

- 3.1 The majority of the bus network in Essex has operated on a commercial basis, but historically 15% of the network has been subsidised by the Council where bus operators are unable or unwilling to provide them commercially. The supported services are known as the 'local bus network'.
- 3.2 The ECC supported services are normally reviewed every four years. However, during the covid pandemic, changes were put on hold, both as a condition of central government funding; but also because it was recognised travel patterns were changing. Contracts for all local bus services now expire

in July 2024. Patronage has risen and fallen over the past three years largely as a result of the various lockdowns and restrictions on travel.

- 3.3 Data from September and October 2022 showed an increase as schools and universities returned and as some people who had worked from home returned either fully or part time to their place of work. Since then patronage has stabilised at around 80% of pre-covid levels. Our assessment is that travel patterns have now broadly settled and now is the right time to review services and consult on proposals. Broadly, urban routes, particularly those used for school travel have recovered most strongly with rural routes and travel by concessionary pass holders recovering less well.
- 3.4 TravelEssex is the Enhanced Partnership brand for all buses and routes on the Essex network. It is used on information material, bus infrastructure and marketing material to encourage bus travel across Essex. Each of the commercial bus companies in Essex actively continually run strong marketing campaigns in order to grow bus patronage. Buses running up and down the roads are used as advertising for promotions, such as the £2 single fare, free travel for the armed forces and wrapped buses for the Queen's Jubilee, Pride, Armed Forces Day and local places of interest within Essex. In addition to the £2 single fare promotions, social media campaigns have focused on selling group tickets to families and couples, ticket bundles to the commuters, and reasons to travel for concessionary bus users. Community Engagement projects have included the 'Chatty Bus' and 'Meet the Manager'.
- 3.5 ECC has a long standing value for money measure whereby it will not generally subsidise buses by more than £5 per passenger journey. This is calculated by taking the cost of a service net of fare revenue and dividing it by the number of journeys made by passengers on it. The measure is designed to ensure that:
- in assessing the value of services to communities, we are also assessing the cost to taxpayers and targeting funding where it has most impact;
  - we are targeting resources where they do most good; and
  - we are ensuring services are sufficiently used to be delivering good carbon reduction outcomes.
- 3.6 The impact of the pandemic has changed passenger numbers significantly since these local bus contracts were originally awarded. We have reviewed the network based on recent data and divided services into three groups of services:
- a group of 97 services which remain successful and well used representing £4.9m of investment where the subsidy cost per passenger journey now is less than £5 (appendix A).

- a group of 43 'at risk' services which are either new or have recovered to some degree where the cost is between £5 and £10 representing an investment of £4.4m (appendix B).
  - a group of 21 low use services that are unfortunately currently significantly failing the value for money criterion and which are operating at a cost of at least £10 per passenger journey representing an investment of £1.1m (appendix C).
- 3.7 The cost per passenger journey used for the basis of calculation in 3.3 above uses bus operators and concessionary fares data for November 2022 up to and including February 2023, where available – and where it is not available for the whole period we have used as much data as possible from this period. This is to ensure we are not using data from the period when services were still significantly recovering from the impacts of the covid restrictions and is the most recent data available when the background work to consider the future of the services was being undertaken.
- 3.8 We will continue to review these groups throughout the consultation and procurement process to ensure we are using the best evidence for decisions. As such we may propose that bus contracts are switched between the groups in appendices A-C if ridership particularly increases.. ECC will continue to request data on a monthly basis. Ahead of consultation ECC will continue to request appropriate passenger data to the end of April 2023 to support the consultation and subsequent decision making. We will have at least a year's data before we make the final decision on re-procuring will be based on at least a year's worth of data.
- 3.9 The proposal is that we manage each group as follows:
- For the 97 services listed in appendix A, which have a current cost per passenger journey of £5 or less, we make any appropriate changes and tender the services for 4 years plus 1 year plus 1 year. Given the strong performance of these services despite the lower patronage post covid, they are clearly valued, providing broadly the right service to their communities; and offer value for money to taxpayers.
  - For the 'at risk' services ie those with a cost per passenger journey of between £5 and £10, listed in appendix B, we consider making any changes that would strengthen patronage and/or reduce cost; and re-tender those services for 2 years plus 2 years plus 1 year plus 1 year. If by the time we need to make a decision on extension after two years they have met the value for money criteria or are on a clear trajectory to do so, they could be extended and become co-terminus with the successful services. If after two years, they have not grown sufficiently to meet the value for money criterion, we would consult on withdrawal. This also gives communities a clear opportunity to improve the usage of services that they wish to continue. Withdrawal would not take place before summer 2026, giving a three year commitment to continue these routes.

- For the low use services with a cost per passenger journey of more than £10 as listed at appendix C, if a re-design could reduce cost and/or increase patronage that will be included. However, these services are substantially in excess of the £5 per passenger journey criterion – at over £10 per passenger journey. There would need to be a significant step change to bring them below that cost. The proposal is therefore to consult on withdrawal alongside re-design. The impacts of potentially withdrawing services will be assessed as part of consultation. Whilst it is never possible to commission a bus service to meet every individual travel need, the impact on individuals of a service withdrawal can be significant.

3.10 Recognising the adverse impact that the withdrawal of services can have on those who use them, it is proposed to bring forward proposals for new delivery models. Our Bus Service Improvement Plan [here](#) sets out a range of options, including demand responsive services, devolution of hyper local services; de-carbonisation; and other measures. This will also include options for introducing low rate flat fares, such as the central government funded £2 maximum single fare currently on offer.

3.11 All of these proposals will be subject to consultation. Any decisions will be made using the most up to date data, including service patronage. This means that any changes in service use can be reflected in the final decision, though no buses will be withdrawn without consultation.

3.12 Continuing to support bus services in this way will:

- Help people in Essex prosper by increasing their skills
- Enable Essex to attract and grow large firms in high growth industries
- Target economic development to areas of opportunity
- Help keep vulnerable children safer and enable them to fulfil their potential
- Enable more vulnerable adults to live independent of social care
- Improve the health of people in Essex
- Help to secure stronger, safer and more neighbourly communities
- Help to secure sustainable development and protect the environment
- Facilitate growing communities and new homes

## 4 Links to our Strategic Ambitions

4.1 This report links to the following aims in the Essex Vision

- Enjoy life into old age
- Provide an equal foundation for every child
- Strengthen communities through participation
- Develop our County sustainably
- Connect us to each other and the world
- Share prosperity with everyone

4.2 Approving the recommendations in this report will have the following impact on the Council's ambition to be net carbon neutral by 2030:

- Switching journeys from car to bus offers the biggest immediate carbon reduction gain from transport – even with a predominantly diesel bus fleet;
- Bus use is therefore critical to delivering ECC's net zero ambition.

4.3 This report links to the following strategic priorities in the emerging Organisational Strategy 'Everyone's Essex':

- A strong, inclusive and sustainable economy
- A high quality environment
- Health wellbeing and independence for all ages
- A good place for children and families to grow

## 5 Options

### **Option 1: Do Nothing (not recommended)**

5.1 If we do nothing contracts will expire in July 2024 and all services will cease. This will not meet the terms of the local bus policy; the proposals set out in our Bus Service Improvement Plan; or deliver the outcomes of Everyone's Essex.

### **Option 2: Re-procure all services (not recommended)**

5.2 If we re-procure all services this would mean that taxpayers were continuing to support low use and high cost services which do not meet the value for money criteria. This would not meet the terms of the local bus policy. It would also mean we could not establish an innovation investment fund to develop new models.

### **Option 3: Consult on re-procuring contracts based on their performance (recommended)**

5.3 For successful contracts with a cost per passenger journey of £5 or under to consult on procuring services for 4 years plus 1 year plus 1 year (appendix A;

5.4 For 'at risk' contracts with a cost per passenger journey of more than £5 but less than £10 and new contracts to consult on procuring for 2 years plus 2 years plus 1 year plus 1 year. The proposal would be to then after 2 years – in July 2026 at the earliest - to extend any contracts where the costs appears to be likely to be below £5 per passenger journey based on latest information or with a trajectory to bring it below £5 within a year; and to withdraw any services in excess of £5 per passenger journey where there appears no likelihood of this criteria being met, appendix B.

5.5 For low use services, where there is an opportunity to re-design the service to reduce cost and/or increase patronage to do so and to consult on that. To simultaneously consult on withdrawal for those services; and to consult on

withdrawal for services where there is no reasonable opportunity to re-design them.(appendix C).

- 5.6 Bring forward proposals to test and develop new models.
- 5.7 This option will meet the terms of the local bus policy; support the proposals set out in our Bus Service Improvement Plan; and support the outcomes of Everyone’s Essex.
- 5.8 It should be noted that most locations served by the routes which will potentially be withdrawn in 2024 will remain served by other routes, either at peak times or to other places, thus few places would lose any access to public transport. It is however likely that some urban and rural areas will no longer be served by buses. The places are served by routes where every passenger journey costs ECC at least £10 in subsidy.

## 6 Issues for consideration

### 6.1 Financial implications

6.1.1 The Local Bus budget for 2023/24 is set out below:

2023/24 Approved Budget	
£000	
Gross Expenditure	12,325
Fares and Bus Service Operator	
Grant	(2,246)
<b>Net Budget</b>	<b>10,079</b>

6.1.2 The Value for Money (VFM) of all existing contracts has been assessed, using the total passenger numbers in November 2022 to February 2023 provided by all operators. For Gross contracts, where ECC receives the income, the on bus and Concessionary Fares income has also been included to calculate the Cost Per Passenger Journey (CPPJ) for that single month. This is a limited set of data and therefore this analysis will be carried out each month to inform any decisions and ECC will request appropriate passenger data to the end of April 2023.

6.1.3 The table below sets out a summary of the analysis. The data set is limited and this simply extrapolates the November 2022 to February 2023 data to model an annualised position, therefore it does not take into account seasonal variations, variations in days of operation per month or any changes to patronage throughout the year. The Bus Service Operator grant is not factored into this table and is currently anticipated at £1.1m per annum and supports the Local Bus services tendered.

	No. of contracts	Estimated annual net cost of contracts (£000)
Successful	97	4,937
At risk & new services	43	4,435
Failing services	21	1,134
	<b>161</b>	<b>10,506</b>

6.1.4 Alongside the proposed consultation, the CPPJ will continue to be monitored monthly for all contracts and this will be reviewed together with the responses to the consultation. For the low use services this intelligence will be used to inform the re-design or possible withdrawal of services that currently offer poor value for money.

## 6.2 Legal implications

6.2.1 ECC is under a statutory duty in accordance with the Transport Act 1985 to secure the provision of such passenger services as ECC considers it appropriate to meet any public transport requirements within its area which would not in its view be met otherwise.

6.2.2 Where a procurement exercise is required following consultation, ECC must undertake a procurement exercise in accordance with the provisions set out within the Public Contracts Regulations 2015 and ECC's procurement policy and procedures.

6.2.3 ECC will carry out a consultation prior to deciding to withdraw any services, therefore reducing the risk of legal challenge when ECC allows them to cease operating.

## 7 Equality and Diversity Considerations

7.1 The Public Sector Equality Duty applies to the Council when it makes decisions. The duty requires us to have regard to the need to:

- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act. In summary, the Act makes discrimination etc. on the grounds of a protected characteristic unlawful
- (b) Advance equality of opportunity between people who share a protected characteristic and those who do not.
- (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

7.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, sex, and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).

7.3 The Equalities Comprehensive Impact Assessment indicates that the proposals in this report will not have a disproportionately adverse impact on any people with a particular characteristic. This is because this report relates primarily to the terms of consultation. Consultation will be used to assess any specific impacts particularly from the withdrawal of services. That will then be reflected in the subsequent Cabinet Member Action/s relating to any services withdrawals.

## **8 List of Appendices**

Appendix A – list of services which are operating at a cost of under £5 per passenger journey

Appendix B – list of ‘at risk’ or new services costing £5-£10 per passenger journey

Appendix C – list of low use services which are costing at least £10 per passenger journey

Appendix D - ECIA

## **9 List of Background papers**

Essex County Council Bus Service Improvement Plan 2021 - 2026