

DRAFT - Supporting Information and Impact Assessment

Service / Policy:	Concessionary Fares - Impact on No 60 and 61 Bus Route (Highways and Transport)
Executive Lead:	Cllr Mark King
Director / Assistant Director:	Fran Hughes

Version:	1	Date:	April 2016	Author:	Fran Hughes/David Whiteway
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Section 1: Background Information

1.	<p>What is the proposal / issue?</p> <p>To consider the impact of the concessionary fares renegotiation on the no 60 and no 61 bus route and options for the council to take action to mitigated the impact, if required.</p>
2.	<p>What is the current situation?</p> <p>Following Torbay Council's negotiation with bus operators in relation to their reimbursement settlement for Concessionary Fares, one operator Local Link has seen a reduction from £630,000 to £515,000 for the 15 bus routes they operate. This is due to a variety of factors, including changes in bus passenger numbers, operating costs and funding formula. The reverse of the same factors affecting Local Link has seen Stagecoach have an increase in funding of a similar amount to Local Links' reduction.</p> <p>Concessionary legislation requires that all local authorities reimburse bus operators for providing the concessions. The law demands operators are "neither better, nor no worse off" as a result of revenue forgone from the scheme. No hidden subsidy can be provided to operators through Concessionary Funding.</p> <p>Local Link's response to this cut in revenue is that they will have to cut routes to reflect the loss of revenue to them. The</p>

company operates mostly ex-local authority subsidised routes, which they now run commercially, so the profit margins across these services are tight. This in the past has helped Torbay Council cut the bus subsidy budget without serious bus service withdrawals.

Local Link has indicated that they will cancel services 60 and 61 as a result of the reimbursement settlement. These services have the most marginal profit margins for the company with a high mileage to passengers carried ratio (currently for every mile travelled, they only carry 1.4 passengers). The routes run from Torquay to Paignton and will leave Livermead, Preston and Shorton and the St.Lukes Road area of Torquay without an alternative bus service. These services carry approximately 90,000 passenger journeys per year, mainly made up of concessionary pass holders (who make up to 70,000 of the journeys made on these routes each year).

3.

What options have been considered?

There are two separate legal matters involved in determining the options available:

1. Concessionary fares – where the council is obliged to negotiate using an agreed formula with the bus companies which is why this situation has arisen.
2. Council using its powers to consider subsidising a bus route which is no longer commercially viable. This is a change in policy and therefore requires a decision at Full Council for this to occur.

If the council determines that it should subsidise the bus route, then the route will still attract the concessionary fares payment as per the funding formula. It is therefore not in the councils financial interest to subsidise a route that is not commercially viable.

Option 1

To allow the current situation of the cessation of the bus routes to continue as they are no longer commercially viable and there is no business case for it to continue. The bus route does not meet the priorities within the corporate plan and there is no identified budget to make an annual revenue commitment of £170,000 to achieve this. This is the recommendation of the Senior Leadership Team.

	<p>Option 2</p> <p>The Council subsidises the no 60 and 61 bus routes to retain them as is. This will require a subsidy of approximately £170,000 per annum. This subsidy would be a separate arrangement outside of the concessionary fares budget and responsibilities. In order to achieve this, Full council would need to approve this change in policy and the council would need to run a tender process for the service, which may lead to a temporary cessation of the service whilst a new operator is appointed.</p> <p>There is no business case to support this option. The bus route does not meet the priorities within the corporate plan and there is no identified budget to make an annual revenue commitment of £170,000 to achieve this.</p> <p>A reduced service could also be considered at a reduced cost of circa £100k.</p> <p>Option 3</p> <p>That the council subsidises the no 60 and 61 bus routes for 1 year, on the understanding that it must be commercially viable by the end of the period, or the subsidy will cease. This would be a “use it or lose it” scenario. This would effectively defer the decision on the future of the route until 2017, but there would still need to be a Full Council decision and a tender process because of the required subsidy. This approach could mitigate the financial cost to the council of subsidising a route and paying the concessionary fares element on top.</p>
4.	<p>How does this proposal support the ambitions and principles of the Corporate Plan 2015-19?</p> <p>The retention of these specific routes is not within the councils corporate plan, and have not been identified as priority areas. The areas served by the bus routes are not specifically connecting areas of multiple deprivation, although part of the route does run through Torre.</p> <p>Retaining these services does not meet the principles in the corporate plan of:</p> <ul style="list-style-type: none"> • Use reducing resources to best effect. • Reduce demand through prevention and innovation. • Integrated and joined up approach.

	<p>However, it would contribute to the criteria of targeted interventions in very broad terms of:</p> <ul style="list-style-type: none"> • Working towards a more prosperous Torbay. • Ensuring Torbay remains an attractive and safe place to live, visit and work. • Protecting and supporting vulnerable adults.
5.	<p>Who will be affected by this proposal and who do you need to consult with?</p> <p>Those affected by the decision will be the operator of the bus route, future operators of the bus routes and the users of the current no 60 and 61 bus route.</p> <p>When the Council are advised of a withdrawal of a service, the process required is to advise the other operators in the area and invite interest on whether they would consider taking the route as a commercial route. In this respect there is no contractual relationship with the operator and is always the first line of investigation that we would undertake. We are not making any negotiated settlement, however any operator that is prepared to take on a route on a commercial basis is entitled to the concessionary reimbursement in the same way as the current operator would.</p> <p>If however there is no interest in operating the route as a commercial route, and the authority decides to consider as a subsidised route, then there is due process to be followed.</p>
6.	<p>How will you propose to consult?</p> <p>Consultation is not specifically required, as the decision to cease operating the service rests with the operators of the existing no 60 and 61 bus route. However, the public interest in these routes and the impact of the cessation, which has resulted in a petition being received by the council suggests that there will be a need for the council to respond to public opinion.</p>

Section 2: Implications and Impact Assessment

7.	What are the financial and legal implications?
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Option	Cost	Impact
A - Do Nothing	£0	Most of Livermead, Preston and Shorton and the St.Lukes Road area of Torquay will be left without a local bus service
B - Subsidise and procure a reduced service (e.g. 9 journeys down to 4 journeys)	Approx £100,000 per annum (subject to prices received in any tender)	Residents will have daily access to a bus service, albeit with reduced frequency and less connectivity
C - Subsidise and procure a replacement hourly bus service 'like for like'	Approx £170,000 per annum (subject to prices received in any tender)	No change on current provision

8.

What are the risks?

The are likely to be reputational risks to the council if it allows the service to cease. However, there is no business case to support the continuation of routes as stated above.

If the council chooses to subsidise the routes in some way then the risks are:

- There is no identified budget to subsidise the routes. This would require a political decision to be made, and the annual revenue funding for this service identified from other areas of the service which the council provides.
- If a subsidy is given, then other bus operators may believe that the council has set a precedent for subsidising bus services and there may be a knock-on risk to other services in the future. In order to mitigate this, there will need to be clear principles determined on which the council has made the decision to subsidise this particular route.
- The subsidy would be an annual commitment, and therefore any decision will affect more than the current financial year.

- The council would have to tender for a new subsidised service. This will itself incur costs. It is also possible that the tender will be more than the officer predicted sum, and therefore additional costs may be incurred.
- In order for the tender to take place, there may be a temporary cessation in the no60 and 61 bus routes whilst this process is completed.
- The cessation of the 60 and 61 bus routes could have a knock on effect to the use of the Council's Fare Car Service which is currently funded to the value of £10,000 p.a. If residents apply to use this service as there is no alternative bus service available the budget for the Fare Car may increase considerably bearing in mind the majority of users of the bus routes are pensionable age.
- The Bus Stop Infrastructure which is owned by the Council will need to be removed and there is no budget currently available for this.

9. Public Services Value (Social Value) Act 2012

Yes, there is legislation covering the way in which Councils can subsidise bus services, and in order to achieve this a tender process will be required.

10. What evidence / data / research have you gathered in relation to this proposal?

Passenger numbers for the past three years are as follows:

YEAR	Adult & Child Tickets Route 60	Concessionary Tickets Route 60	Total Tickets Route 60	Adult & Child Tickets Route 61	Concessionary Tickets Route 61	Total Tickets Route 61	Total Tickets Routes 60 & 61
2013/14	4,880	32,399	37,279	7,008	38,341	45,349	82,628
2014/15	7,180	35,496	42,676	8553	46,988	55,541	98,217
2015/16	7,821	32,106	39,927	8,615	41,481	50,096	90,023

The route travelled by the no 60 and 61 bus is attached as appendix 1.

11. What are key findings from the consultation you have carried out?

	None undertaken to date
12.	Amendments to Proposal / Mitigating Actions If mitigating actions are to be undertaken, they will be outside of the officer recommendations as per the details above.

Route map for Local Link service 61 (outbound)

