



# **TELFORD & WREKIN COUNCIL**

## ***BUS SUBSIDY POLICY***

## 1 Introduction and Context

Bus Services were subject to deregulation in October 1986 as part of Transport Act 1985. As such any commercial operator can provide any service it wishes to provided that (under general rules) it gives 56 days notice of the introduction, withdrawal or timetable change of a service. The relevant authority for the control of services is the Office of the Traffic Commissioner and not the Local Authority, the relevant Local Authority where the bus services operate in effect has very little control regarding the operation of bus services except where the Authority operates a Quality Contract Scheme.

Additionally the legislation made provision for each Local Authority (or in the case of Metropolitan areas Passenger Transport Executive (PTE) to contract for services where under the normal working of the market such services would not be provided, these contracts are often referred to as socially necessary contracts or subsidised contracts. These services are generally sought for the following reasons:

- To provide weekend bus services
- To provide early morning or late evening services
- To provide services to areas of low population
- To provide services to areas of new or changing population demographics

The Council spends in the region of £706,580 each year on these services at a gross level or £576,356 at a net level (after grant funding). The council decides which routes it wishes to subsidise and the routes are tendered through the OJEU process. The full costs of running the services are borne by the Council as the operator supplies the vehicles and operates the timetables the council has tendered for.

It is these subsidised services that this policy seeks to address in order to:

- **Establish criteria against which new and existing contracts can be tested both in terms of value for money and socio-economic factors**
- **Create a framework which would allow decision making around the continued provision of services in terms of changing requirements both from a demand and supply point of view**
- **Establish rules and process whereby new requests for subsidy can be managed**
- **Ensure formal evaluation against agreed criteria**

### Policy Context

The Environment and Rural area is a key priority for the Council. Sub Priority 4: Improving Access, Mobility and Public Transport identifies the actions undertaken to improve accessibility. These include;

- Designing and managing a transport network which supports sustainable economic growth and promotes travel for all
- N178 – Improving the number of bus services running on time and reducing average passenger waiting times
- N175 – Reducing social exclusion and optimising accessibility to local facilities including healthcare, education and employment by increasing the number of households within 15 minutes and 30 minutes of primary borough towns by public transport and walking

- N177 increasing the number of bus passenger trips originating in the borough

## 2 Policy criteria

It is clear that there are many ways in which we can approach this issue and many criteria which could be used as an eventual solution, it is useful therefore to focus upon what is important to Telford. The key reason why the Council spends money in this area is to increase accessibility to services for the citizens of the Borough to:

- Work
- Leisure
- Shopping
- Education
- Healthcare

It follows therefore that the criteria for provision of subsidised services should concur with these aspirations.

The proposal is to build a simple scoring mechanism which attempts to rank services in to one of three categories of priority for funding, Low, Medium and High. It follows then that should there be a requirement to reduce expenditure it is those contracts sitting in the low priority category that would be considered first. It is also possible for the Council to say that it will only consider any new subsidy request which falls in to the High or Medium category.

The proposed scoring matrix is:

<b>Subsidy per passenger</b> – the cost per passenger carried, designed to place value on the cost of the service against passengers carried in most circumstances	
1	>£2.50 or not known
2	£1.50 to £2.50
3	90p to £1.50
4	50p to 89p
5	<50p or covered by Rural Bus Subsidy Grant or Education funded route

<b>Accessibility</b>	
1	<ul style="list-style-type: none"> <li>• More than 50% of the route is inside the Borough of Telford &amp; Wrekin</li> </ul>
2	<ul style="list-style-type: none"> <li>• Links to a site of new development (where use of S106 monies has increased the required subsidy per passenger)</li> <li>• Links to shared community facilities such as community centres accessed by older people and disabled residents</li> </ul>
3	<ul style="list-style-type: none"> <li>• Gives access to Leisure Facilities</li> <li>• Provides Access to World Heritage Site</li> </ul>
4	<ul style="list-style-type: none"> <li>• Links to an Industrial Area</li> </ul>

	<ul style="list-style-type: none"> <li>• Links to a neighbourhood area</li> <li>• Links to a site of new development (where use of S106 monies has not increased the required subsidy per passenger)</li> <li>• Links to key Rural Corridors which are in Borough</li> </ul>
<b>5</b>	<ul style="list-style-type: none"> <li>• Links to a Borough Town</li> <li>• Links to Princess Royal Hospital</li> <li>• Link to Telford Town Centre</li> <li>• Links to Secondary or Higher Education Establishment</li> </ul>

<b>Sustainability</b> – extent to which the service meets a continuing need. Designed to promote sustainability of the network, that resources are well targeted and that the contract is not there for a ‘niche’ requirement	
<b>1</b>	service operates on Sundays only
<b>2</b>	service operates on Saturdays only or on Saturdays and Sundays only
<b>3</b>	service operates on Sundays and on weekdays and/or Saturdays
<b>4</b>	service operates on Mondays to Saturdays
<b>5</b>	service operates on Mondays to Fridays only

We can test all of our existing routes against these criteria to give each a score. The proposed scoring brackets are as follows:

<b>Score</b>	<b>Priority</b>
<b>20 or less</b>	<b>Low</b>
<b>21-30</b>	<b>Medium</b>
<b>More than 30</b>	<b>High</b>

It is envisaged that should there be a requirement to reduce subsidy funding overall that two routes are used:

1. A general discussion is taken with Arriva Midlands to see how overall costs could be reduced (this could be general reduction in frequencies whilst keeping routes intact)
2. Officers from the ITU review the ‘Low’ priority routes

Dependent upon the required level of saving the transport professionals from the ITU will propose to cabinet the most appropriate mix of general reductions and contract removal based upon discussion with Arriva Midlands and review of the Low priority routes.

### **3 Proposals for managing new requests for service**

New homes are being built within the Borough albeit that these may have abated in the current financial climate; nonetheless, it is prudent to lay out some proposed guidelines.

Section 106 funding is secured from developers and used wherever possible to enhance existing routes subject to the regulations attached to the funding. This may mean diverting a route through a development and funding additional mileage/time (if route permits) or enhancing frequency of service, length of operation etc. The alterations are made with the aim of moving the service towards becoming commercial so that the operator takes on the costs. The risk is that the funding is too small to make enough substantial changes to the route and the service does not become commercial, meaning that the council has to decide whether to continue to subsidise the route after the Section 106 funding is spent or the service is downgraded to the previous level of support.

The proposed mechanism covers the period after which the S106 monies run out.

## Appendix 1 – Policy Consultation comments

### DRT & Bus Subsidy Consultation

#### Attendees

Name	Group Represented
Gordon Frost	Arriva
Anne-Marie Davis	Senior Citizens Forum
Juanita Case	Transport Action Group
Roger Aveley	Scrutiny
Stephanie Jones	Scrutiny
Caroline Oakes	Rural Access
Helen Hill	Integrated Transport Unit
Brian Cotter	Northgate Kendric Ash
Sarah Bass	Business Efficiency Team
Matthew Arnold	Northgate Kendric Ash
Roland Brown	Disability Group
Joan Green	Representing Chris Mayo Carers Partnership Board
Tina Jones	CVS User Lead Disability Group
Dave Wade	CVS Manager
Ann Watkins	Bus User Group

#### DRT Comments

- Twister needs at least 24hrs notice to book a seat
- Dial a ride is just for the urban area and operated in off peak times
- Twister is rural covering Wrockwardine and Wenlock at present
  
- Not all present knew about the all the options
- Can users get their shopping trolleys on the bus – the tartan pull along type not the ones you put a £1 in!!!!
- Twister is wheelchair accessible but this will reduce the amount of seats available
- Demographics indicate that we have an aging population in rural areas
  
- The current travel plan is due to come to an end in 2011 and we will be out for extensive consultation next year to develop the new 5 yr plan
  
- Important to understand the actual running costs of the vehicles we may want to use if we increase fleet.
  
- Dorset were the Beacon authority for DRT but now resident would rather jump on a scheduled bus than book a bus
- Hampshire stopped all DRT except for 1 in the New Forest.
- Fixed rather than flexible routes had the best patronage
- More links to Parishes within the Parish Charter to open up the evenings and weekends to volunteer drivers who may use the fleet vehicles out of hours to run their own youth community buses to link to town centre amenities
  
- Ensure that the detail of how many disabled people accessing DRT and in general, the buses, is correct
- DDA issues with Arriva – drivers still leaving wheelchair passengers at side of road if pushchair users are on there first
- Dial A ride has to be booked at least a week in advance to get a seat and is always full in the first 30 mins the phone lines open.

**Subsidy**

- Ensure that the overall populous is considered with this and not just a blanket of residents
- Understand VFM but don't just cut costs – establish what is actually needed
- Yes go for it!!

## Appendix 2 – Example subsidy policies

### Example 1

#### Stirling Council

They operate a scoring mechanism as follows:

#### Scoring Criteria

<b>Accessibility</b> – extent to which alternative public transport service is available at most individual are served	
1	alternative within 1 hour during daytime at same location
2	alternative within 1 hour during daytime no more than 1.5 miles (2.4 km) distant
3	alternative within 2 hours during daytime at same location
4	alternative within 2 hours during daytime no more than 1.5 miles (2.4 km) distant
5	no reasonable alternative

<b>Access to Employment</b> – extent to which people travelling to/from work can use service	
1	no journeys serving a major or subsidiary employment centre
2	at least (a) one journey arriving at a subsidiary employment centre between 07:00 and 09:00 AND (b) at least one journey leaving a subsidiary employment centre between 17:00 and 19:00.
3	at least (a) one journey arriving at a subsidiary employment centre between 07:00 and 08:00 AND (b) at least one journey arriving at a major employment centre between 08:00 and 09:00 AND (c) at least one journey leaving a major employment centre between 17:00 and 18:00 and (d) at least one journey leaving a major employment centre between 18:00 and 19:00.
4	at least (a) one journey arriving at a major employment centre between 07:00 and 09:00 AND (b) at least one journey leaving a major employment centre between 17:00 and 19:00.
5	at least (a) one journey arriving a major employment centre between 07:00 and 08:00 AND (b) at least one journey arriving at a major employment centre between 08:00 and 09:00 AND (c) at least one journey leaving a major employment centre between 17:00 and 18:00 and (d) at least one journey leaving a major employment centre between 18:00 and 19:00.

<b>Social inclusion</b> – extent to which service is used by people over 60 and/or disabled	
1	no more than 10% of passengers are concessionary
2	more than 10%, but no more than 20% of passengers are concessionary

<b>3</b>	more than 20%, but no more than 30% of passengers are concessionary
<b>4</b>	more than 30%, but no more than 40% of passengers are concessionary
<b>5</b>	more than 40% of passengers are concessionary

<b>Subsidy</b> – financial performance in terms of subsidy per passenger.	
<b>1</b>	subsidy per passenger is more than £15
<b>2</b>	subsidy per passenger is more than £10, but no more than £15
<b>3</b>	subsidy per passenger is more than £5, but no more than £10
<b>4</b>	subsidy per passenger is more than £1, but no more than £5
<b>5</b>	subsidy per passenger is no more than £1

<b>Sustainability</b> – extent to which service operates at times when demand is low.	
<b>1</b>	service operates on Sundays only
<b>2</b>	service operates on Saturdays only or on Saturdays and Sundays only
<b>3</b>	service operates on Sundays and on weekdays and/or Saturdays
<b>4</b>	service operates on Mondays to Saturdays
<b>5</b>	service operates on Mondays to Fridays only

The evaluation will be carried out separately by two officers and any differences in evaluation discussed with mediation from a third officer as necessary

This approach allows a simple score for each service as in the following example:

<b>Criteria</b>	<b>Score</b>
Accessibility	5
Employment	4
Social Inclusion	3
Subsidy	5
Sustainability	3
<b>Total</b>	<b>20</b>

Using this kind of scoring matrix allows all services to be ranked in terms of score and therefore in terms of the values that the Council deems are important to it.

In addition it proposes rules where scores are equal:

***The evaluation is to be carried out independently by two officers and any differences in evaluation discussed with mediation from a third officer as necessary***

And, where scores are equal **and** there is a decision to be made about providing the service or not, it proposes the following rules:

***If several services score equally but not all can be implemented then officers would:***

- ***Carry out more detailed evaluations taking account of cost and local conditions***
- ***Consider other means of funding services including contributions for other organisations***
- ***Consider other means of meeting needs including Demand Responsive transport***
- ***Written records and details to be kept***

### **Example 2: Lancashire County Council**

At Lancashire County Council (LCC), up to March 2006 a simple test of sustainability of a subsidised route was utilised:

- 1. The service was required to meet 20% of its' overall cost**
- 2. The service should incur a subsidy of no more than £2 per journey**

From March 2006 LCC introduced a more sophisticated, detailed and considered approach which recognised rural and urban areas of the bus network and sought to prove both value for money and link with Council priorities, full details below:

#### **a. Bus Support Strategy (other than areas defined as rural):**

1. Withdraw the financial threshold for service support of no more than £2 per passenger journey. This causes a distortion in favour of providing subsidy for short distance services over longer distance services and takes no account of the value of an individual service in helping meet the County Council's objectives and the Shared Priorities.
2. Use a threshold for the minimum proportion of the cost of a supported service, including any proposed new services arising out of accessibility planning, to be met by users through the fare box. This will normally be 40 percent for all new or renewed contracts. This is based on the premise that 40 percent cost recovery is a reasonable indicator that a service is well supported by the public and that it is fulfilling a variety of need.
3. Introduce a value for money test for existing or new services where less than 40 percent of the cost is or estimated to be met through the fare box. The test will be based on the measured contribution of the service to the County Council's objectives. This will allow the County Council to prioritise the bus services it financially supports in accordance with its core objectives and the availability of financial resources at any one time.

4. Identify services that have the greatest potential within the supported network for passenger growth (with the relevant operator where part commercial) and develop quality enhancement packages aimed at both increasing ridership and reducing the level of financial support.

#### **b. Rural Bus Service Support Strategy (areas eligible for RBSG)**

The County Council will be looking towards supporting the best mix of fixed bus services, flexible bus services, and voluntary/community transport to meet the needs of rural residents and to provide access to the countryside.

The County Council will use RBSG to maintain a core rural bus network with a threshold for the minimum proportion of the cost of a supported service to be met by users through the fare box. This will normally be 40 percent. Services where, generally, less than 40 percent of cost is being met through the fare box, will be subject to a value for money test based on their overall contribution to the County Council's objectives.

The scoring system will be the same as the core supported network. However, rural services will be subject to an additional weighting reflecting the lower levels of population, the longer distances travelled and to take into account the wider benefits of such services to the rural economy, and in providing access to essential opportunities and services.

Three levels of public transport (including flexible services) have been defined for rural areas:

*Category A - Services providing direct links between major centres but serving intermediate areas classed as rural*

These services are mostly provided on a commercial basis on at least an hourly frequency but with the County Council sometimes financially supporting journeys at certain times of the day or week. Usually more than 80 percent of the route mileage would be within areas classed as rural and at least 70 percent of journeys across the week operated on a commercial basis.

Services falling into this category have significant potential to be developed further in that they:

- Provide links between the main urban centres of the County and into neighbouring areas and could offer an alternative to the private car;
- Offer the widest opportunities for people in the rural communities served to access essential services;
- Offer the biggest opportunity within rural areas to effect some transfer of existing journeys from car to public transport;
- Offer the potential for local interchange points with other rural services operating on a demand responsive basis, including through ticketing.

The County Council will:

- Identify with the relevant operators those services that have the greatest potential for passenger growth based on a service development package that will bring significant accessibility benefits to the rural communities served;
- Consider establishing, during the Local Transport Plan period, a budget to enter into possible "Kickstart" agreements where the County Council considers the service

development package will bring the enhanced service to commercial viability within a set period of time;

- Prioritise emerging proposals in order to achieve maximum benefit for the available financial resources.

*Category B – Services that provide direct links between market towns or into major centres/market towns from larger rural settlements*

These are services that would provide the core rural bus network funded primarily through RBSG and have the following characteristics:

- Unlikely to be provided on a commercial basis;
- At least 80 percent of the route mileage would be within areas classed as rural;
- Have the potential to play a significant role in providing transport from rural areas to education establishments;
- Offer the potential for local interchange points with other rural services operating on a demand responsive basis, including through ticketing;
- Have a limited demand responsive element to allow smaller nearby settlements or nearby tourist destinations to be served as required;
- Have the potential to give greater value for money in the longer term through the inclusion of the service in a rural “kickstart” initiative.

The County Council will define the routes falling into this category and adopt the following target minimum service level benchmark to be achieved by the end of the Plan period:

Target Minimum Service Level Benchmark:

<b>Rural Population served by the route*</b>	<b>Employment/ Training</b>	<b>Shopping</b>	<b>Healthcare/ Hospital</b>
<b>2,000 - 4,000</b>	<b>2 per day Mon-Sat</b>	<b>3 per day Mon-Sat</b>	<b>2 per day</b>
<b>4,000 - 10,000</b>	<b>Minimum 2-hourly service 0700-1900 Mon-Sat</b>		<b>Included</b>

\*Defined as population living within 400 metres walking distance of the route outside the major centre or market town (where over 10,000 in population).

For the purposes of determining the revenue to cost ratio of providing a service, where statutory schoolchildren are carried, the County Council will determine the cost of alternative provision and deduct this from the price of the contract.

*Category C - Serving rural populations of under 2,000 people*

As mentioned above, the County Council's experience with “one size fits all” solutions to meeting the transport needs of rural communities has not always achieved best value.

Where conventional bus services (including flexible services) are provided or proposed, they will be expected to meet the core criteria for financial support as detailed above and will be subject to a value for money test (including the rural weighting and an allowance for any statutory schoolchildren) where at least 40 percent of cost is not met through revenue.

For settlements classified as rural and not served by the core rural bus network defined above, the County Council will consider the best value solutions that are available to meet the accessibility needs of those communities based on the priorities to be established in the County Council's Accessibility Strategy. This will include options such as demand responsive transport, community based solutions including social car schemes, or integrating with other available transport in the area such as that provided for Special Education Needs or Social Services Clients, or integrated with transport provided for local Primary Care Trusts. The County Council will refer options for meeting accessibility needs to the relevant Local Accessibility Partnership.

**c. Community and Accessible Transport Strategy**

In 2003/4, community transport schemes carried over 216,000 passengers. The demand for community transport (CT) services is ever increasing and outstrips supply. The County Council has provided additional financial resources to increase the provision of CT services and new weekend and evening services have been provided in various parts of the County. The County Council presently financially supports 7 CT groups providing dial-a-bus and dial-a-ride services and fifteen community car schemes.

CT services must be considered as an integral part of the public transport network although barriers to the full integration of services do still exist. The main barrier is that CT providers generally operate dial-a-ride and dial-a-bus services under Section 19 of the Transport Act 1985.

This restricts use to certain groups of the public. However, a growing number of CT groups have become full PSV operators and the County Council intends to give every encouragement to other non-PSV groups to obtain this status. This will allow such groups to play a full part in the provision of local transport services especially where recognised needs cannot be met cost-effectively through the provision of a conventional bus service as per the proposed criteria as set out below.

The County Council's Community Transport policies are set out in Appendix H.

**d. Value for Money Test for Conventional Bus Services**

The County Council is proposing to use the test as set out in Table 3.2. As mentioned, the test is designed to ensure that where conventional bus services are operating at below 40 percent cost recovery, the money spent is targeted at the County Council's accessibility priorities. Whilst the County Council considers that services/contracts that achieve a score of above 30 will be considered to achieve value for money, the table is also designed to allow the County Council to prioritise the services it supports when the available revenue budgets are insufficient to cover all the demands placed upon it. **This methodology was under development at the time of publication of this Bus Strategy and was expected to be fully implemented by Autumn 2006. The scoring system below has been adopted by the County Council as an intermediate methodology for prioritising service support, but this may change over time.**

**Table 3.2 – VALUE FOR MONEY TEST FOR CONVENTIONAL BUS SERVICES MEETING LESS THAN 40% OF THEIR COST FROM REVENUE**

CRITERIA	MEASURE	SCORE*
AVERAGE PASSENGERS PER JOURNEY INCLUDING STATUTORY SCHOOLCHILDREN (derived from surveys or ticket machine data)	20 or more	10
	15 to 20	8
	10 to 15	6
	5 to 10	4
	1 to 5	2

<p>PRIMARY JOURNEY PURPOSE (Either direct or via an interchange) Where a journey has more than one primary journey purpose the score will be combined.</p>	<p>Employment Shopping Education/Training Health Facilities Journey supporting access to the evening economy Access to leisure and youth facilities Other</p>	<p>10 10 10 10 1 3 3</p>
<p>RURAL SERVICES WEIGHTING</p> <p>Services where at least 80% of the route mileage is within areas classed as rural.</p>	<p>General weighting  Provides access to Areas of Outstanding Natural Beauty or tourist "honeyspots"  Provides for leisure visits to the countryside other than above</p>	<p>10  8  4</p>
<p>INDEX OF MULTIPLE DEPRIVATION FOR EACH WARD SERVED (Where availability of alternative public transport is greater than 400 metres)</p>	<p>Worst 5% 5-25% 26-50% 51-75% 76-95% Best 5%</p>	<p>20 16 12 8 4 0</p>

### Appendix 3 – Subsidised Routes as of March 2010

The tables below detail the current provision of services where a subsidy payment is made with 2008/9 actual costs.

Route	Frequency	Detail	£ 08/09	Support	Pgrs	Subsidy per Pgr	Cost to Council
66	Monday to Saturday Hourly	Shawbirch to Town Centre	£143,829		209,600	£0.68	£143,829
23		Telford to Oakengates				(Now £0.35 upon retender in 2009)	
24		Oakengates to Telford					
76/77	Monday to Saturday Hourly	Wellington to Coalport	£88,439	£130,644  (Rural Bus Subsidy Grant)	101,014	£0.87	£39,422
822	Monday to Saturday 2 Hourly	Telford to Rodington	£43,947		50,189	£0.87	(Average Subsidy £0.24)
Wrekin Connect	Various	Various Rural Routes	£37,618		11,647	£3.23	Overall average subsidy £1.04
33/55 Sunday Services	Hourly/90 Mins	Blueline, Greenline and Oakengates to Princess Royal	£8,234		13,837	£0.59	£8,234
33/55 Evening Services	Hourly	Blueline	£58,108		38,087	£1.52	£58,108
44 Evening Services	Hourly	Madeley to Leegomery	£35,398		36,800	£0.96	£35,398
22/11 Evening Services	Hourly	Telford Town Centre Circular Telford to Halesfield, Brookside to Telford	£33,421		53,168	£0.62	£33,421
<b>Sub Total</b>			<b>£448,994</b>	<b>£130,644</b>	<b>514,342</b>	<b>£0.61</b>	<b>£318,412</b>

Shared Services

Route	Frequency	Detail	£ 08/09	Shared With	Pgrs	Subsidy per Pgr	Cost to Council
701	2 Journeys a day term time only	Sutton Hill to Colleges	£51,436	CYP	7,034	£7.31	<b>£122,512</b> <b>(CYP pay £110,218)</b>
702		Coalb'kdale to Colleges	£39,144	CYP	6,384	£6.13	
703		Little Wenlock to Well'ton Colleges	£31,934	CYP	7,857	£4.06	
341/2	Mon-Sat every 2 hours	Well'ton to Market Drayton	£66,279	Shrops CC	Not Available shared routes	Not Available shared routes	<b>£66,729</b>
96	Mon-Sat every 2 hours	Telford to Shrewsbury					
113/114	Mon-Sat up to 4 journeys per day	Telford to Bridgnorth					
81	Mon-Sat 3 journeys per day	Telford to Shrewsbury					
519	Mon-Sat Every 2 hours	Newport Shrewsbury	£57,153	Shrops CC	Not Available shared routes	£0.88	<b>£57,153</b>
481	Mon-Sat daytime half hourly Evenings and Sundays hourly	Telford to Stafford	£11,640	Staffs CC	Not Available shared routes	Not Available shared routes	<b>£11,639</b>
<b>Sub Total</b>			<b>£257,583</b>				<b>£257,583</b>
<b>Total</b>			<b>£706,580</b>	<b>£130,644</b>			<b>£575,933</b>