

Executive

17 July 2019

Report of the Director of Economy and Place
Portfolio of the Executive Members for Environment and Planning and
Transport

Council supported local bus services

Summary

1. Following approval at the Executive meeting in January 2019, a competitive tender exercise has been undertaken to secure operators for the provision of socially necessary local bus services in the York area.
2. The cost of the tenders exceeds the allocated annual budget of £654,140 by £29,937 for 2019/20 and £55,278 for 2020/21 onwards.
3. Councillors are asked to approve the award of tenders except where commercial offers have been made or further negotiations are recommended.

Recommendations

4. The Executive is asked to note the content of the report and to:
 - i) approve the award of contracts to the winning bidder for routes 11, 14, 19, 20, 21, 24/25/26 and 26 (evening).
 - ii) decline to award a contract for route 10 (evening) on the understanding that this will be operated commercially at no cost to the Council.
 - iii) delay the award of a contract for route 15 (currently part of route 12) until further negotiations have taken place with operators.
 - iv) delegate the final decision on route 15 (currently part of route 12) to the Assistant Director of Transport, Highways and the

Environment in consultation with the Executive Member for Transport

- v) Note the additional costs of the tender exercise to be funded from additional resources identified in the July Budget Amendment subject to agreement. If this funding is not confirmed alternative arrangements will need to be identified e.g. review of options proposed by operators.

Reason: To ensure that all residents retain access to a similar level of bus services as are currently available to them, at the best possible value to the Council.

Background

5. The City of York benefits from a comprehensive network of local bus services, the vast majority of which are operated without subsidy from the Council. All of the bus routes in York are operated by private sector companies who are free to decide how they will run any services not requiring financial support. This includes defining the route, stopping points, the timetable and the fares charged.
6. Where local bus operators have not registered bus services, the Council may identify areas of York, or particular times of the day or week when it wishes to buy local bus services. As a result, a number of bus routes are partially funded by the Council and operate under contract. For these services the Council sets the route, stops, timetables and monitors the performance of each service. Operators retain all fares revenue from these services.
7. The budget, net of contributions from third parties (e.g. North Yorkshire County Council) currently allocated for local bus services for financial year 2019/20 is £654,140. It should be noted that this sum does not include the Council's £70,000 annual contribution to the Dial & Ride community transport service and voluntary car scheme (both currently operated by York Wheels).
8. All except for three of the Council's contracts for local bus services expire at the end of August 2019. A summary of the services is shown at Table 1 below identifying the cost of the gross and net cost of the services to City of York Council. Greater detail is provided at Annex A. Maps of each route are provided at Annex B. For context, a copy of the York Bus Route

Map, showing the entire York bus network, is provided at Annex C.

9. The Council has for at least twelve years assessed the performance of its supported services against two measures:
 - a. Subsidy per passenger travelling on the service. For this measure, £2 has been deemed the upper limit warranting support. This sum has not been adjusted to take account of inflation for many years.
 - b. Passengers per bus hour. This means the number of passengers carried in relation to the number of vehicle operating hours on a given service. For this measure, a minimum limit of 9 passengers per bus hour has been applied.

Services currently falling outside these criteria are highlighted in bold in the table at Annex A.

Table 1

Route	Time of day	Origin	Via	Destination	Current gross cost p.a. (£)	Current net cost p.a. (£)
<i>Services being re-tendered</i>						
10	Evening	Poppleton	City Centre & Dunnington	Stamford Bridge	24,477	18,477
11	Evening	Bishopthorpe	South Bank	Stonebow	17,385	
12	Daytime	Stonebow	Heworth	Monks Cross	44,530	
14	Evening	Foxwood	City Centre / New Earswick	Haxby West Nooks	41,785	
19	Daytime	Skelton	Clifton & Rawcliffe	Exhibition Square	52,370	
20	Daytime	Rawcliffe	Clifton Moor & Haxby	Monks Cross / Osbaldwick	132,675	
21	Daytime	Colton	Acaster Malbis & Bishopthorpe	Foss Islands	70,586	42,775
24	Daytime	Ascot Way (Acomb)	Acomb & Holgate	Piccadilly		
25	Daytime	Derwenthorpe	Foss Islands	Crossfield Crescent (Fulford)	178,881	146,881
26	Daytime	Crossfield Crescent (Fulford)	City Centre	South Bank		
26	Fri/Sat eve	Piccadilly		Crossfield Crescent (Fulford)	2,747	
<i>Services not being re-tendered in 2019- contracts not due to expire this year.</i>						
16	Daytime	Acomb	Holly Bank	York (Piccadilly)	52,699	
18	Daytime	Holme	Bubwith / Wheldrake	York (Merchantgate)	60,535	25,241
36	Daytime	Elvington	Wheldrake	York Station	61,170	53,138
22	Daytime	Knaresborough	Ripon	York (Piccadilly)	2,338	
42	Daytime	Selby	Naburn	York (Piccadilly)	6,000	
181	Daytime	Castle Howard	Sheriff Hutton	York (Station Ave)	2,000	
412	Daytime	Wetherby	Rufforth	York (Piccadilly)	7,560	
Total annual cost					757,738	648,601

10. A number of these services were last tendered in 2011. Legally, contracts for local bus services cannot be awarded for a period exceeding eight years (Transport Act, 1985 as amended by the Local Transport Act, 2008). To ensure continuity of service, the Council issued tenders for all of the services due to expire in August 2019.
11. In line with the wishes of the Council's Executive (January 2019), tenders were invited for all of the services which the council currently subsidises and that are due to expire in August. The tenders do, however, include a requirement for vehicles to meet or exceed Euro VI emissions standards and to be fitted with Audio-Visual stop announcements.
12. In January, the Council's Executive approved the introduction of a Clean Air Zone (CAZ) in York City Centre. From January 2020, all diesel vehicles providing local bus services will be required to meet Euro VI emissions standards if they enter the city centre five or more times per day.
13. As part of the CAZ scheme, the Executive agreed to provide grant funding to bus operators of up to £1.6m in total (up to £20,000 per vehicle) for replacement or upgrade of non-compliant buses to CAZ standards. Bus operators bidding to provide council-supported bus services have been asked to declare how many vehicles they intend to upgrade or replace using this fund. On the basis of bids received, the cost of funding vehicle upgrades for tendered services will be no greater than £180,000.

Consultation

14. Due to the pending expiry of the current contracts at the end of August 2019, the Council's Executive in January 2019 supported the re-tender of the existing network on a 'like for like' basis. The timing of the local elections meant that no general public consultation could be undertaken ahead of the issuance of tenders.
15. The York Bus Forum, as a representative body for bus users was consulted and provided a number of views, many of which have been incorporated into the tender documentation.
16. Bus operators were consulted to establish whether:
 - a. Any company considered that there was a commercial opportunity to operate part of the current tendered bus network (i.e. without subsidy). None of the operators identified such an opportunity at that

time.

- b. Any changes were required to the current routes or timetables to deliver greater service reliability or punctuality. As a result of this discussion, some minor changes were made to the suggested timetables.

Analysis

17. In light of the original lack of interest shown by operators in any commercial opportunities in the tendered network it was considered unlikely that the discontinuation of any Council-subsidised services would be replaced by commercial alternatives. This is supported by the data contained within the table at Annex A. For reference, a figure of 30 passengers per bus hour could generally be considered to be 'commercial' by the bus industry. This equates to an average operating cost of approximately £35/hour.
18. However, the tender results revealed that this situation has changed slightly. An offer was received to operate the evening service 10 commercially, at no cost to the council. Officers recommend that no contract is awarded for this service so that the commercial operation can commence from 2nd September.
19. Bids for the remaining services have been evaluated. Awarding contracts to the winning bidder for each of these services would require an additional sum of £29,937 to be added to the budget for the remainder of 2019/20 and an annual sum of £55,278 to be included in the budget for 2020/21 onwards. A breakdown of costs by service is shown in Confidential Annex D.
20. Officers recommend that contracts are awarded for all remaining services with the exception of service 15 (the proposed new route number for service 12 between Stonebow and Monks Cross).
21. Due to the complex nature of bids received for service 15, officers recommend that further discussion takes place with operators and that the final decision to award a contract for this particular service is delegated to the Executive Member for Transport.

22. It is recommended Members commit to funding the £55,278 full year shortfall for the retendered service if after the further negotiations on route 15 a shortfall still remains against the overall budget.
23. It should be noted that whilst services have been tendered on a 'like-for-like' basis, there will be some slight changes to timetables from September mostly to improve reliability. However, the current operator of service 19 added a small number of extra commercial journeys into the timetable during the lifetime of the current contract. As these do not form part of the contract requirement, there is no expectation that they will continue to operate beyond September.

Council Plan

24. Implications

Financial

The following table summarises the budget position

	Budget 2019/20	Current Annual Cost	Proposed 2019/20 Cost	Full Year 2020/21 Cost
Expenditure	£704,140	757,738	£793,214	£818,555
Income	(£50,000)	(£109,137)	(£109,137)	(£109,137)
Net Expenditure	£654,140	£648,601	£684,077	£709,418
Shortfall in Budget			£29,937	£55,278

The cost of providing all services will require an increase in the council's supported bus service budget of £29,937 for the remaining part-year 2019/20 and £55,278 (full-year) from 2020/21 onwards. This has been identified within the Budget Amendment considered by Full Council the day before this meeting. Should the amendment be agreed funding will be available for the increased tender prices.

Human Resources (HR) – N/A

Legal

If approved, contracts will be signed with winning bidders. Contracts will remain valid for five years, with an optional three year extension. The council will have the right to terminate contracts at 3 months notice or as a result of sustained poor performance by an operator.

Crime and Disorder- N/A

Information Technology (IT) – N/A

Property – N/A

Other – N/A

Risk Management

Should the decision be taken not to award contracts where no commercial offer has been made, it is highly likely that the affected bus services would cease to operate on 2nd September. This would remove services which are considered to be socially necessary, leaving areas of the city without a public transport option for residents. The recommendations in this report seek to minimise the risk of this occurring by ensuring that all services continue to operate.

Contact Details

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Report **Date** 9 July 2019
Approved

Specialist Implications Officer(s) List information for all

Implication : Financial

Implication: Legal

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Wards Affected: List wards or tick box to indicate all

All

For further information please contact the authors of the report

List of Annexes:

- Annex A - Subsidised bus service performance**
- Annex B - Route maps of supported bus services**
- Annex C - York Bus Route Map**
- Annex D (confidential) - Annual cost of new and current contracts**