

**REPORT TO: BEST VALUE SUB COMMITTEE
11 SEPTEMBER 2000**

REPORT ON: BEST VALUE REVIEW - LOCAL BUS SERVICE SUBSIDY

REPORT BY: CHIEF EXECUTIVE

REPORT NO: 226-2000

1 PURPOSE OF REPORT

- 1.1 To report on the Best Value Review of the Local Bus Service Subsidies of the Planning and Transportation Department.

2 RECOMMENDATIONS

It is recommended that the Sub Committee:

- 2.1 Agree the outcome of the reviews as contained in this report.
- 2.2 Notes those areas identified for continuous improvement in Section 12 of this report.

3 FINANCIAL IMPLICATIONS

- 3.1 The review accounts for 4.89% of the Planning and Transportation Department Revenue Budget for 1998/99 and is 21.32% of the total expenditure received in this Department in financial year 1998/99.

4 LOCAL AGENDA 21 IMPLICATIONS

- 4.1 Development of an efficient use of bus subsidies will reduce the dependence on car journeys thus improving air quality.

5 EQUAL OPPORTUNITIES IMPLICATIONS

- 5.1 Access to public transport to ensure social inclusion.

6 DEFINITION OF SERVICE TO BE REVIEWED

- 6.1 Section 2 of the Transport Act 1985 states that a local service is one operated by a Public Service Vehicle which carries people at separate fares over the qualifying distance.

- 6.2 Notwithstanding any specific policy that a Council may pursue with regard to the promotion of public transport, a Council has a duty under the Transport Act 1985 ("The Act") S63(2) -

"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 their area which would not in their view be met apart from any action taken by them

for that purpose; and to formulate from time to time general policies as to the descriptions of service they propose to secure under the above paragraph.”

In formulating policies “a Council shall have regard to any measures they are required or propose to take for meeting any transport requirements in exercise or performance of

- a any of their functions as an education authority; or
- b any of their social work functions”.

In addition, S63(8) states “It shall be the duty of any Council in exercising or performing any of their functions, to have regard to the transport needs of members of the public who are elderly or disabled”.

- 6.3 Expenditure on public passenger transport services is covered in Part V of “The Act” which requires open tendering procedures. Additionally, S88(2) states “It shall be the duty -
- a ... in exercising and performing their functions with respect to securing the provision of public transport services ...
 - b ... in the interests of rate payers of their areas, the best value for money from their expenditure on public passenger transport, taken as a whole.”

A Council also requires under “The Act” S63(7)

“... so to conduct themselves as not to inhibit competition between persons providing or seeking to provide public passenger transport services in their area.”

- 6.4 The definition of public passenger transport embodied in “The Act” encompasses all those services which members of the public rely upon when not using their own facilities.
- 6.5 As can be seen by the foregoing only a Council or a Passenger Transport Authority has the duty and or the power to subsidise local bus services identified as socially required but not provided or planned/proposed to be provided by the private sector.
- 6.6 Additionally the needs of the elderly, disabled and the duties of the Council pertaining to the Education and Social Work functions with regard to their transport requirements must be identified and suitable policies pursued.

7 JUSTIFICATION FOR REVIEWING THIS SERVICE

- 7.1 Given the sums of money involved in the support of local bus services (£500,000), it was considered prudent to examine costs.

8 REVIEW METHODOLOGY

- 8.1 The review team consisted of a Team Leader from Finance Department, a Lead Officer from Planning and Transportation and all members of the Public Transport Section.
- 8.2 Given the nature of these services and the existing statutory obligation to put out open tender, market testing in the provision of the services has already taken place,

and it was considered appropriate to include benchmarking to establish performance with regard to administration and monitoring of the subsidised services.

9 CRITICAL SUCCESS FACTORS

- 9.1 Stakeholders are identified as citizens of Dundee and those accessing the facilities within the city. Availability by time and location, of public transport to access social, recreational, medical, educational, shopping and work facilities when the commercial sector do not provide the service.
- 9.2 Identifying and meeting the commercial unmet demand for local bus services.
- 9.3 Meeting the local bus service demand through tendering procedures.
- 9.4 To ensure monitoring of costs per mile/passenger is in line with National Statistics and with comparable authorities.

10 PERFORMANCE REVIEW

- 10.1 The assessment of the need/demand for supported services is brought forward by two fundamental ways:
 - a local demand (through individual or collective requests generally channelled through the Elected Members); and
 - b cancellation of previous commercially operated services from the existing network by route or journey timing.

A full detail of the process is displayed in Appendix A.
- 10.2 All local bus service subsidies are presented to Committee after local demand investigation along with the tender submissions for approval.
- 10.3 In the past financial year there were seven requests for “new” local bus services through Elected Members.
- 10.4 Six “new “ service requests were satisfied by the commercial market following detailed discussion with operators. This was achieved at no cost to the Council.
- 10.5 One service required to be put out to open tender.
- 10.6 Elected Member satisfaction acting on behalf of the stakeholders is proved by means of a survey.
- 10.7 Of the 60% of questionnaires returned 90% expressed a level of very satisfied with service provision.
- 10.8 To date the lowest tender has been accepted with the average number of bids per tender being 2.5.
- 10.9 The table below shows the number of bids per tender from neighbouring authorities:
- 10.10 **Table One**

Average Number of Tenders Received per Contract Since 1996				
Dundee City	Council A	Council B	Council C	Council D
2.5	1.58	2.5	1.24	3.2

10.11 Monitoring of Services:

Post the award of contract of services the requirement is not only monitor the service delivery but the contract performance. The operator is contractually obligated to provide the following information:

- 1 Lost mileage (asap - eg no operation through weather)
- 2 Number of passengers (by client type)
- 3 On bus revenue (by client type)
- 4 Actual mileage operated

As a result of this action staff savings have accrued.

10.12 Table Two

Number of Staff Employed on Local Service Support				
Dundee City	Council A	Council B	Council C	Council D
2	5	5	5	11

10.13 Table Three

Value of Subsidised Contract Per Member of Staff				
Dundee City	Council A	Council B	Council C	Council D
£215,500	£50,133	£70,000	£167,000	£45,702

10.14 Table Four

Staff Numbers Per Contract Mileage (Expressed as Mileage per Staff)				
Dundee City	Council A	Council B	Council C	Council D
2 Staff	5 Staff	5 Staff	5 Staff	11 Staff
296,000 mls	439,000 mls	575,000 mls	1,570,600 mls	1,254,000 mls
148,000	87,800	115,000	314,000	114,000

From the information supplied by the operator and the details held each contracted service then has monitored the following:

- a subsidy per period
- b passengers per period
- c on bus revenue per period
- d subsidy per mile
- e on bus revenue per mile
- f subsidy per passenger
- g on bus revenue per passenger

11 RESULTS OF COMPARISONS

11.1 Basis Comparison of Cost (Subsidy) - Performance Measurement:

The subsidy cost per mile per contracted service is identified from the foregoing. This can then be compared against both national and locally published data produced by the industry, the Scottish Office Statistical Bulletin and other local authorities on the operating costs of local bus services and in the case of Local Authorities, the subsidy cost per mile. (It must be stated however that Dundee City are one of the few City Councils with accurate information in this regard).

11.2 The subsidy cost per passenger - per contract service is derived from the data supplied electronically by the bus company and collated by this Department. This is then used to evaluated against two other pieces of information.

- a on bus revenue per passenger
- b subsidy per passenger

From (a) it can be seen if the passenger is paying more per journey than the subsidy (the amount the Council are paying) for the journey and from (b) it can be determined if there are alternatives ie is the cost of the subsidy the most cost effective use. No other Council has collated this level of information as yet.

11.3 Table Five

The average sized bus costs £1.32 per mile to operate. This information was derived from the Scottish Office Statistical (95/96) Bulletin.

Cost Per Mile				
Dundee City Council Cost Per Mile 97/98	Council A	Council B	Council C	Council D
1.20	£0.57	£0.60	£0.53	£0.40

11.4 Table Six

Cost of Subsidies Per Head of Population (Based on 1991 Census)				
Dundee City	Council A	Council B	Council C	Council D
£2.60	£3.18	£3.22	£6.76	£3.58

11.5 The External Benefit:

From the foregoing it is clear that to date there has and is no measurement for the "external benefit". This is reduced traffic congestion, through more efficient use of road space, increased road safety - and environmental considerations. These issues together with professional and political judgements required to assess the wider community benefits of access to social and recreational facilities (often funded by Councils) by members of the public with no alternative means of transport are ethereal but very relevant.

11.6 The Transparency of Cost of Service Delivery:

All tenders awarded for local bus services other than emergency and deminimis agreements are approved by Committee prior to the start of the service and all bids made are published at that time. The Public Transport Policy Paper for the Council (will) require(s) than an annual "Omnibus Report" is tabled detailing performance statistics for the previous year. It (will) also require(s) that should any service fall outside the "benchmarkd" levels during the monthly monitoring period, that that

matter along with comments is reported to the next available Committee for authority to continue or terminate the contract.

12 OPTIONS APPRAISAL AND CONTINUOUS IMPROVEMENT

12.1 Under the Transport 1985 it is purely a Council responsibility to identify and provide where they see fit local bus service subsidy.

12.2 Whilst continuing to monitor existing secured services in the most cost effective manner available, the Public Transport Section will continue to encourage people to travel by public transport in order to reduce the level of subsidy required at the following tendering period to maintain an integrated public transport system.

12.3 External issues such as traffic management, bus priority measures, public transport information, accessible buses and bus stops along with travel concession schemes play an integral part in the process of reducing demand for subsidy. By reducing bus journey times and improving reliability less vehicles are required to maintain service levels thus reducing overhead cost to operators.

12.4 Full cost benefit analysis (user only) can be undertaken on an annual basis displaying a positive net present value on all or individual components of the Local Transport Strategy.

12.5 There are 68 targets and written methods of monitoring currently displayed in the Local Transport Strategy which has at its heart public transport accessibility. This method and approach has been commented as good practice by the Scottish Executive in the Guidelines to the production of Local Transport Strategies.

12.6 Code of Practice on Tendering:

The powers to secure local services by tender became effective from 6 January 1986. The Act does not specify what kind of tendering is expected. There are basically two quite different tendering processes:

“Supply Side” or “Cost” tenders where the operator tenders on the basis of cost of his operating costs but the tendering authority receives the revenue; with supply side or cost tenders the operator has no incentive to attract or maintain customers as his “costs” and his contribution to overheads are already paid for by the Council; and

“Bottom Line tendering” where the operator indicates his minimum requirements for subsidy per annum on the basis of his retaining the revenue. This type of contract passes the “risk” and the incentive to the operator to get more passengers and thus more revenue leading to less subsidy.

12.7 To date, this authority like the majority throughout the country operate a “Bottom Line” tendering process.

13 CONSULTATIONS

13.1 The Chief Executive, Director of Finance, Director of Support Services and Director of Corporate Planning have been consulted and are in agreement with the contents of this report.

14 BACKGROUND PAPERS

14.1 Best Value Submission to the Secretary of State for Scotland 1997

Alex Stephen
Chief Executive

4 September 2000

IFS/EB

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APPENDIX A

Any evaluation of the need for and the subsequent monitoring of local bus service subsidy contracts must consider the benefits to the local community, both internal and external. Internal benefits relate directly to the bus users whereas external benefits include public safety, reduced traffic congestion and environmental considerations.

In examining the need for a "service" a profile can be drawn up of the reasons why it is required. This can be by way of a questionnaire or public meetings. Key to the determination of need are three distinct and related fields:

A All Purpose Need

will identify

- a an element of commonly used purposes
- b exclusively dedicated to one purpose
- c if essential to sustain movement in/out and within the community; and
- d community have no other viable alternative

B Specific Need

which can be cross referenced to the above

- a shopping
- b social
- c education
- d work
- e medical

C The Client

classified as

- a senior citizen
- b mobility impaired by disability (excludes temporary encumbered)
- c adult
- d child

Service Specification:

From analysis of the foregoing the route, timings and vehicle type/size can be established. In addition the on and off bus revenue can be established. This information is then prepared as a tender specification.