

**SURREY COUNTY COUNCIL**

**CABINET MEMBER FOR ENVIRONMENT AND TRANSPORT**

**DATE: 4 JULY 2017**

**LEAD OFFICER: TREVOR PUGH, STRATEGIC DIRECTOR FOR ENVIRONMENT AND INFRASTRUCTURE**

**SUBJECT: LOCAL TRANSPORT REVIEW 2017/18 YEAR 3 REPORT**



#### **SUMMARY OF ISSUE:**

This report summarises the third and final year of the Local Transport Review (LTR), a review of local transport services provided by the council for Surrey residents. The LTR has delivered vital savings and efficiencies to the local bus budget, whilst maintaining as many of the services as possible which residents rely upon.

To date, Surrey County Council (SCC) has achieved £1.766m of savings over years 1 and 2 of the LTR, against a backdrop of increasing financial pressures; a £2m savings target was attributed to the review as specified by the Medium Term Financial Plan (MTFP).

Unlike in years 1 and 2 of the review, there are no proposed changes to local bus services, which therefore means that no extensive public consultation has been required in year 3. Instead, plans to make the outstanding savings required will utilise other methods, including contract and grant funding reductions and additional savings being realised in this final year. It is proposed that the project can then be formally closed after achieving the required MTFP savings target.

It is, however, important to consider that the County Council is under ever increasing financial pressures, coupled with more demand placed upon services and additional savings may be required in 2018/19 and beyond. This would require a separate project to consider how such savings from the local bus budget could be secured.

#### **RECOMMENDATIONS:**

It is recommended that the Cabinet Member for Environment and Transport:

1. approves the remaining savings identified for the third and final year of the Local Transport Review

#### **REASON FOR RECOMMENDATIONS:**

These recommendations will deliver the total MTFP saving of £2m across the lifetime of the project and enable the LTR to be formally closed. The LTR has sought to retain the local bus services residents rely upon the most enabling them to access work, education, medical appointments and other key services, whilst also contributing to financial savings and ensuring a sustainable level of service for the future.

#### **DETAILS:**

## Background

1. Surrey County Council (SCC) spends £7.6m on supporting local bus services within the county, with 29.2m one way passenger journeys made per annum. 20m of these are made by fare paying adults principally travelling to and from work, 8m by concessionary pass holders and 1.2m young people travelling to and from school or college.
2. The Local Transport Review (LTR) is a review of local transport services provided by the council for Surrey residents. Of the 29.2m journeys, 12.5m or 43% of these are completed on services currently funded by SCC. This review therefore aimed to make vital savings and efficiencies to the local bus budget, whilst maintaining as many of the services as possible which residents rely upon.
3. Changes in years 1 and 2 of the LTR contributed vital savings to the council, in the face of huge funding pressures. In the last public consultation, running from 20 January to 14 March 2016, over 2600 residents and stakeholders had their say on the proposed changes to local bus services. The feedback gathered highlighted the value of buses to communities within Surrey, preventing isolation and providing access to employment, education, health facilities and key shopping sites.
4. Responses were therefore carefully analysed and considered when confirming the final proposals to Cabinet who approved the changes identified at its meeting on 24 May 2016. These changes came into effect from 3 and 4 September 2016 and allowed the council to realise full year savings of £0.723m in year 2 of the LTR, without a significant impact to the local bus network within Surrey. Therefore, £1.766m of savings have been delivered in years 1 and 2 combined, at an accelerated rate of delivery compared to the MTFP requirement. This can be seen within the table shown in paragraph 26.
5. Based on the final savings targets highlighted in paragraph 26, there are still £0.234m of savings required from the final year 3 of the LTR. No changes to any local bus services are proposed, therefore a public consultation is not required. Savings have been identified in other areas, which are explained below in paragraphs 6 to 17.

## Savings Proposals 2017/18 – Local Bus Service Support

6. The vast majority of savings obtained (£1.509m in a full year from a target of £1.510m) within this work stream were realised in years 1 and 2 of the LTR. In previous years, savings have been made by negotiating with operators on local bus service contracts to re-shape service provision. However, this method has mostly been exhausted and achieving further significant efficiencies in this way for 2017/18 and beyond will be challenging.
7. **£0.062m** will be achieved from the full realisation of a phased three year savings package agreed with the bus operator Metrobus at the beginning of the LTR. This will be captured as part of year 3 savings, but will not involve any diminution of service on the road.
8. **£0.028m** will be achieved from the termination of the contract for service 676 from Walton on the Hill to Therfield School. This has already occurred and the

small number of students who used it have largely been accommodated on alternative services.

9. **£0.021m** will be achieved from an ongoing contract price reduction as part of a revenue share agreement between SCC and Epsom Buses in respect of services E9/ E10 to the housing developments on the site of the former Epsom Hospital clusters.
10. In summary, this amounts to a sub total of **£0.111m** in identifiable savings from supported local bus services.

### **Savings Proposals 2017/18 – Community Transport**

11. Work has continued within the Surrey Community Transport sector to move towards a cost neutral delivery for Surrey residents. The first phase of this programme has taken place with grant allocations for the Dial-a-Ride services being reduced by 10% for the 2017/18 financial year. This has resulted in savings of **£0.040m**.
12. SCC will continue to grant fund Surrey Community Action, who facilitate the provision of the Voluntary Car Schemes, with a modest additional grant being given to promote and develop new, emerging and existing schemes with the 'Drive into Action' Campaign.
13. To ensure the resilience of the Community Transport sector and counter-balance the cost savings being made to the Dial-a-Ride service grants, work is underway on developing income generation opportunities within this work stream. This includes the SEND Transport programme, transport services for the health sector and several S106 agreement opportunities. We are working closely with the boroughs and districts and the voluntary sector to develop these opportunities to move them away from being grant fund reliant and onto a more 'commercial', income generation basis.
14. The Tandridge Community Transport Review is continuing, with a proposed new model of community transport delivery being explored. This could lead to further savings being made, but this will not be confirmed until the end of Quarter 2 of 2017/18.

### **Savings Proposals 2017/18 – Concessionary Fares**

15. For the operation of the English National Concessionary Travel Scheme (ENCTS), we have reviewed and set a lower reimbursement rate during 2017/18 to recompense bus operators for the revenue foregone for pass holders travelling for free. During the three years of the LTR, the reimbursement rate has reduced from 51.44% (2015/16) to 50.2% (2017/18). This, coupled with a slight downturn in pass usage, has delivered a saving of **£0.075m**.
16. During the remainder of the year, a further reimbursement rate review will be completed using additional and more complete data in preparation for 2018/19.
17. Part of this work stream also considers income generation opportunities. There are a number of S106 agreements relating to developer contributions

which provide funding to support the local bus network and this has been applied in Elmbridge to deliver a saving of **£0.050m**.

### **Additional Financial Pressures**

18. It is important to note that extensive savings have been achieved in times of difficult financial pressure. The Surrey Bus Review, delivered between 2010 and 2012, achieved £4.8m of savings. The LTR has already achieved £1.766m, with the remaining savings identified and, if approved, will exceed the minimum MTFP target. This will have been due in large part to the relentless work of officers in trying to maintain as many of the local bus services as possible within Surrey, whilst making the required savings and efficiencies.
19. SCC continues to face ever increasing financial pressures and demand upon services across the whole of the council. £93m of savings are required during 2017/18, with approximately £9.2m from the Environment and Infrastructure Directorate alone. Further savings may be required in 2018/19 and beyond.
20. If there is a requirement for any further additional savings from the local bus budget, proposals will be developed with appropriate stakeholder and public engagement and consultation, with reference to Cabinet and the Cabinet Member for Environment and Transport. As the LTR was assigned with a designated £2m savings target against the MTFP, any further additional savings requirements would be undertaken as a new project or review. However, the Environment and Infrastructure Directorate will continue to review bus services and the level of expenditure as part of the council's business as usual in light of the requirement to have a sustainable budget.

### **CONSULTATION:**

21. Unlike in previous years of the review, there are no proposed changes to local bus services, which therefore means that no public consultation is required.

### **RISK MANAGEMENT AND IMPLICATIONS:**

22. The main risk identified in year 3 of the LTR was the concern that additional savings would be required on top of those specified within the MTFP, at the start of the LTR. Additional pressures have arisen over the course of the review, notably the decision of the bus operator Abellio to resign from a number of services. The outcome of this was reported to Cabinet on 27 June 2017.
23. Every effort has been made to continually monitor the financial situation faced by the County Council, both corporately and within the directorate. Continued dialogue with members and senior officers has aided this process. Any plans to achieve additional savings would be created with an appropriate level of stakeholder and member engagement.

### **Financial and Value for Money Implications**

24. The LTR is an agreed MTFP savings programme which has a requirement to deliver £2m in savings at the end of this financial year. As shown in the table in paragraph 26, part-year savings of £0.759m in 2015/16, £1.023m in 2016/17 rising to a full year value of £1.043m by 2017/18 were achieved in

Phase 1 of the review. In Phase 2 of the review, part-year savings of £0.447m in 2016/17 were achieved, rising to a full year value of £0.723m by 2017/18.

25. Paragraphs 6 to 17 explain the detail of the proposed savings for 2017/18. If they are approved, the full annual savings will be **£0.276m** which will therefore mean that the MTFP target is slightly exceeded. This is summarised in the table below:

Method	Full Year Saving
Full realisation of a phased three year savings package agreed with the bus operator Metrobus at the beginning of the LTR	£0.062m
Termination of the contract for service 676 from Walton on the Hill to Therfield School	£0.028m
Contract price reduction as part of a revenue share agreement between SCC and Epsom Buses	£0.021m
Grant allocations for the Dial-a-Ride services being reduced by 10% for 2017/18	£0.040m
Reduction in payment to reimburse bus operators for ENCTS pass holder journeys and reduced pass usage	£0.075m
Income generation opportunities from S106 agreements for funding to support the local bus network in Elmbridge	£0.050m
<b>Total</b>	<b>£0.276m</b>

26. The table below shows how the LTR is set to exceed the £2m required savings target set out in the council's MTFP:

Annual Savings	2015/16	2016/17	2017/18
Phase 1 Savings	£0.759m	£1.023m	£1.043m
Phase 2 Savings	-	£0.447m	£0.723m
Phase 3 Savings	-	-	£0.276m
<b>Total Savings</b>	<b>£0.759m</b>	<b>£1.470m</b>	<b>£2.042m</b>
MTFP Target	£0.750	£1.265m	£2.000m
Difference	+£0.009m	+£0.205m	+£0.042m

#### **Section 151 Officer Commentary**

27. The County Council is facing a very serious financial situation, whereby there are still substantial savings to be identified and delivered to achieve a balanced budget in the current year and a sustainable budget plan for future years.

28. The Section 151 Officer can confirm that the measures outlined in this report will enable the Council to meet the savings requirement set out in the Medium Term Financial Plan.

#### **Legal Implications – Monitoring Officer**

29. Under Section 63(1)(a) of the Transport Act 1985, Local Transport Authorities must secure the provision of such public passenger transport services as the Council consider it appropriate to secure to meet any public transport requirements within the County which would not in their view be met apart from any action taken by them for that purpose.
30. For the purpose of providing such services, the Council has the power to enter into an agreement providing for service subsidies, but only where the service in question would not be provided, or would not be provided to a particular standard, without subsidy. The reference to a standard to which a service is provided includes (a) the frequency or timing of the service, (b) the days, or times of day, when the service is provided, or (c) the vehicles used to provide the service.
31. The Council also has the power to take any measures that appear to them to be appropriate for the purpose of or in connection with promoting:
- (a) the availability of public passenger transport services other than subsidised services and the operation of such services, in conjunction with each other and with any available subsidised services, so as to meet any public transport requirements the Council consider it appropriate to meet; or
  - (b) the convenience of the public (including persons who are elderly or disabled) in using all available public transport services (whether subsidised or not). In exercising this power, the Council has to have regard to a combination of economy, efficiency and effectiveness.
32. In exercising or performing any of the functions described above, the Council has to have regard to the transport needs of members of the public who are elderly or disabled.

#### **Equalities and Diversity**

33. An Equalities Impact Assessment (EIA) was completed in year 1 of the LTR and updated during year 2. This considered in detail the impact of the proposed changes to local bus services on Surrey residents and bus users, especially those with protected characteristics.
34. A review of the EIA was completed during year 3 and it was confirmed that no further update was required, as no extensive changes have been made to local bus services in this year of the LTR.

<b>WHAT HAPPENS NEXT:</b>
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35. If the Cabinet Member for Environment and Transport approves the recommendations the next steps will be:

- Realise any remaining LTR savings
- Formally close the LTR and conduct an internal lessons learned exercise
- If the financial position of the council requires further additional savings to be made to the local bus budget, a new savings project or review will be undertaken

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**Consulted:**

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Key bus operators in Surrey

**Annexes:**

No annexes included

**Sources/background papers:**

- Surrey County Council Local Transport Review, Cabinet Paper, 24 May 2016
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