

ABERDEEN CITY COUNCIL

COMMITTEE	Finance and Resources
DATE	7 December 2022
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Local Authority Bus Services
REPORT NUMBER	OPE/22/278
DIRECTOR	Steve Whyte
CHIEF OFFICER	Mark Reilly
REPORT AUTHOR	Chris Cormack
TERMS OF REFERENCE	2.1.1

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to advise members on the steps that would be necessary to establish the setting up by the Council of a municipal bus company or Local Authority operated bus services.

2. RECOMMENDATION(S)

That the Committee: -

- 2.1 Note the requirements for introduction of a municipal bus company and Local Authority operated bus services;
- 2.2 Instructs the Chief Officer - Strategic Place Planning to continue to develop Bus Service Improvement Partnerships through the North East of Scotland Bus Alliance; and
- 2.3 Instructs the Chief Officer - Operations and Protective Services to include assessment of Local Authority operated bus services when implementing supported bus services.

3. CURRENT SITUATION

Background

- 3.1 The City Growth and Resources Committee on 26 September 2019 agreed: *“to instruct the Director of Resources to monitor the sale position of First Aberdeen Limited and report back to the City Growth and Resources Committee on 6 February 2020 with an update on the proposed sale and recommended next steps for the Council.”* Subsequently on 28 October 2020 the Committee agreed: *“that given that First Bus has indicated it is no longer for sale, instruct the Chief Officer – Strategic Place Planning to report back to the City Growth and Resources Committee in February 2022 with the steps that would be necessary to establish the setting up by the Council of a municipal bus company as part of the Council’s commitment to green energy and net zero and in order*

to fulfil any obligations under any low emission zone that the Council may wish to implement.”

- 3.2 Section 34 of the Transport (Scotland) Act 2019 (“the 2019 Act”) enables Local Transport Authorities (LTAs) to provide local bus services, using vehicles that require a Public Service Vehicle (PSV) operator’s licence to do so. To do this, the LTA must be satisfied that the provision of such will contribute to the implementation of their relevant general policies, as defined in the Transport (Scotland) Act 2001 (“the 2001 Act”).
- 3.3 In February 2022 the provision for LTA bus services under the 2019 Act had not come into force and as such it was recommended, prior to reporting back to Committee, to await the outcome of the Scottish Government consultation on guidance to Local Transport Authorities in relation to providing bus services which were anticipated to provide a clearer position as to what would be required in setting up municipal bus services. On 24 June 2022 the Transport (Scotland) Act 2019 (Commencement No.5) Regulations 2022 came into force. This means that authorities are now able to operate local bus services using a Public Service Vehicle (PSV) operator licence. Transport Scotland have produced an information note summarising obligations that should be considered, this does not go as far in terms of guidance as Officers had requested through the consultation process but provides the opportunity for this matter to be reported back to Committee.
- 3.4 The 2019 Act refers to the requirement to be satisfied that implementation of LTA operated local bus services would contribute to the implementation of the LTAs relevant general policies. Section 48 of the 2001 Act, defines these as the LTAs local transport strategy. The current [Local Transport Strategy](#) sets out to *‘increase public transport patronage by making bus travel an attractive option to all users and competitive with the car in terms of speed and cost’*. Prior to implementing any LTA operated local bus services, the Council would need to be satisfied that the provision of such would contribute to that objective or the Council’s commitment to Net Zero.
- 3.5 When the proposition of a LTA municipal bus company was first considered by the Council, First Bus in the UK was being prepared for sale. At the current time, First Aberdeen is not for sale and there is no indication of any immediate intention of First Group PLC looking to sell the Aberdeen bus division. As such, the current most appropriate local bus service opportunities for the Council would be to operate our own service in place of supported services or to operate services alongside the existing commercial bus services in the city.

Aberdeen City Council Bus Company / Services

- 3.6 The 2019 Act is not restrictive on how an LTA can run their own buses, the LTA may choose to provide services directly, meaning they are the owner of any associated assets (e.g. vehicles), or through an arm's length external organisation. Under the latter scenario, the LTA can provide bus services through an independent commercial organisation with its own management board where the LTA is the main shareholder but is not involved in the day-to-day running of the buses. This would be broadly like the model under which Lothian Buses currently operates.
- 3.7 A PSV bus operator's licence would be required to register a local bus service. The requirements are set out in the Public Passenger Vehicles Act 1981, as amended. The Council would be required to meet rigorous conditions to ensure suitability and demonstrate that it is willing and able to operate vehicles in accordance with the demanding standards set out in legislation. A Transport Manager is required and consideration would have to be given as to whether the Council should have a further Transport Manager, in addition to the existing resource, to manage any increase in vehicles. A PSV licence application costs £209.00 and the Council would need to satisfy the Traffic Commissioner that it has:
- an effective and stable establishment.
 - good repute.
 - appropriate financial standing and resources.
 - professional competence.
- 3.8 A local bus service must be registered with the Traffic Commissioner for Scotland, at a cost of £60.00 per registration. Before registering a local bus service, the Council should consider if:
- the route is suitable.
 - it has the right type of vehicles.
 - it can keep to the timetable given the traffic conditions on route.
 - it has enough drivers to cover absences through sicknesses, holidays, etc.
 - it has replacement vehicles if other vehicles are off-road.
- 3.9 There are several primary considerations which would need to be considered and further appraised for operating bus services and these have been addressed in turn below:
- **Vehicles / Depot:**
 - Provision of suitable vehicles would be required. As an example, an electric single deck bus would cost in the region of £340k. As such, considerable capital outlay would be required from the outset.
 - The Council does have the potential to utilise the existing Hydrogen bus fleet, however there are contractual arrangements in place with First Aberdeen for lease and fuelling of the existing buses.
 - Vehicles would need to be fitted with ticket machines and these would need to be procured along with the required back-office systems to allow ticket sales and passenger management.

- The operation of bus services would require vehicles to be secured safely out with operational times; vehicles to be fuelled, cleaned and maintained, which would require suitable depot facilities including cleaning and maintenance workshops. Further investigation would be required to consider if this could be delivered within the existing portfolio.
- **Staffing:**
 - There would need to be PSV licenced bus drivers to drive the buses. The council currently does not recruit PSV drivers. As such posts would need to be created and a training scheme implemented to train drivers as part of the recruitment process, as most bus companies are required to train employees. Also, holders of such licences are required to undertake ongoing competency training, consideration would be required as to whether this is delivered in-house or tendered for. The staffing and training requirements would incur considerable expenditure. It is estimated that it would cost in the region of £2-3k for each driver to be trained and gain a PSV licence and the estimated annual salary for each driver, including oncosts, would be approximately £32k.
 - There is currently an ongoing shortfall of PSV bus drivers across the UK and bus operators are experiencing difficulties in recruiting sufficient volume of drivers to provide services and this may also be reflected for the Council.
 - Consideration would also be required into the operation of such services, i.e. timetabling, crew scheduling, management, etc. It is not anticipated that this could be delivered within existing staff resources and as such further posts would be required to be created and funded.
 - The operation of bus services would require vehicles to be fuelled, cleaned, maintained, fares to be collected and secured, etc. all of which would require a workforce to undertake these activities, as such further consideration would have to be given to creating posts and funding these.
- **Maintenance:**
 - As aforementioned vehicles would need to be serviced and maintained and this would require suitable facilities. It would also require the appropriate expertise and level of staffing to meet demand, which would ultimately require considerable changes for fleet services which would need to be further explored.
- **Cost:**
 - As can be identified, there would be considerable costs involved in setting up a council operated bus company/service, which is not currently budgeted for. The full costs of which would be dependent on the level of operation to be implemented and the costing of such would require a significant appraisal to be undertaken. Given there is considerable existing commercial coverage in the City it is not anticipated that passenger fares would be sufficient to offset operational costs at this time.

- 3.10 A key consideration of the provision of LTA operated bus services would be ensuring compliance with subsidy control rules under the forthcoming UK Subsidy Control Regime. This would not likely apply where the Council operate a service in place of contracting for a supported bus service but would be relevant if the Council were to run a commercial service as any subsidy to such a service would provide an economic advantage. Any proposed commercial LTA run service would need to make an entry into the market just as any commercial operator would. In addition, the 2019 Act does not provide LTAs with protection against competition should a competitor run against them, so feasibly an LTA could build a successful service and a competitor could compete and larger companies could potentially operate at lower cost. Any subsidy provided to the Council service would need to comply with subsidy control rules. This means the subsidy would need to be carefully justified in terms of the public benefit and on the absence of market provision on suitable terms.
- 3.11 The 2019 Act also provides Councils with further tools for the delivery of bus services. These include:
- Bus Service Improvement Partnerships (BSIPs), which are currently being progressed through the [North East of Scotland Bus Alliance](#) and the implementation of measures under the ongoing transport corridor studies and Bus Partnership Funding (<https://www.transport.gov.scot/public-transport/buses/bus-partnership-fund/>). BSIPs are a new type of statutory partnership between LTAs and bus operators. As part of a partnership, a range of service standards, including on the frequency or timing of services, the vehicles used, maximum fares charged for particular journeys, and the pricing of multi-operator travel cards are established.
 - Franchising, which is a system that allows a local authority to award exclusive rights to run certain bus services to the most competitive bidder for a set period under certain conditions. During this period, no other operator can run those services.
- 3.12 Additional capital and revenue funding is required to implement any of the bus service provisions from the 2019 Act and it is recommended that given the significant costs, that the Council does not, at this time, proceed with further appraisal for LTA operated bus services. It is recommended that the Council continues to pursue Bus Service Improvement Partnerships (BSIPs) through the North East of Scotland Bus Alliance and in line with the awarded Bus Partnership Funding from Transport Scotland, which will drive significant improvements and transformation in public transport in the city.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from the recommendations of this report. Financial implications with regards to Bus Service Improvement Partnerships, the Bus Partnership Fund and Supported Bus Services are already considered or will be reported separately.

5. LEGAL IMPLICATIONS

5.1 There are no direct legal implications arising from the recommendations of this report. Legal implications with regards to Bus Service Improvement Partnerships, the Bus Partnership Fund and Supported Bus Services are already considered or will be reported separately.

6. ENVIRONMENTAL IMPLICATIONS

6.1 There are no direct environmental implications arising from the recommendations of this report. At the same time, in Aberdeen there is an exceptionally high level of car ownership and usage and reducing reliance on private transport is the best way to improve air quality. A high-quality public transport network is critical to this and, for this to be successful, an accessible public transport system is required.

7. RISK

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
Strategic Risk	No significant risks identified	Officers will continue to engage through the North East of Scotland Bus Alliance to ensure that the public transport network in Aberdeen meets the needs of the city in line with the local transport strategy and that the delivery of public transport is meeting the Council's green energy and net zero targets.	L	Yes
Compliance	No significant risks identified	Any significant risks, as a result of the recommendations of this report will be reported separately as BSIPs are brought forward.	L	Yes
Operational	No significant risks identified	Any significant risks, as a result of the recommendations of this report will be reported separately as BSIPs are brought forward.	L	Yes

Financial	No significant risks identified	Any significant risks, as a result of the recommendations of this report will be reported separately as BSIPs are brought forward.	L	Yes
Reputational	No significant risks identified	Any significant risks, as a result of the recommendations of this report will be reported separately as BSIPs are brought forward.	L	Yes
Environment / Climate	No significant risks identified	Any significant risks, as a result of the recommendations of this report will be reported separately as BSIPs are brought forward.	L	Yes

8. OUTCOMES

<u>COUNCIL DELIVERY PLAN 2022-2023</u>	
	Impact of Report
<p>Aberdeen City Council Policy Statement</p> <p><u>Working in Partnership for Aberdeen</u></p>	<p>The proposals within this report support the delivery of the following aspects of the policy statement:-</p> <p><i>Working with the Scottish Government and NESTRANS to improve the city's bus network, including considering options for an Aberdeen Rapid Transit network, with the support of the Scottish Bus Fund, and consider options for council-run services in the city.</i></p> <p><i>Improving the provision of bus services across the city, through investment in new supported services, to enable bus services to be provided to areas and at times which are not economically viable.</i></p>
<u>Aberdeen City Local Outcome Improvement Plan 2016-26</u>	
<p>Prosperous Economy Stretch Outcomes</p> <p>1. <i>No one will suffer due to poverty by 2026.</i></p> <p>2. <i>400 unemployed Aberdeen City residents</i></p>	<p>The proposals within this report support the delivery of LOIP Stretch Outcomes 1 to 3 as a good transport network means anyone regardless of their social status/economic means can choose a sustainable mode of travel for commuting.</p>

<p><i>supported into Fair Work by 2026.</i></p> <p><i>3. 500 Aberdeen City residents upskilled/ reskilled to enable them to move into, within and between economic opportunities as they arise by 2026</i></p>	
<p>Prosperous Place Stretch Outcomes</p> <p>13. <i>Addressing climate change by reducing Aberdeen's carbon emissions by at least 61% by 2026 and adapting to the impacts of our changing climate.</i></p> <p>14. <i>Increase sustainable travel: 38% of people walking and 5% of people cycling as main mode of travel by 2026.</i></p>	<p>The proposals within this report support the delivery of Place Stretch Outcomes 13 and 14 in the LOIP.</p> <p>A robust and reliable public transport network will encourage public transport uptake and patronage and subsequently contribute towards reducing transport carbon emissions given the move towards alternative forms of fuel by bus operators in the region.</p>
<p>Regional and City Strategies</p>	<p>The proposals within this report support Regional and Local Transport Strategies, which all aim to deliver a sustainable transport system as well as enhance the connectivity of the existing transport network.</p>

9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	Full impact assessment not required.
Data Protection Impact Assessment	Not required.
Other	N/A

10. BACKGROUND PAPERS

10.1 [Information note: The local authority run services provision in the Transport \(Scotland\) Act 2019 | Transport Scotland](#)

10.2 Aberdeen City, [Local Transport Strategy](#)

11. APPENDICES

11.1 N/A

12. REPORT AUTHOR CONTACT DETAILS

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