

West of England Combined Authority Committee

Supplemental Information

Date: Friday, 6 October 2023

Time: 1.00 pm

Place: The Space, Keynsham

15. BSIP PRIORITISING

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KPMG Prioritisation framework to assess BSIP initiatives including a quantitative assessment based on DfT value for money methodology, and a supporting qualitative assessment to provide a recommended prioritisation of initiatives when redistributing any funding identified.

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REPORT TO: WEST OF ENGLAND MAYORAL COMBINED AUTHORITY COMMITTEE

DATE: 6TH OCTOBER 2023

REPORT TITLE: BUS SERVICE IMPROVEMENT PLAN PRIORITISATION

DIRECTOR: DAVID GIBSON, STRATEGIC DIRECTOR OF INFRASTRUCTURE

AUTHOR: PHIL WRIGHT, PUBLIC TRANSPORT PROGRAMME MANAGER

Purpose of Report

1. To ask members to give their views on the Prioritisation Framework to assess the West of England Bus Service Improvement Plan (BSIP) initiatives, including a quantitative assessment based on the Department for Transport (DfT) value for money methodology, and a supporting qualitative assessment to provide a recommended prioritisation of initiatives when redistributing any funding identified.
2. To update the current financial position of funding within BSIP and showing the impact of schemes delivered to date.
3. To propose a methodology for spending funding provided to support local bus services through the Local Transport Fund (LTF).

Recommendation

The West of England Mayoral Combined Authority Committee (MCA) is recommended to:

- **Recommendation 1:** To note the contents of the report and the associated independent Prioritisation Framework, and the associated qualitative assessment, to use for delivery of the BSIP.
- **Recommendation 2:** To set up a Citizens' panel to help to shape a formula to be applied to bus services that may not become commercially viable, but are socially necessary to assess and prioritise current funding (LTF) and for similar future funding streams.
- **Recommendation 3:** To note that BSIP is a joint fund with North Somerset Council so decisions on allocations are subject to negotiations with them and the Department for Transport; and agree in such negotiations officers will

endeavour to allocate an additional £0.5m of the BSIP budget on new, innovative bus services where these services are likely to become commercially viable, in the course of the BSIP period using an agreed transparent formula.

4. Reasons for recommendation

4.1 The BSIP programme is delivering a wide range of initiatives, which has enabled work to take place on understanding the benefits which give the greatest impact to bus users. This opportunity has provided a good evidence base to, not only show those benefits, but also the best way to invest in the future.

4.2 It is important that the residents are involved in proposals for how and where any new services will be delivered. The exact mechanism for delivering this will be developed at pace to ensure that any new services are running from April 2024.

Voting arrangements

In order to be carried, a decision on this matter requires a majority of the members present and voting, such majority is to include the Metro Mayor. Each member present may cast one vote. If a vote is tied the decision is not carried. There is no casting vote.

5. Background / Issues for Consideration

5.1 The West of England Mayoral Combined Authority and North Somerset Council (NSC) published their joint BSIP to the DfT in October 2021. The DfT allocated indicative funding for three years to March 2025 in April 2022 and confirmed funding in November 2022.

5.2 Our BSIP sets out 7 key strategic aims:

- A high mode share for buses against the whole travel market
- A high-quality bus service
- A high-quality waiting environment
- High vehicle standards
- A high level of passenger satisfaction
- High quality information
- Low fares, simple ticketing, and an easy means of payment

5.3 These aims feed in to 5 key targets:

- Reduce bus journey times on corridors by 2% by 2025 and 10% by 2030.
- Achieve 95% punctuality on bus services by 2030.
- Return patronage levels to pre-pandemic by 2025 and grow by at least 24% by 2030.
- Increase passenger satisfaction to 89% by 2025 and 95% by 2030.

- Make 75% of the buses low or zero emission by 2030 and increase that to 100% by 2035.

5.4 There is also the wider context that the bus industry has been experiencing difficult challenges as a result of inflation, a national bus driver shortage and decreased patronage levels since the pandemic. Inflation has led to rising operating costs for bus companies. The prices of fuel, maintenance, and other operational expenses have gone up, making it more expensive to run bus services. Driver shortages have led to reduced service frequency, longer waiting times for passengers and cancelled bus services. Operators have been trying to mitigate against this by offering higher wages and benefits to attract and retain drivers; wages constitute approximately 40% of the cost base. The COVID-19 pandemic has led to a decrease in bus patronage, however, even post the pandemic, ridership remains at 15-20% below pre-COVID-19 levels nationally. Increasingly, this looks to be due to societal changes, such as a move to more flexible working arrangements, working from home, and an accelerated switch to 'on-line' delivery-based shopping. As such, the bus industry remains heavily reliant on government support, such as the National Fares Cap scheme. Unless patronage increases, this will have a lasting impact on the future shape and sustainability of the industry.

5.5 In May 2023, the DfT issued changed guidance relating to the allocation of BSIP funding, which allowed Transport Authorities to use some BSIP funding for supported services" even if a trajectory to commerciality by the end of the programme could not be shown. However, any such allocations need to demonstrate value for money.

5.6 A Project Adjustment Request is required to be submitted to DfT for any changes to funding. Given the existing BSIP Programme has been agreed with the MCA's BSIP partner, NSC, a redirection of funding would also require approval from them.

5.7 In considering whether to redirect BSIP funding, the DfT has stated that Local Transport Authorities need to consider the following:

- Whether the routes under consideration for support would provide better value for money compared to previous plans.
- Whether the routes under consideration for support are likely to become sustainable in the longer term.

As such, this report includes a review of BSIP funding and potential distribution in this context.

5.8 We are aware that the change of guidance has impacted on other Transport Authorities nationally. One large Combined Authority has transferred a significant amount of their budget to funding supported services, for which DfT approval was required. It also required to them to committing to using local funding to continue those services once BSIP funding ends.

5.9 The BSIP programme is delivering a wide range of initiatives that fall under 4 key headings:

- Network & Services – which covers the provision of enhancements to existing services to increase frequencies to improve the level of services for the customer, two new bus services, grant funding opportunities for local bus operators through *WESTlocal*, a review of the regions bus network and the region wide demand responsive transport system, *WESTlink*.
- Fares & Ticketing – covers three main fares packages to encourage increased patronage.
- Passenger Experience – improvements to information at bus stops, on bus and via apps, including a new region wide brand and the roll out across the network.
- Enhanced Partnership – create a partnership arrangement across buses between all stakeholders, including residents of the region, operators, and public bodies.

5.10 Five key initiatives have been delivered in BSIP to date, for which we hold some data to assess performance:

- Fares Package 1 – launched on 25th September 2022 and largely built around the flat fares of £2 single for adults and £1 for children.
- *WESTlink* – Demand Responsive Transport (DRT) services launched on 3rd April 2023.
- Enhanced frequencies of existing bus services – launched on 3rd April 2023.
- Two new bus services, 522 and 525 – launched on 3rd April 2023.
- Fares Package 2 – first stage launched in July 2023 with an offer around free bus travel for the birthday month of users to promote increased patronage.

5.11 Fares Package 1 has shown good growth of patronage from launch, with a peak in late May 2023 that was 53% higher than the baseline. Correspondingly, the subsidy paid to the operators is some 10% lower than when the scheme was introduced.

5.12 *WESTlink* has struggled with the national driver recruitment issue, with the number of vehicles on the road being an average of 70% of the 30 that were contracted. This figure has improved since late Summer and is now closer to the capacity. Patronage levels have grown significantly since launch, ranging from 179% in the southern zone, to over 300% in the northern zone, with the opportunity for further growth as the driver situation improves.

5.13 *WESTlink* was launched at speed and has been responding to the national driver recruitment issue. However, we will now be taking the opportunity to significantly change how *WESTlink* operates, in response to our learning to date and listening to the public on how the service can be improved. This will include:

- Potential changes to how the service operates, such as investigating options into smaller local zones / services.
- Changes to the zones to improve efficiency.
- Improve linkages with the wider bus network.

- A wider promotional campaign.
- Improvements to the App

The detail of this will be worked up in partnership with stakeholders over the Autumn, with the aim of a rapid launch, followed by phased further updates to the system.

5.14 Enhanced frequencies have been delivered on 5 key corridors across the region, with an, on average, 33% increase in frequencies. Patronage growth on these services have been positive. As patronage levels grow, the subsidy payment to operators will be reduced.

5.15 Two new services have been delivered with BSIP funding in April 2023, with an additional two services due to launch this September in North Somerset. Their performance differs significantly. The 522 follows the route of a former bus service, so is showing stronger patronage. The 525 is a new service that shows far lower patronage levels. Even with these differences, they both currently remain reliant on supported funding. There is an acknowledgement that these services provide social value over and above the funding issue. Both services are under a 2-year contract, with the aim is to make them commercially viable by March 2025.

5.16 Fares Package 2 is the most recently launched initiative, so the data is correspondingly less available. For the first month the number of applications received averaged around 1,623 a week, with a steady increase in usage across the month from 6,411 journeys per week at commencement to 13,421 by the end of August. More data will emerge over the coming months.

Prioritisation Framework

5.17 We have worked with KPMG to deliver a 'Prioritisation Framework' which looks at the value for money of all the interventions (using government guidance to assess a Benefit / Cost Ratio) and a qualitative assessment against a range of criteria. The qualitative assessment criteria are:

- Does it fit within the wider vision of BSIP and the West of England network?
- How does the intervention impact key social groups?
- Is the intervention sustainable within the funding period?
- Is the intervention deliverable within the funding period?

5.18 We considered a range of categories from the BSIP programme. These were:

- Enhanced Services
- Fares Packages
- Passenger Experience (improved information)
- New Services
- WESTink (DRT)

These initiatives were then assessed against the criteria to give an overall prioritisation number. These are set out in table 1 below:

Table 1: The table below sets out the results of the Prioritisation Framework for BSIP funding. The dot colouration indicates the following:

● Limited contribution/ potential, ● Some contribution/ potential, ● Strong contribution/ potential

Options	Step 1: Quantitative assessment	Step 2: Qualitative assessment				Prioritisation
		Criteria 1: Network Vision	Criteria 2: Socio-economic considerations	Criteria 3: Sustainability	Criteria 4: Deliverability	
Fares	High	●	●	●	●	1
Enhanced services	High	●	●	●	●	2
DRT	Poor-Medium*	●	●	●	●	3
Passenger experience	Medium	●	●	●	●	4
New Services	Poor-Low**	●	●	●	●	5

5.19 In line with the criteria set out above, with textual information below.

- **Fares initiatives are ranked 1st**. Fare initiatives provide the highest value for money and perform well against the other criteria, especially socio-economic impacts during the ‘cost of living’ crisis. The track record with Fares Package 1 is strong, with fare changes generating substantial new patronage.
- **Enhanced services are ranked 2nd**. These services provide high value for money as the investment benefits higher numbers of passengers. The initiative also aligns well with other criteria, including the network vision and deliverability. Early indications from the first package of service enhancements show greater than expected patronage growth.
- **DRT is ranked 3rd**. The expected value for money for DRT services is uncertain as use of the service is still uncertain. If patronage levels continue to increase and services are effectively promoted, the service could provide ‘medium’ value for money. DRT services fit with the network vision, have positive socio-economic impacts, and are easy to deliver. They are however likely to need on-going financial support. Given benefits including flexibility and cost efficiency, DRT services have advantages over fixed route supported services.
- **Passenger experience is ranked 4th**. The BSIP includes a package of measures to increase awareness of service availability and improved customer information. The initiatives have historically provided a good return on investment and feature in Transport Focus’s list of factors driving passenger satisfaction. As a result, they are expected to provide ‘medium’ value for money and align well with the other prioritisation criteria.

- **New services are ranked 5th.** New services are likely to generate good socio-economic impacts but given cost inflation they are increasingly likely to need long term funding and may take time to procure through open tender. As a result of low patronage levels, new services are expected to provide poor to low value for money. Where patronage levels are higher, value for money is also higher.

We intend to use this analysis when reviewing any underspends to identify where to reallocate funds, however, this will be used as a guide to ensure value for money whilst understanding that there may be a strategic need to consider lower value initiatives.

BSIP Finances

5.20 BSIP finances were approved by DfT in November 2022, with a baseline budget of £57.5m forecast against the specific initiatives set out in Appendix 1. Funding for year 1 of the programme was not received until February 2023, so year 1 spend has been correspondingly low.

5.21 In September 2023, we were informed by DfT that funding for new, DRT and enhanced services could be used to extend bus service provision to 31 March 2026. Subject to firmer costings and commerciality discussions we propose to extend the 522 and 525, review and extend as appropriate the enhanced services and extend WESTlink to March 2026.

5.22 Due to the variability of the initiatives within BSIP, forecasts are continually updated with live data. Our current estimates suggest a slight overspend of £27K by the end of the revised BSIP period, but this will be managed in line with that live data.

5.23 Following the DfT announcement in September 2023, we have used this flexibility to create a back stop for any potential underspend across initiatives that have proved difficult to forecast, such as fares packages.

5.24 We have identified three initiatives which fit within the DfT guidelines that could be extended into 25/26. These are enhanced frequencies of existing bus services, WESTlink and providing new services for the 126, X10, 522 & 525 bus routes. Having the flexibility to pump prime them for an extra year should lead to them becoming commercially viable at the end of the BSIP period. We will continue to develop further fare offers based on the scoring from the Prioritisation Framework laid out above.

5.25 Due to this recent update, we will work through updated costs for service extensions and update our forecasts to ensure that we will continue to review budgets and adjust as necessary. Most of the schemes rely on usage to determine

final costs and as such forecasts will be continually monitored to ensure any deviations are identified early. This will allow us to track any underspends that could be reallocated.

5.26 We will work with officers in the Unitary Authorities (UAs) to update on costs and budgets across the programme and where there may be any flexibility to add to the existing new and enhanced bus services.

5.27 Based on this information, the proposal is to set out funding allocations as below. BSIP funding will use the existing delegations set out previously by Committee:

- The surplus budget for new services allocation will be used to fund extensions into 2025/2026 to the four new routes already in existence.
- There is an additional amount of funding called the Local Transport Fund (LTF), which is allocated for Transport Authorities to provide bus services that require local authority support. This forms part of the Transport Levy and is additional to the budget for supported bus services. We received £1.1m this year in addition to previous funding, but this budget is subject to confirmation of the exact value based on costs relating to supported services.
- Any funding to deliver new bus services would need to show value for money in line with the DfT criteria, plus show a clear reflection and prioritisation by residents of the region. This would require public engagement that would be used for this funding.
- Services tendered through LTF monies would return to January Committee for approval with a wider update to BSIP funding as context.
- The remaining BSIP funding has been provisionally allocated against enhancing frequencies of existing bus routes and or including new routes where commercial viability of services has been achieved by or before March 2025 and the continuation of *WESTlink* into 2025/2026. This will continue to be reviewed as more information on live schemes becomes available.
- These priorities will be agreed in partnership with NSC.
- We will continue to manage the transition to business as usual after BSIP and do not want to lose the services or see significantly increased fares. Budget will be required to manage this 'cliff edge.'
- Additional short-term funding may be required to improve the existing *WESTlink* service.
- Any decisions on finances for BSIP cannot be made without the approval of our partner NSC and DfT as appropriate.
- These proposals will ensure that we meet the needs of the people of our region through a mixed package of new bus services, enhancements to existing services and fares offers to encourage increased patronage, thereby both strengthening the commerciality of the network and reducing car use to improve congestion and air quality.

6. Consultation

6.1 The UAs have been updated on the KPMG report and shared both verbally and in drafting this paper.

6.2 Officers from the UAs are members of the BSIP Programme Board. During this meeting, UA (Unitary Authority) officers receive updates and provide feedback on the implementation of the BSIP programme.

7. Other Options Considered

7.1 Continue delivering the BSIP programme as set out in the bid to DfT without any value for money assessment. This was disregarded as it was felt that the value for money assessment was important to show the benefit of initiatives that are in delivery.

7.2 Reallocate funding to supported bus services as requested by key stakeholders. This would require approval from both NSC and DfT due to the removal of initiatives from the programme. If this value was above 10% of the total budget, it would require a full value for money assessment to show that this was the correct approach and may open up the risk of a required commitment for the region to commit to continuing those services with local budgets, that would be significantly above the value of the current Transport Levy. This option was disregarded as it would create financial risks for all partners across the region.

8. Risk Management/Assessment

8.1 Key risks for the recommendations are outlined in the table below:

Risk	Mitigation
Due to increased DfT flexibility on how BSIP funding can be allocated, there is political pressure to divert funds from current initiatives onto supported bus services.	Undertake a value for money exercise to determine the relative benefits of each initiative including supported services.
Due to delays in progressing certain initiatives, low uptake and uncertainty around the cost estimates, there is a risk that the programme will underspend, meaning it will not use its allocated budget efficiently.	Changes to DfT guidance have largely mitigated this impact by allowing bus services to continue to 2026, but budgets will continue to be tracked.
Any significant change to the existing BSIP programme will need to be agreed with DfT and resourced appropriately, both of which could	Ensure that the DfT are kept briefed on any potential changes and keep the resource plan updated with gaps identified.

delay delivery and spend.	
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9. Public Sector Equality Duties

9.1 Socio-economic considerations, consideration needs to be given to the impact the options would have on the following demographic categories:

- Income distribution
- Children: proportion of population <16
- Young adults: proportion of population 16-25
- Older people: proportion of population 70+
- Population with disability
- Households with access to a car

The impacts for each of these user groups is considered within the framework proposed within the KPMG report.

10. Climate Change and Nature Recovery Implications

10.1 BSIP has overall positive environmental impact by improving public transport, which will help to reduce car dependency and their significant greenhouse gas emissions. However, with any transport scheme there is the potential for environmental impacts. Progressing the BSIP key target to make 75% of the buses low or zero emission by 2030 and increase that to 100% by 2035 will help to significantly reduce such impacts. Transport schemes also need to be future proofed to build the resilience of the transport network to climate risks such as flooding, heatwaves, and storms.

10.2 The Climate and Ecological Strategy and Action Plan sets out the environmental priorities for the region. In summary these are: net zero carbon by 2030, nature recovery and climate resilience. The MCA is reflecting these environmental priorities across its transport programmes, and that includes undertaking carbon management plan and accounting for the BSIP programme and setting out its plan for meeting the zero emissions buses target. BSIP also needs to undertake an initial climate risk & vulnerability assessment and integrate climate resilience measures where appropriate.

10.3 These requirements represent a new policy for the MCA, and it will take time to embed and transition this across the BSIP programme. The MCA will be determining the criteria for justifiable exceptions to these requirements (for example proportionality and impact).

10.4 The budget for all aspects of the required environmental work has not been included in the planning to date, and therefore it needs to be drawn down from programme contingency.

10.5 Report and advice reviewed and signed off by: Roger Hoare, Head of Environment

11. Finance Implications, including economic impact assessment where appropriate:

11.1 The report recommends the potential extension of services in 25/26 as per the new DfT guidelines announced in September 2023. It advises that decisions on underspend will be agreed with NSC and guided using the Prioritisation Framework developed by KPMG. The surplus budget from supported services will be used to extend the funding of four supported bus routes during 25/26. The figures in Appendix 1 are estimates and are being continually monitored, reviewed and updated.

11.2 Report and advice reviewed and signed off by: Rachel Musson, Interim Director of Investment and Corporate Services

12. Legal Implications:

12.1 Any amendments to the *WEST*ink contracts referred to at para.5.13 will be lawful in accordance with the contractual provisions and the Public Contract Regulations 2015.

12.2 There are no additional legal implications arising from this report.

12.3 Report and advice reviewed and signed off by: David Cox Interim Senior Commercial Lawyer.

13. Human Resources Implications:

13.1 Any requirements for substantive (fixed term/permanent) and interim/agency staffing will be supported through Human Resources team through recruitment processes.

13.2 In situations where funding is reduced, internal managing change and redeployment processes will be applied where applicable.

13.3 Report and advice reviewed by Monica Ogborne, Senior HR Business Partner, and signed off by Alex Holly, Head of People and Assets

14. Land/property Implications

14.1 No implications

Appendices:

Appendix 1 – BSIP current budget allocation by initiative

Background papers:

BSIP Prioritisation Report: <https://www.westofengland-ca.gov.uk/wp-content/uploads/2023/07/Prioritisation-Report-BSIP-1.pdf>

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