

**JOINT DECISION OF NORTH SOMERSET COUNCIL AND WEST OF ENGLAND MAYORAL COMBINED AUTHORITY**

**DECISION OF:** NORTH SOMERSET COUNCIL ASSISTANT DIRECTOR NEIGHBOURHOODS AND TRANSPORT AND WEST OF ENGLAND COMBINED AUTHORITY DIRECTOR OF INFRASTRUCTURE AND DIRECTOR OF INVESTMENT AND CORPORATE SERVICES

**WITH ADVICE FROM:** NORTH SOMERSET COUNCIL HEAD OF TRANSPORT, AND WEST OF ENGLAND COMBINED AUTHORITY HEAD OF INTEGRATED TRANSPORT OPERATIONS

**DECISION NO:** 2023-BSIP-02

**SUBJECT:** Fares Package 2: Birthday Offer and Free Travel for Care Leavers

**BACKGROUND:**

1. The Government's vision for improving bus services in England was set out in the National Bus Strategy (Bus Back Better) in 2021 requiring transport authorities (LTAs) to publish a Bus Service Improvement Plan (BSIP) setting out bus services will be improved in the area.
2. The joint Bus Service Improvement Plan developed by North Somerset Council and the Combined Authority detailed over £151 million of initiatives for the area. The total funding awarded was £105.5 million – which was the highest BSIP award per head of population in England (award equated to 38% of the bid). The funding award included £57.5 million of joint revenue funding to the Combined Authority and North Somerset Council
3. As a result of the funding award – a total of £21.6 million has been allocated for fares and ticketing initiatives in the West of England Area over the BSIP period.
4. In September 2022 an initial package of fare reductions, including £2 Adult fares in Bristol and Bath; a £3.70 cap on Adult fares outside of urban areas; and a £1 cap on child fares (5-15) across the whole West of England region. This fares reduction package is to be maintained for the whole BSIP period at an estimated cost of £10 million. Despite a challenging backdrop of commercial services being cut, and a 60% reduction in supported services, the fare offer to date has contributed to around a 6% increase in patronage on eligible routes/service.
5. Fare package 1 and national £2 initiative:

- In September 2022 the Combined Authority and North Somerset Council introduced a fare reduction initiative (Fares Package 1) in partnership with bus operators funded by BSIP and operators. As the dominant operator in the area First Bus agreed to fund the £2 adult and £1 child reductions in the Bristol and Bath area with the remainder funded through BSIP.
- In January 2023 the UK government provided funding for an England wider £2 cap on Adult single fares – available direct to operators where fares were above £2. Bus operators in the region were able to apply for UK government funding to reduce the West of England zones adult single, already capped at £3.70 through BSIP, to £2. BSIP funded fare reductions are intended to continue until March 2025.
- The UK gov funded £2 cap scheme has now been extended to October 2023 – at this point the cap will rise to £2.50 with the scheme ending in November 2024.

*A table comparing the initiatives is included in Appendix 6*

6. The original BSIP submission recognised the benefit of fare reduction and free fares initiatives in improving access to, and the overall attractiveness of bus travel in across the West of England area.
7. The BSIP grant funding agreement with Department for Transport (DfT) requires a Project Adjustment Request to be submitted to provide more detail of initiatives within the previously agreed funding initiatives. Once approval is received it enables funding for the initiatives to be released. This process was undertaken in June and the DfT have approved the spend proposals for Fares Package 2.

#### **DECISION:**

1. To support the allocation of £8.9 million of the BSIP fares and ticketing C1 and C2 (Fare Reductions, Discounts and Simplification Package) work package allocation to deliver a 12 months ‘Free Fares Ticketing Promotion’ (FFTP) in the area – offering all residents in the West of England free travel in the area during the month of their birth. The offer will run from the 1 August 2023 and until 31 July 2024. Promotional launch date has been set for the 3 July 2023.
2. To support the allocation of £1.7 million of the BSIP fares and ticketing C1 and C2 (Fare Reductions, Discounts and Simplification Package) work package allocation to deliver free travel for care leavers aged 18 to 21 from the 31 August 2023 (subject to supplier confirmation) to the 31 March 2025.

#### **REASONS:**

8. The BSIP States “We will work with operators to develop further incentives where appropriate, including discount offers for job seekers and emergency services workers as well as consider options for further discounts for young persons, children, and the wider traveling public. These offers will be reviewed, updated, and added to throughout the life of the BSIP” (see background paper 1).
9. The BSIP Targets “Single Passenger Journeys: Return to pre-pandemic patronage levels by 2025 and grow patronage by at least 24% from that level by 2030” (see background paper 1).
10. Research has shown that free public transport offers can result in a demand growth of 12%. With a 23% increase in the total number of trips made during off-peak periods (see background paper 3).

11. Research has also shown that FFTP can generate increased patronage even if there are discounted tickets available (see background paper 5).
12. Research has shown that new users to public transport brought in as a result of FFTP are likely to experience a decline in car usage (see background paper 5).
13. Research has shown that numerous fare free public transport ticketing initiatives have had success in generating patronage and modal change (see background paper 6).
14. Research has shown that behaviours and attitudes towards public transport in particular bus can change as a result of FFTP (see background paper 7)
15. KPMG report in Appendix 1 identified the Birthday Offer as a priority for implementation.

**OPTIONS CONSIDERED:**

16. Appendix 1 shows the appraisal of options considered in the summer 2022 by consultants at KPMG. In total 9 options were considered. Of these options the top 2 identified as being most impactful in achieving the assessment criteria were a range of fare reductions (Which are now part of Fares Package 1, which was introduced in Autumn 2022 and which will continue until March 2025) and the second is the proposed Birthday Offer which is a key component of the proposed Fares Package 2.
  
17. The options in the table below were either referenced as potential schemes in original BSIP bid or developed following reduced award:

	<b>Option</b>	<b>££</b>	<b>Outcomes</b>
<b>1</b>	Free travel for Under 11's:	<p>Estimated Cost: £7 million (see Appendix 2)</p> <p>Costed in summer 2022 for the 2023/2024 and 2024/2025 BSIP period.</p>	<ul style="list-style-type: none"> <li>• Not to be progressed in Fares Package 2.</li> <li>• Impact considered to be low given already low child fares through initial fares package.</li> <li>• Fares Package 1 reductions have offered reductions across all age groups (£2 adult Bristol/Bath; £3.70 adult West of England; £1 Child across all zones) and this group would also benefit from an area wide 'Free Fares Ticketing Promotion' (FFTP) through the proposed birthday month travel offer.</li> <li>• Though this package is not being progressed as part of Fares Package 2, children are currently receiving up to a 70% reduction in ticket prices.</li> <li>• Benefits of the offer in relation to cost were considered as part of the KMPG report. However, the option was not marked as a priority following the appraisal (see Appendix 1).</li> </ul>

			<ul style="list-style-type: none"> <li>• However, this option or similar could be considered for future BSIP fare initiatives.</li> </ul>
2	A standard 50% discount for 16 to 18-year-olds across all operators	<p><b>Estimated Cost:</b> £10 million (see Appendix 2)</p> <p>Costed in summer 2022 for the 2023/2024 and 2024/2025 BSIP period.</p>	<ul style="list-style-type: none"> <li>• Not to be progressed in Fares Package 2</li> <li>• Considered costly with existing and proposed fares packages able to promote and support bus usage growth across all age groups.</li> <li>• Operator view is that the majority of students travel by bus and consequently the demand growth expected as a result of this offer is likely to be low.</li> <li>• Reduction from Fares Package 1 have offered reductions across all age groups (£2 adult Bristol/Bath; £3.70 adult West of England; £1 Child across all zones) and this group would also benefit from an area wide 'Free Fares Ticketing Promotion' (FFPT) through the proposed birthday month travel offer.</li> <li>• Though this package is not being progressed as part of Fares Package 2, children are currently receiving up to a 70% reduction in ticket prices.</li> <li>• Benefits of the offer in relation to cost were considered as part of the KMPG report. However, the option was not marked as a priority following the appraisal (see Appendix 1).</li> <li>• However, this option or similar could be considered for future BSIP fare initiatives.</li> </ul>
3	Jobseeker discounts/reductions	<p><b>Funding Allocated:</b> £20k under initiatives C3 work package, to conduct a review of jobseekers discounts.</p>	<ul style="list-style-type: none"> <li>• Not to be progressed in Fares Package 2.</li> <li>• Bus operators and local authority representatives have advised that a review of jobseekers' discounts in the region is required.</li> <li>• The existing Wheels to Work, scheme, which offers a range of free travel options, is currently suffering from lack of funding, control, and eligibility checks.</li> <li>• A review into options for jobseekers' discounts in the region is to be</li> </ul>

			progressed which will inform future fares package options.
4	Apprentice discount/reductions	<p><b>Funding Allocated:</b> £20k of BSIP funding has been allocated under initiatives C3 work package to conduct a review of apprentice discounts.</p> <p><b>Estimated Cost:</b> Currently costing possible options for a future fares package.</p>	<ul style="list-style-type: none"> <li>• To be considered for a Fares Package 3</li> <li>• Possible offers and costs are currently being understood.</li> <li>• It is expected that an offer will form part of a future decision notice.</li> <li>• Funding which has been allocated for a review into options for apprentice discounts in the region is to be progressed and will help inform future fares package options.</li> </ul>
5	Free Birthday travel	<p>Estimated Cost: £8.9m</p> <p>Costed in April 2023 with offer in place for 12 months from June 2023.</p> <p>Cost includes reimbursement, development and per user operating costs.</p>	<ul style="list-style-type: none"> <li>• To be progressed in Fares Package 2.</li> <li>• Universal offer to all residents to promote public transport and increase patronage.</li> <li>• Studies on FFTP suggest the potential for a 12% increase in patronage, with a 23% increase in the total number of trips made during off-peak periods. There is also some potential for long term growth (see background paper 3 and 4).</li> <li>• Studies also suggest that FFTP can result mode shift, behavioural and attitude changes and generate new users/patronage growth (see background papers sections of this notice).</li> <li>• Offer will be available to all age groups covering all those identified in the BSIP submission (including children and young people).</li> <li>• Offer will also be available on WESTlink (Demand Responsive Transport).</li> <li>• Application process has been designed to facilitate those with no fixed address which will help disadvantaged groups such as refugees and those with no access to the internet.</li> <li>• Able to work in parallel to existing BSIP packages including Fares Package 1 and enhanced services.</li> <li>• Highlighted as a priority option by the KPMG report (see Appendix 1).</li> </ul>

			<ul style="list-style-type: none"> <li>• To receive the offer individuals will apply through a dedicated website. (<a href="http://www.birthdaybus.co.uk">www.birthdaybus.co.uk</a>), where an identity check will take place and after verification a smartcard will be sent in the post. The full back-end process of applying and receiving the offer is outlined in Smart Application Management scoping document in Appendix 3.</li> <li>• The West of England Combined Authority and North Somerset Council have worked together to produce a joint communications plan and campaign creatives. While the marketing and promotions material will look the same, the content may differ depending on regional differences and areas that will see targeted promotion. See Appendix 7 for a plan of the first 3 months of communications, marketing and promotions. Appendix 9 shows the initial concepts.</li> <li>• Following discussions, the comms plan will specifically target 3 key audiences – car users, under-privileged groups/low-income areas and young people. This will be with a view to helping with modal shift and targeting those most in need of the offer. See Appendix 8 for more detailed information regarding how we will address mode shift.</li> </ul>
6	Free travel for care leavers (aged 18 to 21)	<p><b>Estimated Cost:</b> £1.7m</p> <p>Costed in April 2023 for the 2023/2024 (from October) and 2024/2025 BSIP period.</p> <p>Development costs still to be received by supplier. This has been accounted for in contingency, see funding section.</p>	<ul style="list-style-type: none"> <li>• To be progressed in Fares Package 2.</li> <li>• Engagement with officers from all Unitary Authorities (including North Somerset Council) has identified this as an area of high priority with support across the board.</li> <li>• Affordable initiative supporting young people where there is a clear need for support to access public transport.</li> <li>• Offer follows similar offers being made by Transport for Greater Manchester and others.</li> <li>• The process of applying and receiving the offer will be similar to the Birthday</li> </ul>

			<p>Offer. However, instead of ID checks, unique codes will be given to Local Authority case workers to give to eligible care leavers who will then be able to access the site and apply for free travel. The key representatives of Care Leavers within each Local Authority have been briefed and they are willing and happy to support. Full scoping document by Smart Application Management is still to be received.</p>
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**FINANCIAL IMPLICATIONS:**

**Costs**

18. After consulting with operators on the commercial agreement for this Birthday Offer and having an understanding on current patronage levels, we have forecasted this cost estimate accordingly.
19. The total cost will be around £8.9 million. This accounts for fare reimbursement with an assumed 12% growth included, developmental costs and forecasted per applicant/user costs.
20. The total cost of £8.9 million will be split between two financial years with around £7.4 million being incurred in 2023/2024 and £1.5 million in 2024/2025. See Appendix 4.
21. Appendix 5 shows the cost impact of various growth scenarios for the Birthday Offer. But based on Background Paper 3 and conversations with operators we have assumed a 12% growth forecast is realistic.
22. Assuming the decision to take forward free travel for care leavers is granted, it will cost an estimated £1.7 million (Costs account for fare reimbursement, development, growth in those eligible, inflation and per applicant charges) across the BSIP period. This cost will be split across two financial years as shown below:
  - £800k for FY2023/2024
  - £900k for FY2024/2025
23. See Appendix 4 for full forecasted cost breakdown of each Fares Package.
24. It is important to note that the costs provided are forecasts and the real values could end up being greater or lower.
25. The forecasted costs for the Birthday Offer were based on a June start; consequently the splits in each year reported are likely to vary.
26. Fares Package 2 is envisaged to align with existing fares packages. Fares Package 1 has a growth share and journeys under Fares Package 2 will not be subsidised under Fares Package 1.
27. The enhanced services agreements are expected to work such that there is no duplication in support provided through existing or new fares packages.

**Funding**

28. Funding for this offer is coming from the £21.3 million allocated for the BSIP fares initiatives under the C1 and C2 Fares reductions, discounts and simplification work

- package. This funding is part of a larger 'Fares and Ticketing' project funding amount of around £21.6 million, which is allocated for fares support and ticketing reform.
29. The allocation figures are subject to change due to a Project Adjustment Request that is likely to increase the allocation for Initiatives C1, C2 to £21.8 million, increasing our total 'Fares and Ticketing' project funding to £22.1 million. This is an increase in project funding of £520k that is expected to cover overspend on Fares Package 1 in 2022/2023.
  30. Appendix 4 shows the full breakdown of costs and impact on the current available/approved budget and proposed (pending formal approval) budget in each financial year following the continuation of Fares Package 1 and implementation of the Fares Package 2 as described in this decision.
  31. The remaining BSIP C1 and C2 budget following the implementation of Fares Package 2 and continuation of Fare Package 1 is approximately £1.4 million. This provides a suitable contingency for changes in demand. Offers for other groups are currently being costed. Furthermore, costs being incurred are under continual review and if underspend is likely we will look to bring forward a Fares Package 3.
  32. However, it is important to note that when the Birthday Offer goes live it will reduce the number journeys that are likely to be subsidised by Fares Package 1, so there could be cost savings. But the level of this saving is still being calculated.
  33. Budget for the annual marketing and behavioural change campaign is proposed at £200k (maximum) across the West of England Combined Authority and North Somerset Council. The uptake will be consistently reviewed, and plans amended to increase/decrease as appropriate. We are satisfied that the £8.9m allocation for this initiative is sufficient to cover the anticipated marketing and comms spend but this will need to be reviewed through the life of the scheme. The BSIP programme has separately identified marketing and comms budget should that be required.
  34. A comprehensive monitoring and evaluation plan will be in place to monitor the effectiveness of the fares package. Monthly reports will be sent to the Department for Transport as requested as part of the funding approval. There will also be an audited report on effectiveness at the end of the 12 months.
  35. The figures mentioned above could change as the result of further Project Adjustment requests.

## **COMMERCIAL REINBURSMENT**

36. Discussions with operators identified the use of a reimbursement approach, based on agreed single journey rates, as most suitable. This was due to challenges with being able to accurately calculate the fare forgone for every individual journey and concerns from operators about loss of revenue because of existing customers transferring to free travel.
37. The existing Department for Transport concessionary tool (used to calculate the annual per journey rate for operators) has been used as a starting point with further negotiations to agree a suitable rate (this tool accounts for growth within its calculations). This approach ensures value for money as the DfT tool is specifically designed to develop reimbursement rates based on average fares and taking into account forecast growth as a result of the scheme (potential patronage growth for the scheme is estimated at up to 12%).



38. If growth exceeds the 12% there is a clause in the agreement which will allow a review of the rates we reimburse operators.
39. It should be noted that the Fares Package 2 reimbursement approach will align with existing packages with no duplication of subsidy. Fares Package 1 has a growth share built in and free journeys made under Fares Package 2 will not receive any subsidy under Fares Package 1.

## LEGAL POWERS AND IMPLICATIONS

40. There are no legal implications identified resulting from this project.
41. Operators taking part in the scheme will enter into an agreement with the CA. The precise arrangement for the reimbursement payment will need to be drawn up by officers in consultation with Legal. Any arrangement will be state aid compliant.

## CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

42. Our fares proposition seeks to support modal shift and reduce congestion promoting the idea of sustainable travel, reducing emissions and improving air quality.

## CONSULTATION

43. Metro Mayor, Mayor's Office, Head of Integrated Transport Operations, North Somerset Transport Officers, BSIP Senior Responsible Officer, BSIP Finance Partner, BSIP Programme Manager, Department for Transport, Enhanced Partnership Board and Advisory Panel, B&NES Public Transport Team, First Bus, Stagecoach, Faresaver, Abus, Big Lemon, CT Coaches, Transpora and Bath Bus Company.

## RISK MANAGEMENT

44. Risks and mitigations for Fares Package 2 are outlined in the table below:

Risks	Mitigations
Costs are higher or lower than anticipated leading to either overspend or underspend.	Will proactively review forecasted spends using latest data to anticipate any overspend or underspend and highlight this to the BSIP Senior Responsible Officer.
Not all operators sign the agreement and take up the offer	Have ensured early engagement with operators and are holding meetings regularly to shape the commercial terms.
Offer fails to generate sufficient take up/patronage growth	For the Birthday Offer we will work closely with the marketing/communication leads to ensure a successful public relations campaign. Will monitor take up of the offer and data that is produced to assess the impact and adjust the approach where necessary.

	Have ensured early engagement with Local Authorities and will continue to work with them closely, to ensure that they maximise the take up for care leavers that are eligible for the offer.
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**EQUALITY IMPLICATIONS**

- 45. As well as the marketing campaign, we have a database of community groups and organisations from the WESTlink campaign and will engage with these to ensure there is knowledge of the offer across our communities. The equalities impact of this marketing plan will be outlined in the marketing, communications and promotion Directors Decision Notice.
- 46. Regarding applicants who are unable to apply via the website or have no fixed address, Smart Application Management (SAM) will process their application either via email or by post. These applications will be manually processed a per application charge incurred. There will also be a contact number which will provide support for anyone having access issues with the website or smartcard (see Appendix 3).

**CORPORATE IMPLICATIONS**

- 47. No corporate implications have been identified for this decision notice.

**SIGNATORIES:**

**DECISION MAKER(S):**

**Signed: Gemma Dando, Assistant Director, Neighbourhoods & Transport, North Somerset Council**

**Date: 3 July 2023**

**Signed: David Gibson, Strategic Director of Infrastructure, West of England Mayoral Combined Authority**

**Date: 3 July 2023**

**Signed: Rachel Musson, Director of Investment and Corporate Services, West of England Mayoral Combined Authority**

**Date: 3 July 2023**

