

BSIP Prioritisation

Final report
8 September 2023

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Executive Summary

Overview






In May 2023, the DfT issued updated guidance relating to the allocation of BSIP funding which provides local authorities the flexibility to use existing BSIP funding to support existing services, which was previously only allowed if a trajectory to commerciality by the end of the programme was shown.

On this basis, the report has considered the following:

- **BSIP Performance to date** - an understanding of how initiatives are performing since their introduction, noting many of the initiatives are still in their infancy and therefore it is likely that insights will be limited at this point in time
- **BSIP Financial Review** - analysis of the BSIP funding profile to understand what funding could be available to redistribute to BSIP initiatives. This section includes a discussion on potential alternative revenue sources beyond BSIP
- **Prioritisation framework** - development of a 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 funding identified
- **Recommended option** - recommendation for how identified funding could be redistributed to BSIP initiatives

BSIP Performance to date

The figure below provides a summary of the performance of BSIP initiatives to date, noting that some of the initiatives are very new and the data available for assessment is therefore limited. That said, there are some emerging trends.

Initiative	 Fares Package 1 (£2 fares)	 WESTlink	 Enhanced Services	 Supported Services	 Fares Package 2 (Birthday fares)
Roll out date	25 September 2022	3 April 2023	3 April 2023	3 April 2023	3 July 2023
Performance Summary	Steady patronage and revenue growth. Strong performance from Adults and Single ticket.	Strong patronage per vehicle in the North & South. Service has not been fully operational due to driver shortages but increase in operations in recent weeks.	Patronage growth on most services compared to pre enhancement levels. Funding needed £0.31m lower than forecast due to strong performance.	Patronage growth in both the 522 and 525 services. Despite decreasing cost per journey, there is a significant gap between revenues and costs.	Upward trend of patronage since introduction but low levels of conversion to applications is noted throughout.

BSIP Financial Review

We have conducted an analysis to present a range of potential funding that may be available to re-distribute to other initiatives.

The analysis has considered various information including the current assumptions driving the forecast and the RAG spend confidence.

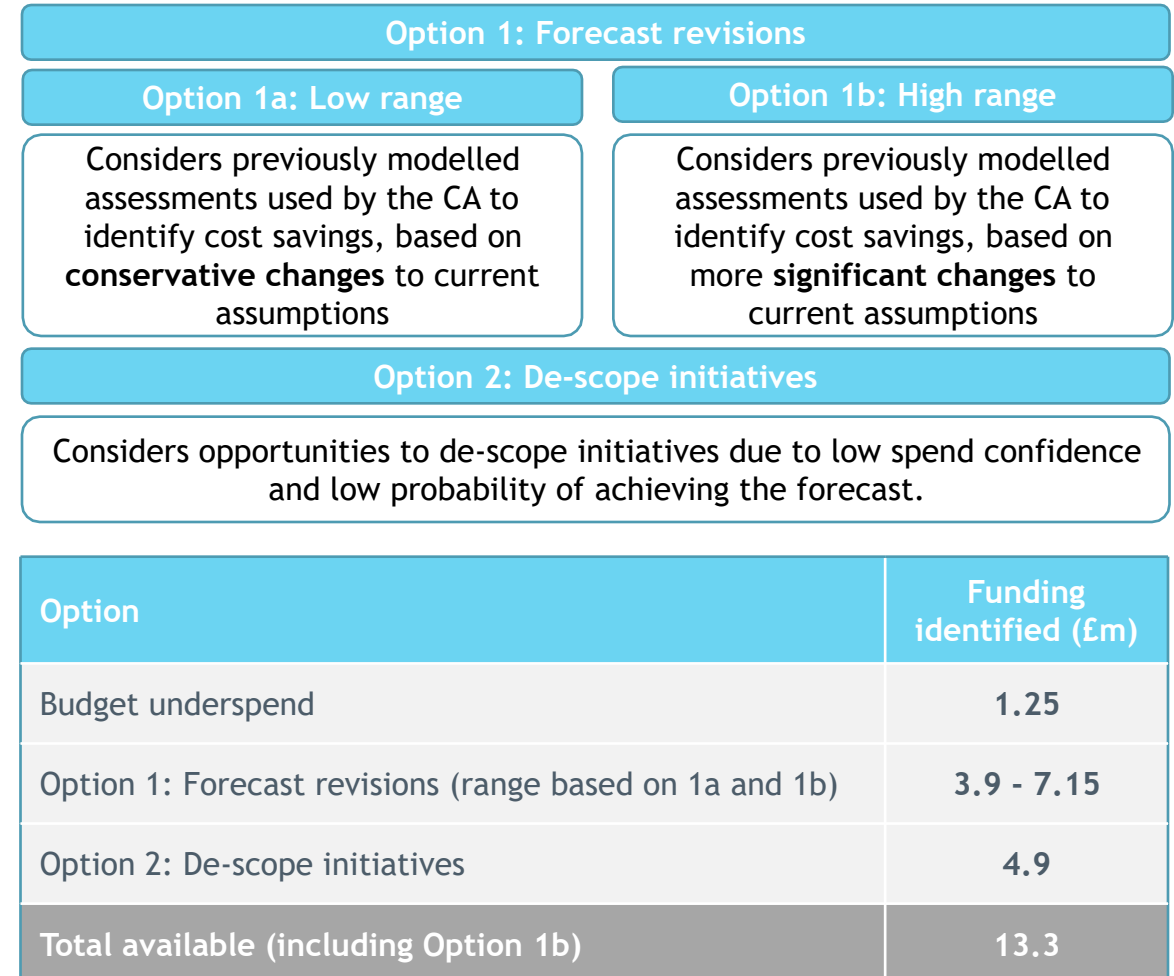
Our initial review identified a budget underspend of £1.25m in the current forecast, with the forecast totalling £56.25m compared to the BSIP budget of £57.5m. As such, £1.25m is our base position for the financial review.

We have developed two options for the redistribution of funding as set out in the figure on the right, these are:

- Option 1: Forecast revisions
- Option 2: De-scope initiatives

Option 1 and 2 are mutually exclusive, and as such they can be delivered individually or together. If Option 1 is taken forward, there are two sub-options and a choice must be made between Option 1a and Option 1b.

As such, the range of funding available is £1.25m - £13.3m.



Prioritisation Framework

We have developed a two step prioritisation framework.

Step 1 includes a DfT style value for money assessment, providing a BCR for each of the options assessed.

Step 2 will consider the results of Step 1 in the context of other important criteria as set out in the figure on the right.

Using the findings from both steps, we prioritise options to support the redistribution of funding identified under the Financial Review.





Step 1: Quantitative assessment

Value for money assessment with a BCR as the key output

VfM Category	BCR
Very High	≥ 4
High	2 - 4
Medium	1.5 - 2
Low	1 - 1.5
Poor	0 - 1
Very Poor	≤ 0

Step 2: Qualitative assessment

Qualitative assessment of other relevant criteria using a RAG assessment

	Criteria	Description
	Criteria 1: Network vision	Does the proposed intervention support the delivery of the West of England's network vision (see slide 44 for detail)?
	Criteria 2: Socio-economic considerations	How does the proposed intervention impact key social groups (see slide 45 for detail)?
	Criteria 3: Sustainability	Does the intervention have a trajectory to sustainability by the end of the funding period?
	Criteria 4: Deliverability	Is the intervention deliverable within the funding period?

Recommended Option

● - Limited contribution/ potential ● - Some contribution/ potential ● - Strong contribution/ potential

The table below sets out the results of the prioritisation framework for BSIP funding. The following slide provides a discussion of the assessment.

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
Supported Services	Poor-Low**	●	●	●	●	5

*There is significant uncertainty over the value for money for DRT largely driven by uncertainty surrounding patronage. If the service is successfully delivered and promoted, and patronage levels grow, the Benefit Cost Ratio (BCR) could approach £2 for every £1 spent. At present, patronage levels are low as the service has only recently been introduced.

** Supported Services show a range of value for money depending on cost and patronage. BCRs are typically between 0.6 and 1.2 with a small number of services showing BCRs above 2.

Conclusions (1/2)

We have reviewed BSIP finances and identified a range of funding that could potentially be reallocated between BSIP initiatives. Following a change in rules, funding can now be allocated to supported services.

We have completed a prioritisation exercise to determine how best to spend funding that may become available. This exercise considered expected value for money, alignment to the CA's vision for bus services, socio-economic impacts, likelihood of financial sustainability, and deliverability within the BSIP period. The findings of this exercise are:

- **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 relatively 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.

Conclusions (2/2)

- **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.
- **Supported services are ranked 5th.** Supported 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, supported services are expected to provide poor to low value for money. Where patronage levels are higher, value for money is also higher.

Based on this analysis, there is a good case to reallocate available funding to fares initiatives and enhanced services. Initiatives to improve passenger experience and provide DRT services are currently fully funded. Whilst new supported services are likely to provide poor or low value for money there may be strong social reasons to invest, especially where DRT is unable to provide an alternative. In the recent past, driver shortages have constrained service expansion but those constraints are reportedly easing so a more even balance between fares reductions and service enhancements may be possible.

Section 1: Introduction

Problem Statement

The West of England Combined Authority (CA) and North Somerset Council (NSC) published their joint Bus Service Improvement Plan (BSIP) to the Department for Transport (DfT) in October 2021. The DfT allocated indicative funding for three years to March 2025 in April 2022.

In May 2023, the DfT issued updated guidance relating to the allocation of BSIP funding on the basis that they recognised the change in context since the initial guidance for BSIP was introduced, with some areas of the country still facing significant challenges with rising costs and lower patronage.

The updated guidance provides local authorities the flexibility to use existing BSIP funding to support existing services, which was previously only allowed if a trajectory to commerciality by the end of the programme was shown.

The DfT have not imposed a limit on the amount of BSIP funding which could be redirected to support existing services, but a Project Adjustments Request (PAR) is required to be submitted to DfT. This will be automatically approved by DfT if the request is for less than 10% of the total BSIP funding. Where the request is greater than 10%, the DfT will consider the request in greater detail.

Given the existing BSIP Programme has been agreed with the CA's Enhanced Partnership partner, NSC, a redirection of funding would also require approval from NSC.

In considering whether to redirect BSIP funding, the DfT have stated that LTAs 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 distribution in this context.

Approach

The report is structured as follows:

(1) Introduction

Summary of the problem statement and approach in this report

(2) BSIP Overview

Summary of the BSIP objectives and interventions

(3) BSIP Performance to-date

A review of BSIP initiatives to date to understand performance since roll out

(4) BSIP Financial Review

A review of BSIP spending to date and forecasting for the remaining funding period to understand how much of the budget could be available to be re-distributed

(5) Prioritisation Framework

Development of a prioritisation framework that allows comparison of the value of different types of initiatives

(6) Options Development

Development of options for BSIP funding re-distribution which will be prioritised using the developed framework

(7) Options Assessment

Application of the prioritisation framework to the options

(8) Recommended Option/s

Recommended allocation of identified available funding across the options prioritised

Section 2: BSIP Overview

Our Vision for Services

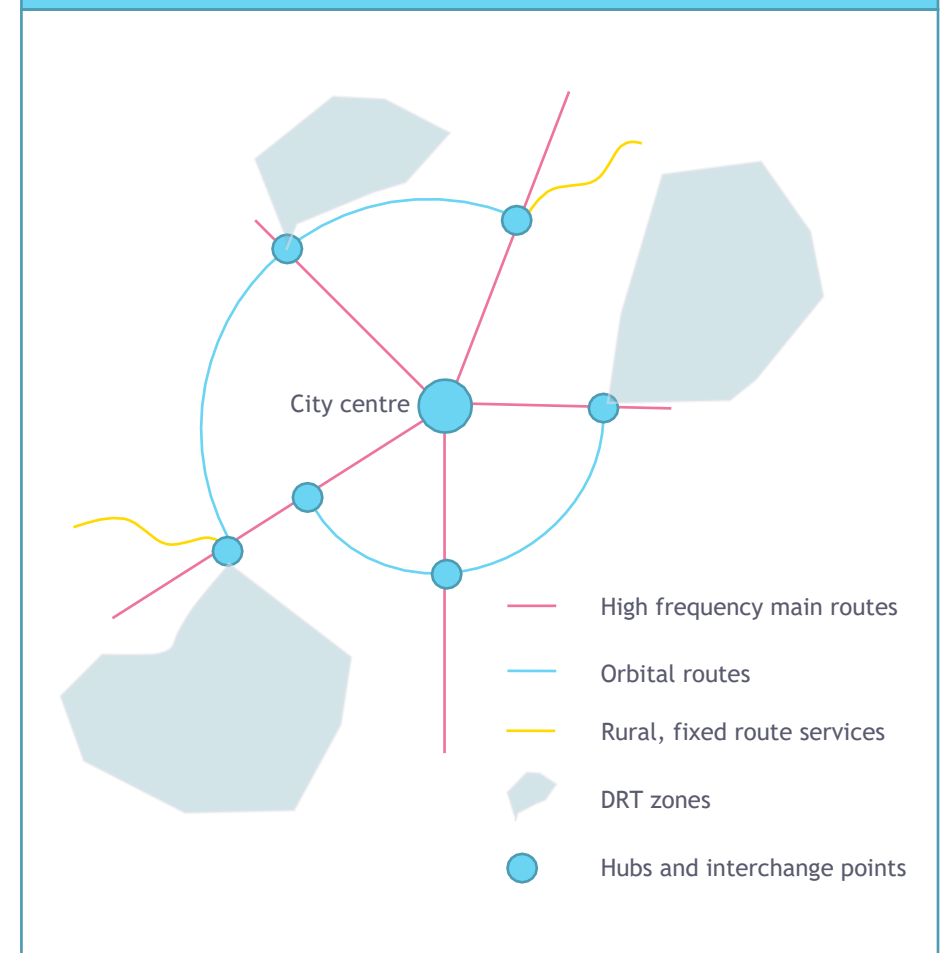
We have set ambitious plans to enhance the region's transport network. By 2036, we will deliver a well-connected sustainable transport network that works for residents, businesses, and visitors across the region; a network that offers greater, realistic travel choices and makes walking, cycling and public transport the natural ways to travel.

Our vision is for a bus service that people can depend on, with quick and reliable services that combine to form a simple to understand and easy to use network. Services will be accessible for everyone, they will be safe and comfortable, and offer value for money to passengers and to the taxpayer.

This means:

- Making the bus convenient - taking our residents where they want to go at the times, they need to travel by extending the current network, enhancing frequencies, and optimising services.
- Making our public transport network co-ordinated - by providing a recognisable and consistent brand across the area, easy access to information, integrated ticketing across operators and enabling simple connections across modes and services.
- Delivering a positive customer experience - by bringing our bus stops up to a high quality and consistent standard, delivering new accessible and environmentally friendly buses, offering a value for money and affordable service for all, including some targeted fares reductions; also ensuring that people are provided with the right information as and when they need it, all so that buses are an easy-to-use and a natural choice.

Figure 1: Illustration of vision



BSIP Objectives

The BSIP vision for a bus service that people can depend on is underpinned by the following objectives:

1	High mode share for buses of overall travel market	Good access to bus services and a positive contribution to decarbonisation plans and air quality improvements, and sustainable housing and employment growth
2	High quality bus service	Cohesive, comprehensive, and simple route network including co-ordinated radial and orbital services in urban areas with easy interchange between them
3	High quality waiting environment	Bus stops, bus stations and interchanges to be accessible, safe, and inclusive by design with good facilities
4	High vehicle standards	Progression to zero emissions through bids for Government funding when available, and Euro VI emission standard in the meantime
5	High level of passenger satisfaction	Bus Passenger Charter to set out what standards passengers can expect, including punctuality, vehicle cleanliness, accessibility, proportion of services operated
6	High quality information	Consistent, distinctive and readily-identifiable branding for the whole public transport network on all media
7	Low fares, simple ticketing, and easy means of payment	Low flat fares, daily and weekly capping, delivered via contactless payment, EMV and m-ticketing and support provided to multi-operator ticketing

BSIP Interventions

The interventions needed to deliver the BSIP objectives fall into four categories as follows:

Network & Services

This will focus on delivering an cohesive and high quality bus Network for all the community in the region.

Initiatives in this category include:

- Enhanced Services (A1)
- WESTlink (I1)
- More supported services (I3)

Fares & Ticketing

This will deliver a simple and easy to use integrated and flexible Ticketing and Fares solution for the region.

Initiatives in this category include:

- Fares Package 1 (C1)
- Fares Package 2 (C3)
- Discount review (C3)
- Multi operator ticket support (D2)
- Multi operator ticket integration support (D3)

Passenger Experience

The will work to create a bus brand for the region, providing high quality information for bus users and aiming to delivery high level of customer satisfaction.

Initiatives in this category include:

- Brand identity (F1)
- Marketing, promotion and communications (F2)
- Travel guide & journey planning (F3)
- Within journey information (F4)
- Providing network stability (F5)
- Bus Passenger Charter (H1)
- Bus passenger safety audit (H2)

BSIP Programme Management

This will focus on creating a good service with high quality environment and vehicles alongside our partners for during and after the infrastructure works.






Initiatives in this category include:

- Resource
- Skills training
- Contingency
- Monitoring and evaluation

Section 3: BSIP Performance to date

BSIP Performance to date

The figure below provides a summary of the performance of BSIP initiatives to date, noting that some of the initiatives are very new and the data available for assessment is therefore limited. That said, there are some emerging trends.

Initiative	 Fares Package 1 (£2 fares)	 WESTlink	 Enhanced Services	 Supported Services	 Fares Package 2 (Birthday fares)
Roll out date	25 September 2022	3 April 2023	3 April 2023	3 April 2023	3 July 2023
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The following slides in this section contain more detail on each of the initiatives and the performance since they were rolled out.

Fares Package 1 - £2 Fares (1/2)

Fares Package 1 was introduced in September 2022 and includes the implementation of a cap on the following fares:

- Adult Single (Bristol and Bath) - £2
- Adult Single (outside Bristol and Bath) - £3.70
- Child Single (All zones) - £1
- Day tickets - £7

Figure 2 illustrates the number of tickets sold and revenue collected relative to the baseline for each between September 2022 and June 2023. The baseline is derived from a weekly average of ticket sales over a 6-month period. Tickets and revenue follow a relatively similar trend over the period, with tickets volumes growing between September 2022 and June 2023. At the peak recorded in w/c 29 May, relative to the baseline, tickets sold were 53% higher than the baseline.

Figure 3 shows the subsidy paid by the CA to the operator to compensate for the revenue loss between September 2022 and June 2023. The graph shows an overall downward trend which reflects the increase in tickets sold as set out in Figure 2. The latest subsidy payment at the end of June is approximately 10% lower than when the scheme was introduced in September 22. The subsidy per passenger is therefore falling at a faster rate. However, further significant patronage growth would need to be achieved to fully offset the need for subsidy to support the scheme.

Figure 2: Number of tickets and revenue (Sept 22 - June 23)

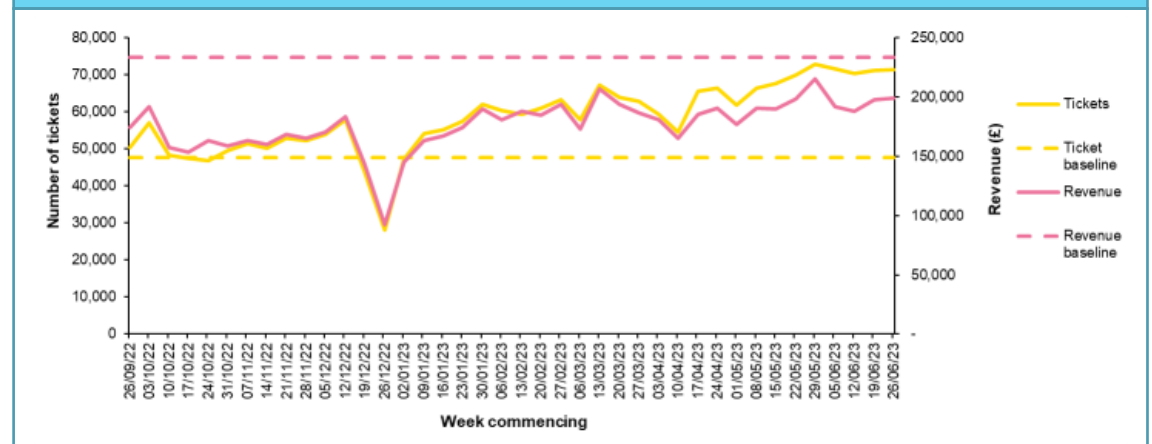
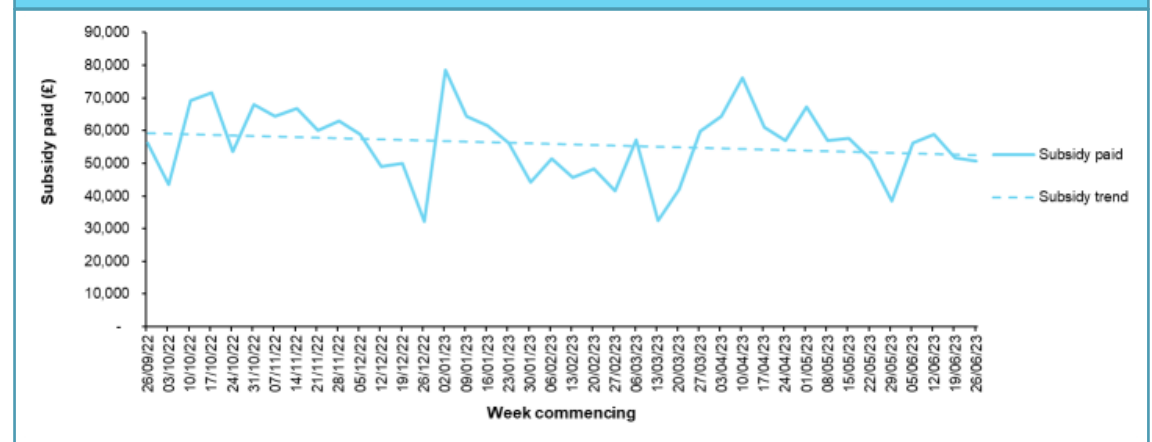


Figure 3: CA Subsidy paid to operators (Sept 22 - June 23)



Fares Package 1 - £2 Fares (2/2)

We have interrogated the ticket data in greater detail to understand key drivers of growth.

Figure 4 compares the number of tickets sold by passenger type (Adult, Child, and Student) to the baseline between September 2022 and June 2023. As expected, adult tickets form the largest proportion of tickets as seen in the graph. The volume of adult tickets have increased throughout the period and at the peak in May and June 2023, they have grown 100% relative to the baseline. Child tickets have also grown relative to the baseline during the period, peaking at 92% relative to the baseline in May 2023. Student revenue on the contrary is performing below the baseline level - it is possible that this is because the adult £2 fare is currently the lowest fare available and therefore offers the best price for students.

Figure 5 compares the number of tickets sold by ticket duration (Single, Return and Day) to the baseline between September 2022 and June 2023. As expected, single tickets form the largest proportion of tickets as seen in the graph, and have demonstrated significant growth since the start of 2023. Single tickets are now outperforming the baseline by approximately 97% (June 23). Day tickets have decreased due to the baseline which could be because the other subsidised fares offer better value.

Although these charts show patronage growth in key markets, the offer is reliant on the subsidy to operators funded through BSIP.

Figure 4: Number of tickets sold by passenger type (Sept 22 - June 23)

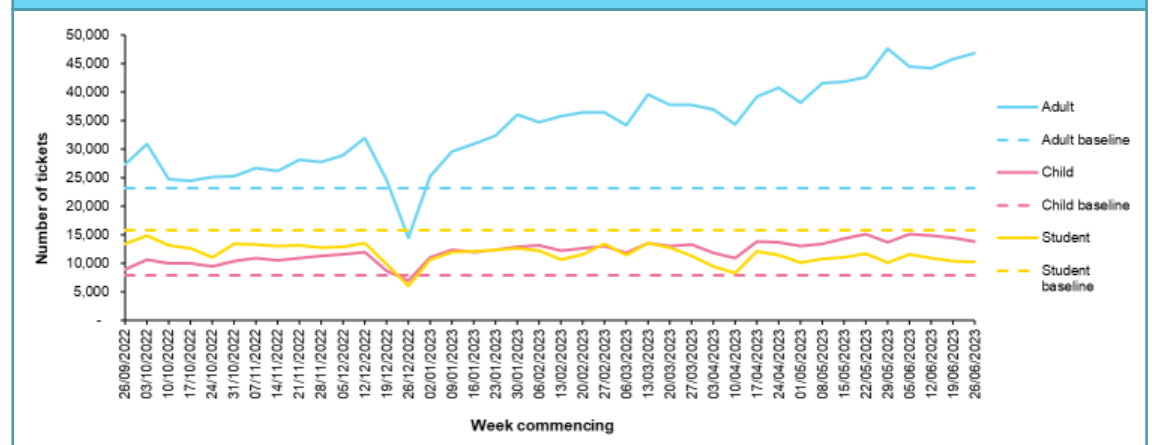
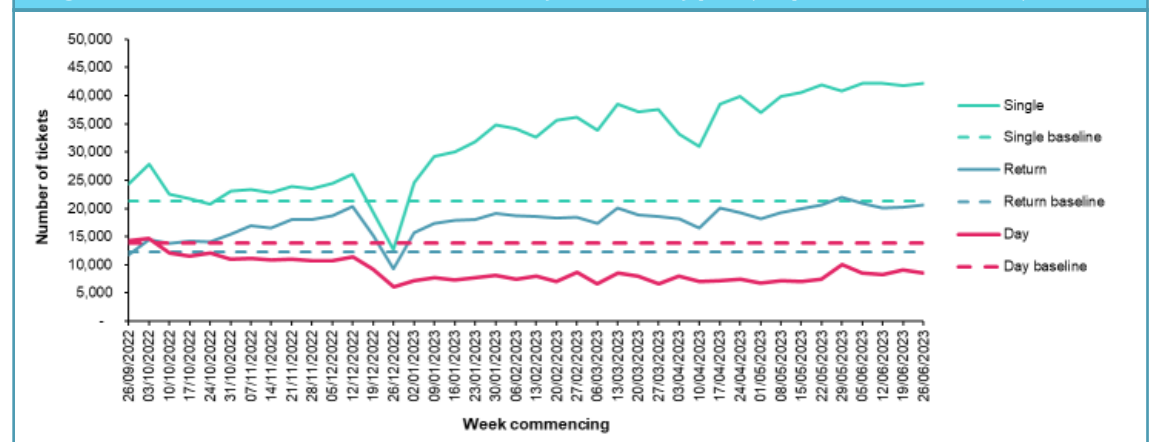


Figure 5: Number of tickets sold by ticket type (Sept 22 - June 23)



WESTlink (1/2)

WESTlink was introduced in April 2023 in three zones around Bristol - North, South and Future Transport Zone (FTZ).

Figure 6 provides details of the total population size across the wards where WESTlink operates. As the chart shows, the population is significantly higher in the Southern area, and as such, we would expect the number of vehicles and the levels of patronage to be highest in this area.

The ambition is that at full capacity, there could be 30 vehicles on the road at a given time (equivalent to approximately 180 vehicles per week given the service is reduced on Sundays). However, the service is not yet fully operational due to driver shortages.

Figure 7 sets out the weekly vehicle numbers by area since the scheme was launched until the end of July 2023. On average, there have been 128 vehicles per week, which accounts for approximately 70% of the expected full capacity. However, in recent weeks there has been a ramp up in operations, with 157 vehicles operating in the most recent weekly data available, equating to 87% of expected full capacity.

Given the larger customer base in the Southern area, it is planned that 16 vehicles will operate in that area, with 8 and 6 vehicles in the North and FTZ areas respectively. When the scheme was first launched, due to the shortage of vehicles, the allocation of vehicles was prioritised for the FTZ area.

Figure 6: Population of WESTlink areas

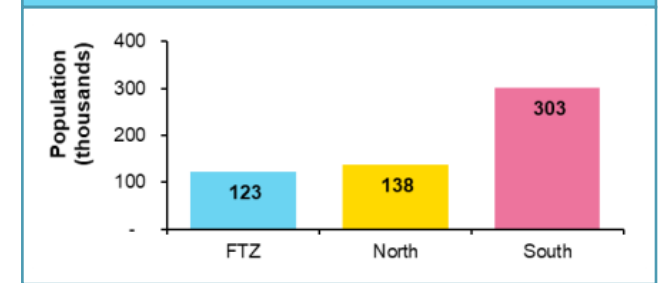
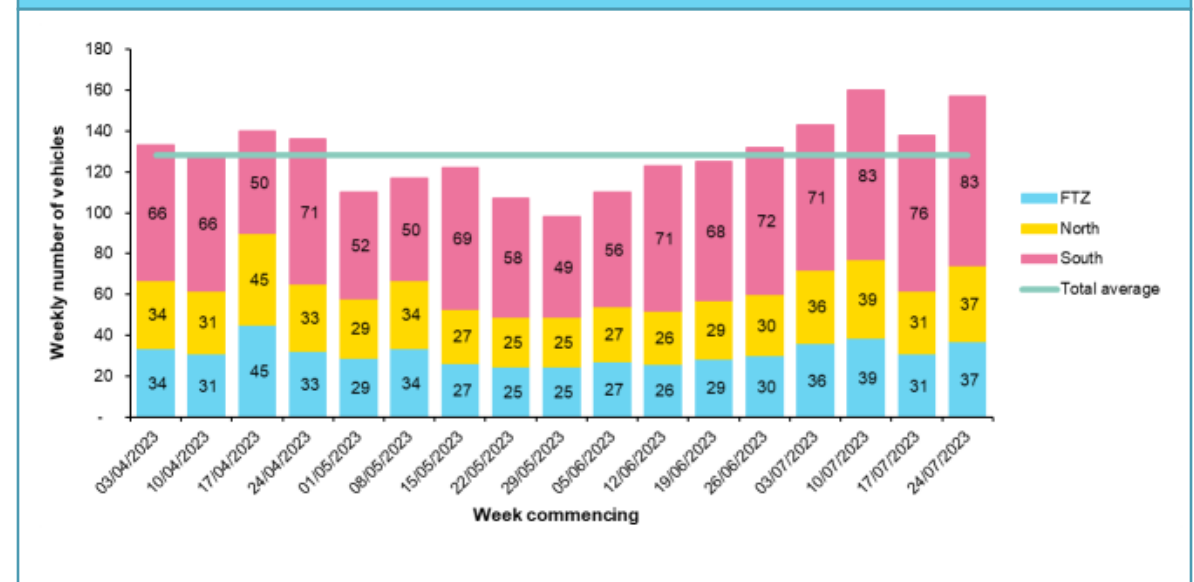


Figure 7: WESTlink vehicle numbers by area



WESTlink (2/2)

Figure 8 sets out WESTlink patronage since the introduction of the scheme in April 2023 up to August 2023. The Southern area has seen the highest levels of patronage, with growth of 179% since the service was introduced. Levels of patronage have been lower in both the FTZ and the North, but growth rates have been more significant - with growth of 340% and 303% for the FTZ and North areas respectively.

Given operational differences in the number of vehicles, it is important to consider patronage levels as a proportion of vehicles in operation - Figure 9 sets this out. Figure 9 shows that when journeys are proportionate to vehicle numbers, the North and South are performing at relatively similar levels in recent weeks. FTZ performance has been steady since the scheme was introduced but has seen less growth compared to the North and South zones.

It is also useful to consider patronage levels in the context of the population in each area given the variance in the population that WESTlink is serving - Figure 10 sets this out. Figure 10 shows that the North zone has performed most strongly in the context of journeys as a proportion of population.

To summarise, the South zone is performing most strongly in terms of patronage, but when patronage levels are considered in the context of both vehicle numbers and the population of the area, the North is performing most strongly. The service is still in its infancy and with increased vehicle numbers due to be added and continued marketing, there is opportunity for growth.

Figure 8: WESTlink weekly journeys by area

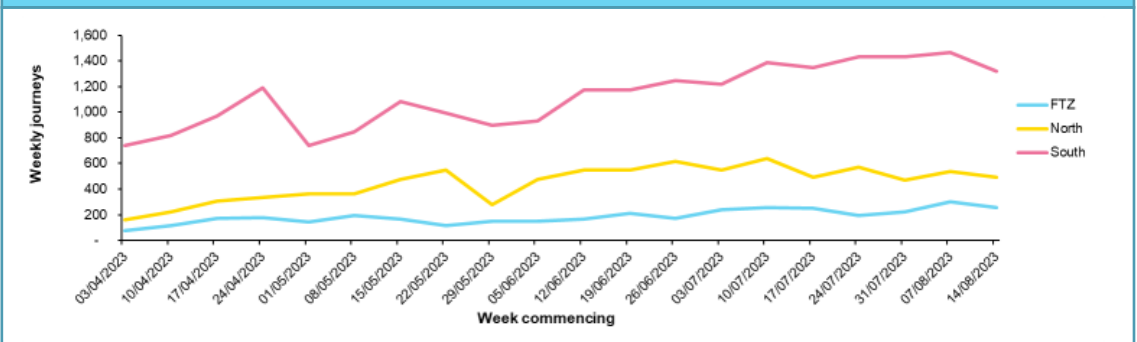


Figure 9: WESTlink weekly journeys per vehicle by area

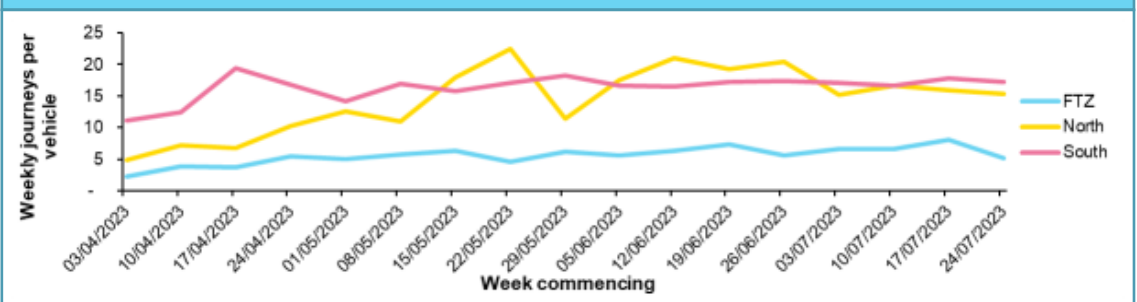
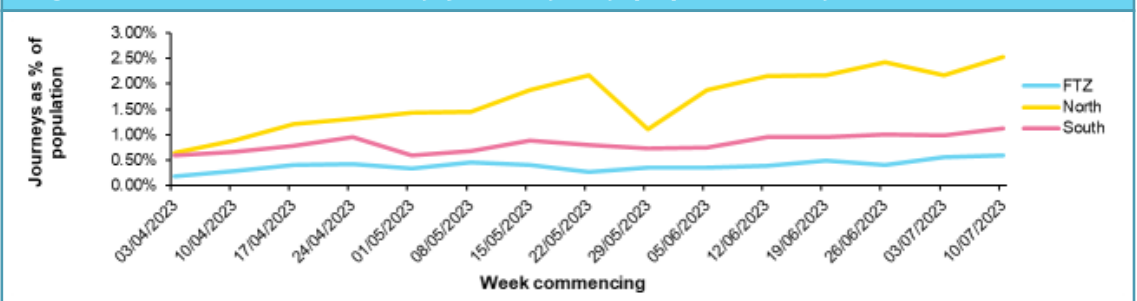


Figure 10: WESTlink weekly journeys by population by area



Enhanced Services - Overview (1/6)

Since 3rd April 2023, an enhanced schedule has been introduced on a number of commercial routes in the West of England.

The table below lists the services and the number of buses per hour pre and post enhancement alongside the growth rate in patronage which is also illustrated in Figure 11.

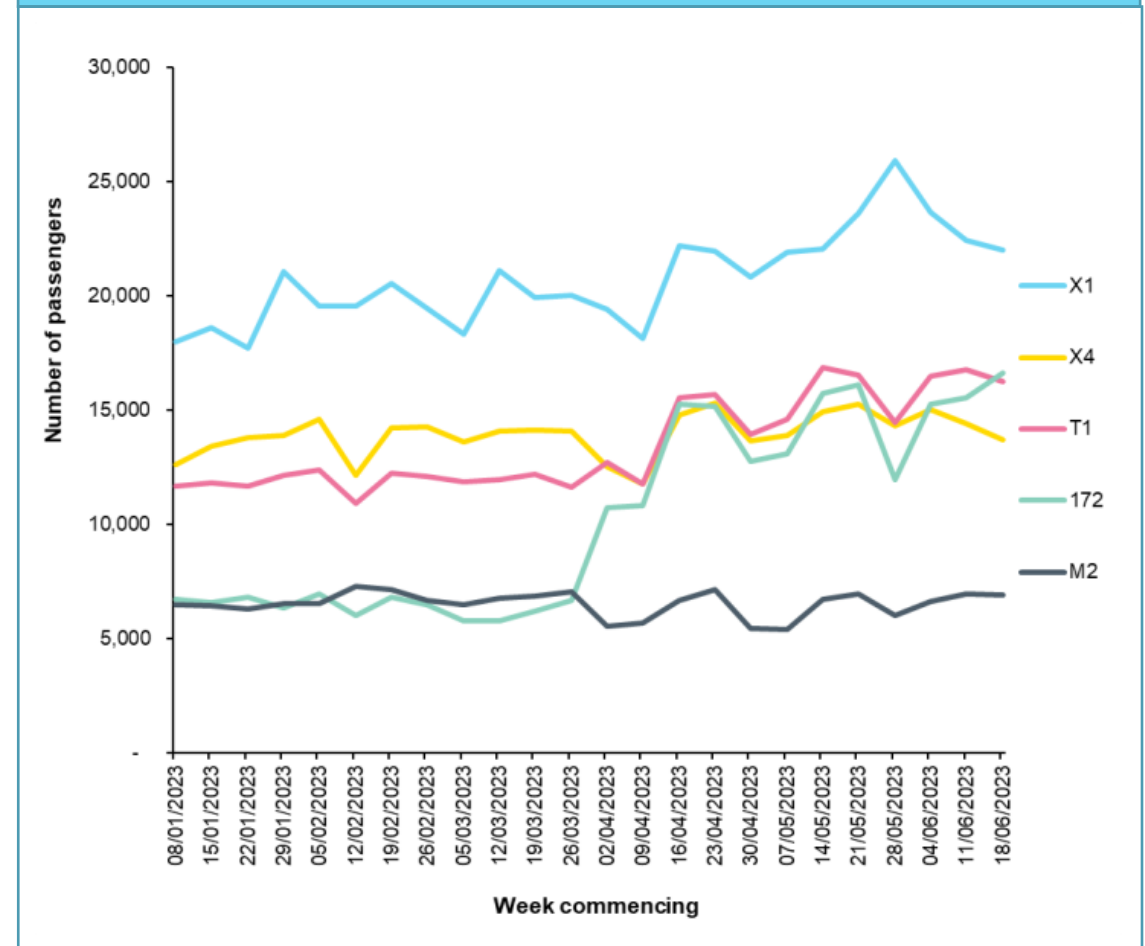
The majority of enhanced services have performed strongly in terms of patronage growth, with performance in the range of the original high forecast scenario.

The significant growth on route 172 has been in part driven by the removal of the 379 service which the 172 effectively replaced, and as such, it is not a direct comparison to the prior year levels.

Service	BPH - pre enhancement	BPH- post enhancement	Patronage growth rate*
X1 Bristol to Weston-Super-Mare	3	4	↑ 12.9%
X4 Bristol to Portishead	2	3	↑ 2.8%
T1 Thornbury to Bristol	2	3	↑ 27.3%
172 Bristol to Bath	3	4	↑ 118.6%
M2 Long Ashton P&R	3	4	↓ 5.4%

*Calculation based off average weekly patronage in 12 weeks pre and post the enhancement

Figure 11: Patronage on Enhanced Services (08/01/2023 - 25/06/2023)



Enhanced Services - Overview (1/6)

The top table on the right compares the % change in passenger per scheduled bus hour with the increase in service provision on each of the five enhanced services.

The levels of pax per scheduled bus hour have gone down across services since the enhancements were introduced. This is to be expected as it will take time for demand to grow and result in similar occupancy levels to pre enhancement.

That said, it is encouraging to see the % change in passenger per scheduled bus hour is below the % increase in service provision. For example, given there are 33% extra service provision on the X1 service, there has only been a 10% decrease in passenger per scheduled bus hour, which has been driven by the growth in patronage.

The good performance is further demonstrated by the reduced funding needed. The bottom table on the right sets out the original forecast funding requirement for each service, compared with the required funding based on Q1 performance. The total original funding required for the five services was £1.11m but based on the good performance in Q1, the funding need was £0.31m lower at £792m.

Service	% change in pax per scheduled bus hour	% increase in service provision
X1	-10%	33%
X4	-15%	50%
T1	-11%	50%
172	-24%	33%
M2	-24%	33%

Service	Forecast (£k)	Required (£k)	Difference (£k)	Difference (%)
X1	175.5	178.1	-2.6	-1.5%
X4	137.1	177.7	-40.6	-29.6%
T1	299.9	189.4	110.5	36.8%
172	357.0	152.1	204.9	57.4%
M2	135.0	94.9	40.1	29.7%
	1,104.5	792.2		

Supported Services - 522 (1/2)

Two new supported services have been introduced as part of the BSIP initiatives - Service line 522 and 525. We consider the performance of both services individually over this slide and the following slide.

Supported services line 522 was introduced in April 2023. It is a new route between Bristol to Bath via Midsomer Norton, covering 48 miles one way.

Figure 12 shows passenger numbers and revenue throughout the period of April to June 2023. There is a clear increase over this period in both revenue and passengers. The relatively good performance is based on the five vehicles operating on the route and the fact that the service runs in a densely populated area.

Figure 13 sets out the cost per journey. It shows a reduction in the cost per journey over the 3 months since the service was introduced - this is directly linked to the increase in passengers over the same time period.

Figure 14 illustrates the gap between revenue and costs over the same period, with the service making an average loss of £28k per month.

Given these are supported services, there is additional value to consider in relation to the social value that they provide to the community.

Figure 12: 522 Patronage and revenue for services (Apr-June 23)

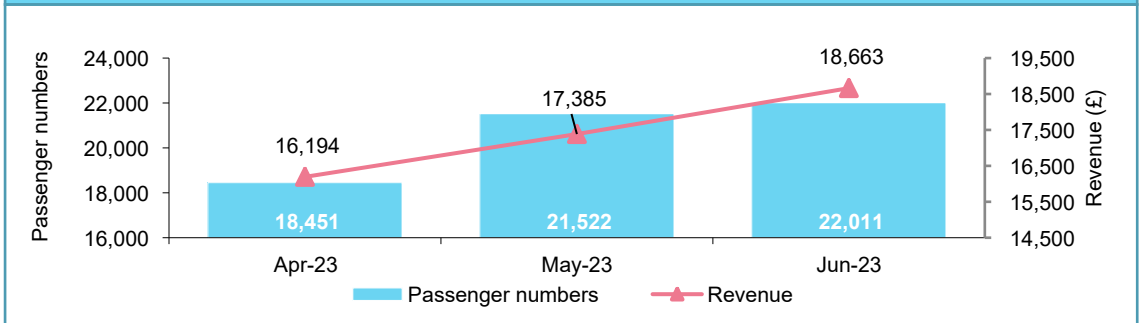


Figure 13: 522 Cost per journey (Apr-June 23)

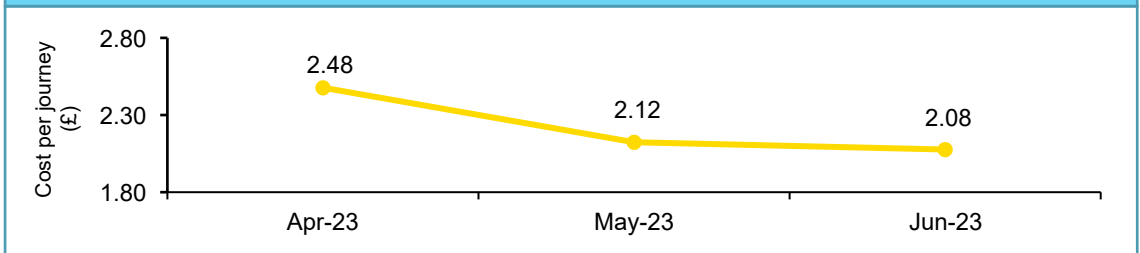
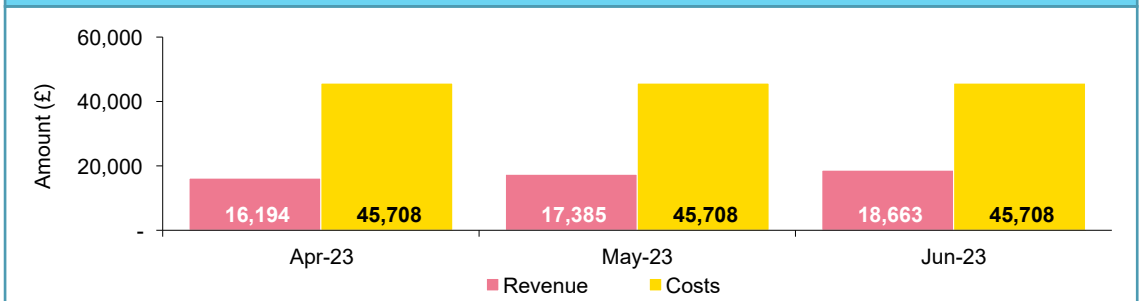


Figure 14: 522 Revenue and Costs (Apr-June 23)



Supported Services - 525 (2/2)

Supported services line 525 was introduced in April 2023. It is a new route between Emerson Green and Yate Shopping Centre, covering 25 miles one way. It is noted that the route is changing in September 2023 to increase the number of potential passengers for the route.

Figure 15 shows passenger numbers and revenue throughout the period of April to June 2023. There is a relatively large increase between April and May, with patronage levelling out in June 2023.

Figure 16 sets out the cost per journey. It shows a reduction in the cost per journey over the 3 months since the service was introduced - this is directly linked to the increase in passengers over the same time period.

Figure 17 illustrates the gap between revenue and costs over the same period, with the service making an average loss of £34k per month.

Given these are supported services, there is additional value to consider in relation to the social value that they provide to the community.

In addition, supported services (522 and 525) that have been added to the timetable using BSIP funding illustrate the variance that exists between supported services. Relatively, 522 is performing more strongly in terms of patronage levels and revenue collection to cover costs. This highlights the difference in commerciality of supported services and this should be considered later in this report as we undertake the prioritisation assessment.

Figure 15: Passenger numbers and revenue for services 525 April to June

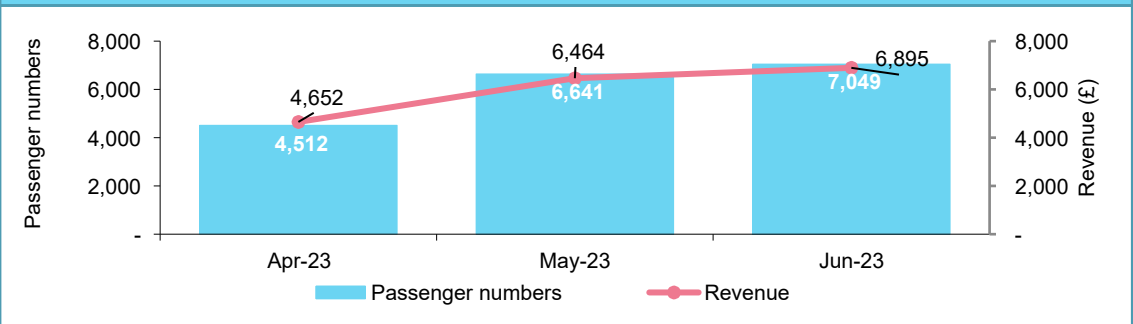


Figure 16: Cost per journey for service 522 April to June

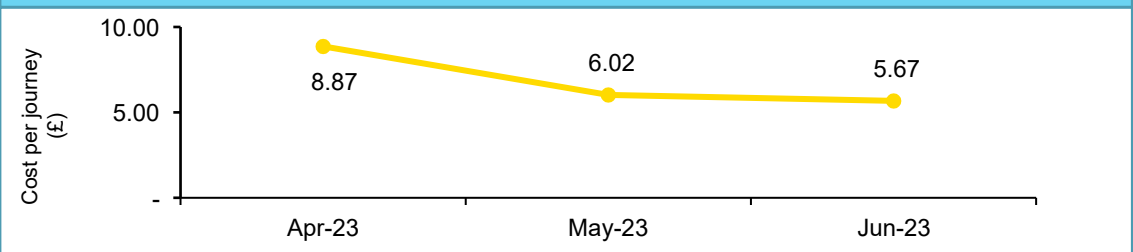
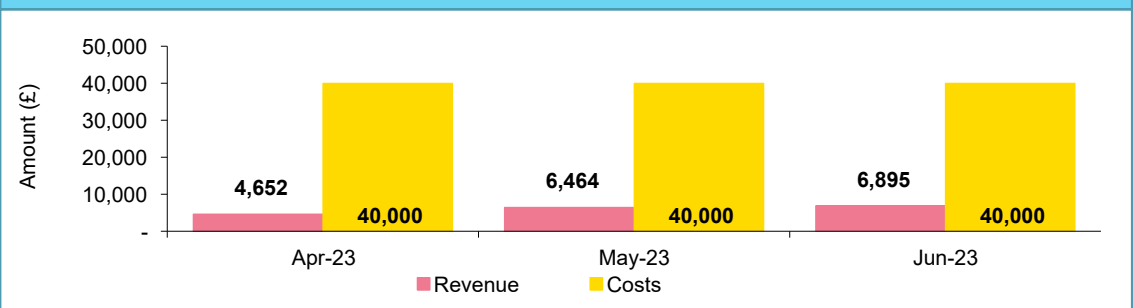


Figure 17: Revenue Vs Costs for service 525 April to June



Fares Package 2 (Birthday fares)

The CA introduced the Birthday fares initiative as part of fares package 2 in July 2023, providing customers the month of July to apply for the birthday pass before the scheme fully commenced in August 2023.

Given the operational period of the initiative to date, the insights on this slide are based on the limited data available to analyse.

Figure 18 shows the number of people that have visited the birthday fares website, subsequent applications that have been made and the conversion rate on that basis. Visitors to the website have fluctuated through the period and the data is too limited to make an assessment on the overall trend. Applications for the pass have been relatively stable during the period which is encouraging given the fluctuation in visitor numbers. However, the conversion rate is relatively low averaging at approximately 22%.

Figure 19 shows the number of journeys using the birthday fare pass since the scheme fully commenced in August 2023. Again, the data is limited, but it is encouraging to see an upward trend in the first four weeks of operation.

The data shows an encouraging start and it is anticipated that marketing as well as word of mouth will support an increased uptake in the scheme over the coming months.

Figure 18: Birthday website visitors, applications & conversion rate

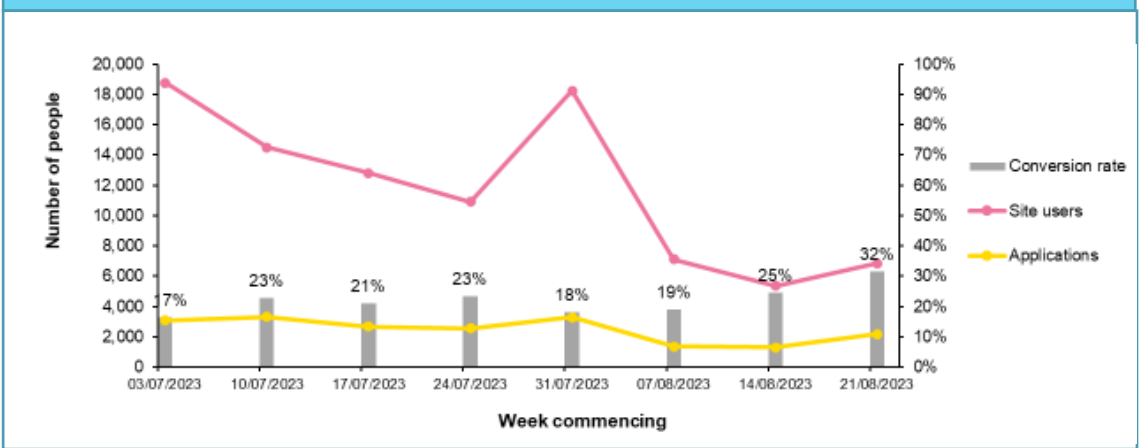
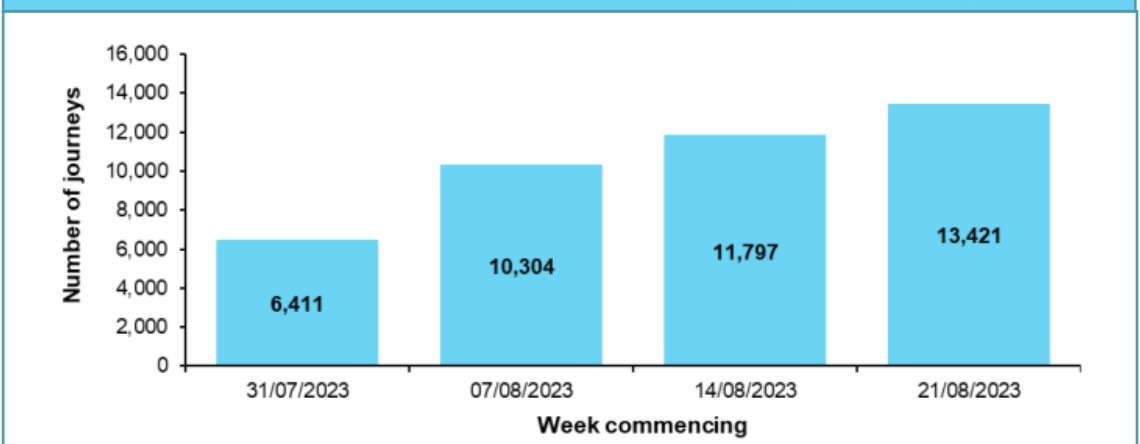


Figure 19: Number of journeys with birthday fare offer (August 2023)



Section 4: BSIP Financial Review

Financial Review Introduction

This section focuses on the following:

1. A review of the BSIP financials in order to provide a view of the BSIP funding that is potentially available to be re-distributed.
2. High level consideration of potential alternative revenue sources to support the BSIP cliff edge in March 2025.

The table below sets out what is included in this report for each of the areas and our emerging conclusions.

Financial review area	Included in this report	Emerging conclusions
BSIP financial review	<p>Analysis of the current forecast spend for BSIP initiatives.</p> <p>Our view of the re-distributable BSIP funding available.</p>	<p>There is an opportunity to re-distribute £1.2m to other initiatives based on the current forecast.</p> <p>We have identified a further £3.9m to £12m of potential funding that may be considered to re-distribute to other initiatives.</p>
Potential alternative revenue sources	<p>Potential mechanisms that could be used by the CA as alternative revenue sources for buses in the West of England.</p> <p>Mechanisms have been RAG rated based on a set of criteria detailed in this section.</p>	<p>Unable to identify clear potential sources of additional funding.</p> <p>Detailed specification and assessment required, including an understanding of the delegated authority of the CA and how this could be applied in developing alternative revenue sources.</p>

Current Funding Profile (1/2)

The total BSIP funding approved by DfT was £105.5m. Of the full funding amount, the CA was allocated £57.5m as revenue funding and their BSIP partner, NSC was allocated the remainder as capital funding.

The table on the right shows the BSIP revenue funding profile for the £57.5m allocated to the CA across the funding period (FY23-FY25) and split across the four BSIP working groups.

We have reviewed the forecast spend profile which includes actuals spent in FY23. In FY23, only £2.3m of BSIP funding was spent compared to the forecast £5.1m. This is largely due to the fact that funding was only received in February 2023. This underspend has been re-profiled in the remaining two financial years, with the current forecast anticipated final cost (AFC) of BSIP initiatives during the funding period is £56.3m.

Financial Year	Funding (£m)	BSIP Working Groups			
		Network & Services	Fares & Ticketing	Passenger Experience	BSIP Programme
2023	5.1	0.2	1.6	2.8	0.5
2024	30.5	12.9	13.2	2.5	1.9
2025	21.9	11.6	7.3	1.2	1.8
Total (£m)	57.5	24.7	22.1	6.5	4.2
Total (%)	100%	43%	38%	11%	7%

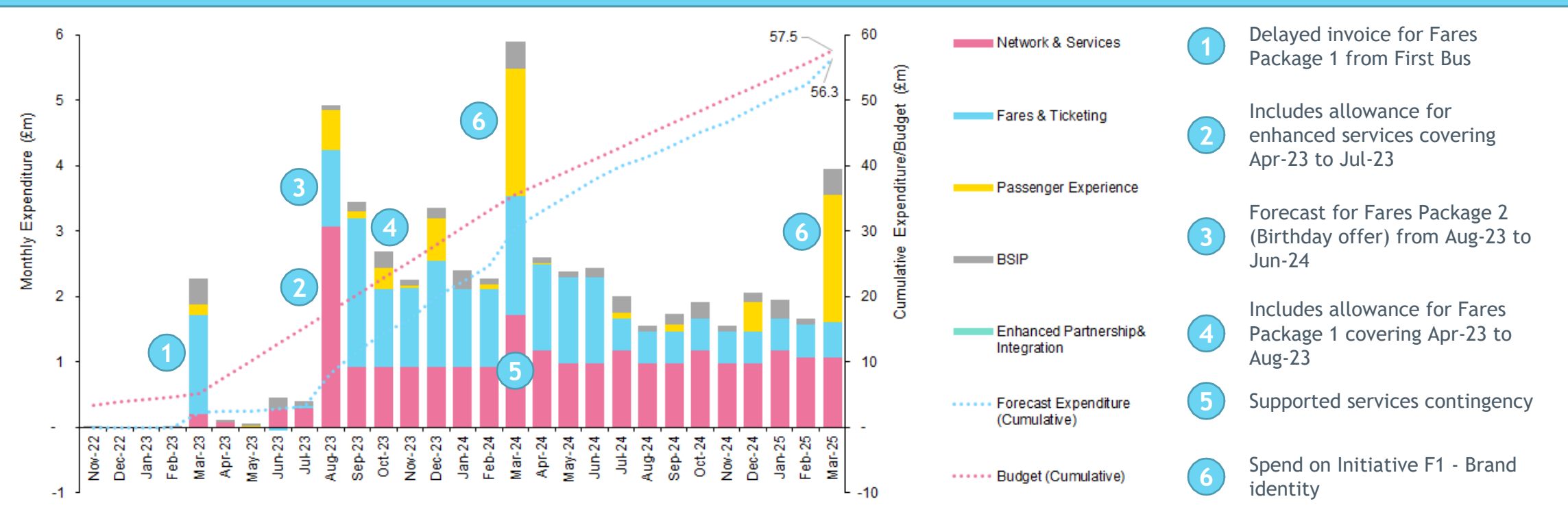
Underspend in each financial year can be moved to a subsequent year without DfT approval. While DfT expects funding to be spent and programmes delivered by FY25, we understand there is also the opportunity to profile BSIP spend into FY26 which will require PAR approval from DfT.

Current Funding Profile (2/2)

Figure 20 below sets out the monthly profile by BSIP working group provided by the CA and explanation is included in the key for any lumpy expenditure in the spending profile.

The chart indicates a steep ramp-up in expenditure from Q2 FY24. This is driven by initiatives in the Network & Services and Fares & Ticketing working groups which account for c.81% (£45.4m) of the current forecast AFC of BSIP initiatives (£56.3m) during the funding period. This presents £1.2m of budget underspend that can be re-distributed to other initiatives.

Figure 20: BSIP Funding profile (Forecast from Aug-23)



Financial Review Approach

We have conducted high-level analysis to present a range of potential funding that may be available to re-distribute to other initiatives.

The analysis has considered the following information:

- Assumptions driving the current AFC of initiatives, including spend to date and forecast expenditure;
- The RAG spend confidence;
- Forecast potential savings previously calculated;
- Opportunities to de-scope initiatives; and
- Initiatives with material levels of spend allocation within the current baseline forecast

We have developed two options for the redistribution of funding as set out in the figure on the right, these are:

- Option 1: Forecast revisions
- Option 2: De-scope initiatives.

Option 1 and 2 are mutually exclusive, and as such they can be delivered individually or together. If Option 1 is taken forward, there are two sub-options and a choice must be made between Option 1a and Option 1b.

The results from the assessment are included in the following slide.

Option 1: Forecast revisions

Option 1a: Low range

Considers previously modelled assessments used by the CA to identify cost savings, based on **conservative changes** to current assumptions

Option 1b: High range

Considers previously modelled assessments used by the CA to identify cost savings, based on more **significant changes** to current assumptions

Option 2: De-scope initiatives

Considers opportunities to de-scope initiatives due to low spend confidence and low probability of achieving the forecast.

Financial Review Results

Based on these options, and as set out in the table, we have identified funding available for re-distribution ranging from £1.25m - £13.3m.

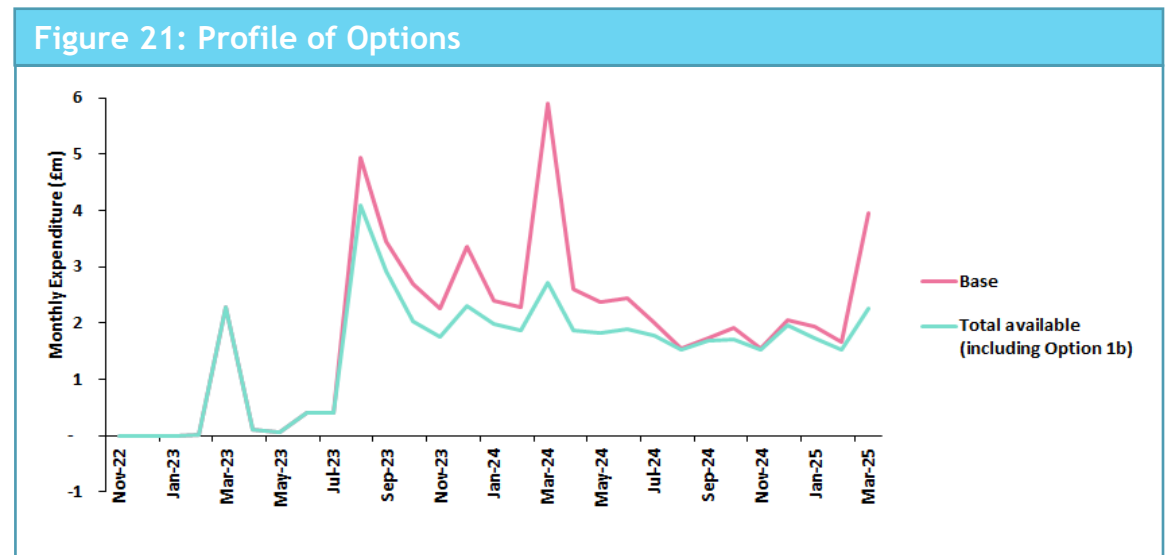
Our initial review identified a budget underspend of £1.25m in the current forecast, with the forecast totalling £56.25m compared to the BSIP budget of £57.5m. As such, £1.25m will be our base position for the financial review.

Detailed information of the analysis undertaken to develop these savings is included in Appendix 1 - Assessment of initiatives.

Based on the analysis, Figure 21 presents the two options alongside the base forecast. A further breakdown by Working Group under each scenario is included in Appendix 1.

Based on implementing both options (option 1b) with total funding of £13.3m, this forecast assumes an average run-rate of ~£2.0m per month between Aug-23 and Mar-25. This is a ~2.8x multiple of average monthly spend incurred between Nov-22 and Jul-23 of ~£700k (after adjusting for some timing related payments), and would require a ramp-up in spending on BSIP initiatives.

Funding identified for options assessed	
Option	Funding identified (£m)
Budget underspend	1.25
Option 1: Forecast revisions (range based on 1a and 1b)	3.9 - 7.15
Option 2: De-scope initiatives	4.9
Total available (including Option 1b)	13.3



Potential alternative revenue sources beyond BSIP

There are different revenue streams beyond farebox revenue - as currently charged - that could be drawn upon to fund bus services beyond BSIP (March 2025 onwards). These however, are somewhat limited to the following by the level of powers available to the CA:

- Bus fare supplements - focused on differential pricing e.g. popular routes with low price demand elasticities could cross-subsidise less popular routes with higher fares. Difficult to implement through the Enhanced Partnership
- Road charging - measures such as Workplace Parking levies and Air Quality or congestion charging
- Non-transport related charging such as Visitor Taxes and land development mechanisms.

The table below summarises an initial high-level assessment which suggests that none of these option categories are clear potential sources of additional funding - the detailed assessment is in Appendix 2. Further work would be needed to develop their specifications and assessment in more detail, and also understand the delegated authority of the CA and how this could be applied in developing alternative revenue sources.

Criteria	Description	Bus fare supplements	Road charging	Non-transport related
1. Relevance	How likely the mechanism is to target direct or indirect beneficiaries	Directly targets bus users	Targets beneficiaries of road network	Likely limited targeting of bus users
2. Efficiency/ scale	The mechanism's effectiveness at collecting revenues without negative consequences, and the potential order of magnitude of such a contribution.	Contradicts purpose of encouraging bus use	Negative distributional impact on car users, reduces congestion and +ve for environment	Would depend on particular mechanism
3. Feasibility of implementation	The degree to which the mechanism is considered to be practical to implement in the West of England; i.e. what is the political and public perception, are powers in existence or agreeable/likely, and are the costs of implementation reasonable?	Difficult to implement and politically challenging	Practical to implement but politically challenging to deliver	May be politically acceptable but reliant on developments
4. Timing and risk	What are the timing and risk implications i.e. does the mechanism offer revenue upfront & therefore help to reduce debt early on, how volatile/smooth is the funding & how susceptible is it to shocks?	Stable source of revenue but limited scale	Stable source of revenue, could be large scale	Development mechanisms unstable. Visitor tax stable

Section 5: Prioritisation framework

Prioritisation Framework

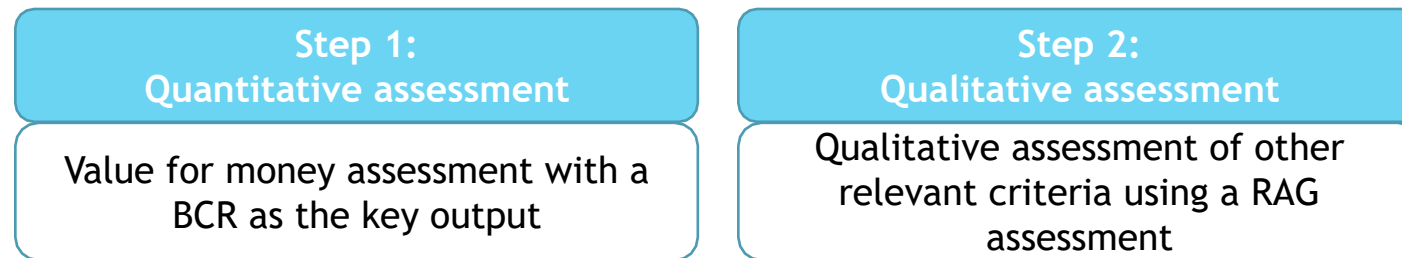
As part of the BSIP Financial Review, we have determined the amount of BSIP funding that is currently available to be re-distributed.

On this basis, we need to determine how best to distribute the identified funding to BSIP initiatives.

In order to do this, we have identified options (i.e. BSIP interventions) and we will demonstrate how funding could be allocated to these options based on a prioritisation framework. To develop the framework, we have:

- Reviewed the previous frameworks developed, namely the frameworks for fares, BSIP allocation, and the Transport levy
- Considered the BSIP objectives and the latest steer from DfT
- Considered potential constraints, e.g. delivery timescales

The framework includes two steps as set out below:



The results of Step 1 will give an initial prioritisation of options based on the BCR result. This will be reconsidered through the lens of the criteria identified as part of the qualitative assessment to provide a rounded view on the prioritisation of options.

Further detail on the approach for each of the two steps are included in the following slides.

Step 1: Quantitative assessment

The DfT Value for money framework defines ‘Value for Money’ as using public resources in a way that creates and maximises public value.

Public value considers the total well-being of the UK public as a whole and in a transport context this considers economic, social and environmental impacts of a proposal.

As such, Step 1 will include a DfT style value for money assessment to provide a benefit cost ratio (BCR) for each of the options.





Options will be given an indicative prioritisation based on DfT VfM categories set out in the table.

Further detail on our approach and assumptions used to derive our BCR results are included in Appendix 3.

VfM Category	BCR
Very High	≥ 4
High	2 - 4
Medium	1.5 - 2
Low	1 - 1.5
Poor	0 - 1
Very Poor	≤ 0

Step 2: Qualitative assessment

As part of Step 2, further consideration will be given to the prioritisation based on a qualitative assessment including the criteria below. Each of the options will be RAG rated against the criteria, with a description of the scoring mechanism included in the table below.

	Criteria	Description	Rationale for inclusion in framework	Red	Amber	Green
	Criteria 1: Network vision	Does the proposed intervention support the delivery of the West of England's network vision (see slide 44 for detail)?	A holistic view of the network is required to support BSIP objectives to deliver a bigger, better and sustainable bus network	Limited contribution to network vision	Some contribution to network vision	Strong contribution to network vision
	Criteria 2: Socio-economic considerations	How does the proposed intervention impact key social groups (see slide 45 for detail)?	The socio-economic importance of buses for vulnerable groups is recognised and it is important to consider the impact of interventions on specific groups.	Limited positive impact on key Socio-economic groups	Some positive impact on key Socio-economic groups	Strong positive impact on key Socio-economic groups
	Criteria 3: Sustainability	Does the intervention have a trajectory to sustainability by the end of the funding period?	A key purpose of BSIP is to introduce commercially sustainable measures to grow the bus network, and as such, it is important to consider if there is the potential for the intervention to be sustainable in the future	Limited potential to become sustainable in the future	Some potential to become sustainable in the future	Strong potential to become sustainable in the future
	Criteria 4: Deliverability	Is the intervention deliverable within the funding period?	The CA have less than two years to spend the BSIP funding, and as such, consideration needs to be given to whether the interventions are deliverable within the funding period	Limited potential to deliver within the BSIP funding period	Some potential to deliver within the BSIP funding period	Strong potential to deliver within the BSIP funding period

Section 6: Options development

Options development

We use the framework to assess the following options for BSIP funding:

Supported Services

This option considers allocating more funding to supported services which provide socially necessary services, often filling gaps in the timetable during the am and pm, and connecting rural areas with key services.

Fares

This option considers allocating more funding to fares changes which can help stimulate demand, growing the network.

Enhanced Services

This option considers allocating more funding to enhanced frequencies on existing commercial bus services along key corridors to support the network vision for the West of England.

DRT

This option includes allocating more funding to WESTlink which was rolled out in April 2023 to provide demand responsive transport in rural areas of the West of England.

Passenger experience

This option considers allocating more funding to target the overall experience of customers across all bus services. This includes consideration of initiatives relating to brand identity, marketing, promotion and communications, travel guides and journey planning, and real time information.

Section 7: Options assessment

Step 1 - Quantitative assessment

We have undertaken a value for money assessment in line with DfT guidance to calculate a benefit cost ratio (BCR).

Details of the methodology and the detailed results are included in Appendix 3.

The table on this slide sets out the results from the assessment, including:

- BCR based on user + non user impacts
- BCR based on user + non user + wider impacts

Based on the BCR including wider impacts, the table includes the DfT category as per the DfT guidance included on slide 38.

Options	BCR (user + non-user)	BCR (user + non-user + wider impacts)	DfT category	Prioritisation
Fares	3.89	5.4	High	1
Enhanced services	2.41	2.95	High	2
WESTlink (DRT)	0.27 to 1.64	0.31 to 1.91	Poor-Medium*	3
Supported Services	0.87	0.98	Poor-Low**	4
Passenger experience	1.62	1.85	Medium***	5

*There is significant uncertainty over the value for money for DRT largely driven by uncertainty surrounding patronage. If the service is successfully delivered and promoted, and patronage levels grow, the Benefit Cost Ratio could approach £2 for every £1 spent. At present, patronage levels are low as the service has only recently been introduced.

** Supported Services show a range of value for money depending on cost and patronage. The assessment for supported services is an average across services. BCR values for individual services range between 0.6 and 1.2 with some services exceeding a BCR of 2.

*** The BCR estimate for passenger experience has low confidence due to limited data and dated assumptions.

Step 2- Qualitative Assessment (1/4)

The table below assesses each of the options against **Criteria 1 - Network Vision** in line with the approach set out on slide 39.

● - Limited contribution/ potential ● - Some contribution/ potential ● - Strong contribution/ potential

Network Vision	Fares	Enhanced Services	Supported Services	DRT	Passenger Experience
Make the bus convenient - taking our residents where they want to go at the times, they need to travel by extending the current network, enhancing frequencies, and optimising services.	●	●	●	●	●
Make our public transport network co-ordinated - by providing a recognisable and consistent brand across the area, easy access to information, integrated ticketing across operators and enabling simple connections across modes and services.	●	●	●	●	●
Deliver a positive customer experience - by bringing our bus stops up to a high quality and consistent standard, delivering new accessible and environmentally friendly buses, offering a value for money and affordable service for all, including some targeted fares reductions; also ensuring that people are provided with the right information as and when they need it, all so that buses are an easy-to-use and a natural choice.	●	●	●	●	●
Overall assessment	●	●	●	●	●

Step 2- Qualitative Assessment (2/4)

● - Limited contribution/ potential ● - Some contribution/ potential ● - Strong contribution/ potential

As part of **Criteria 2 - 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

Discussion of these impacts for each of the options is considered in the table on the right in line with the framework set out on slide 39.

Options	Discussion of socio-economic impacts	RAG rating
Fares	<ul style="list-style-type: none"> • Targeted fares offer can support specific groups, for example youth discounts • Although universal fares offers will be available to all, this will support more vulnerable groups as well 	●
Enhanced services	<ul style="list-style-type: none"> • Services don't specifically target improvements for specific groups but generally enhancing services will support households that rely on bus services and don't have access to a car 	●
Supported Services	<ul style="list-style-type: none"> • Fixed route services often fill gaps in the timetable, particularly in the early am and late pm, which are important to ensure access to services • More rural services can provide a lifeline for certain groups 	●
DRT	<ul style="list-style-type: none"> • Given it targets rural areas where bus services can be limited, it can provide a lifeline for those without access to a car 	●
Passenger experience	<ul style="list-style-type: none"> • General promotional initiatives will not target specific groups unless specific campaigns are rolled out. Similarly, improving journey planning/information and network stability is not targeted at more vulnerable groups. 	●

Step 2- Qualitative Assessment (3/4)

● - Limited contribution/ potential ● - Some contribution/ potential ● - Strong contribution/ potential

As part of **Criteria 3 - Sustainability**, consideration needs to be given to the ongoing sustainability of these types of interventions given the purpose of BSIP funding.

Discussion of future sustainability for each of the options is considered in the table on the right in line with the framework set out on slide 39, drawing on insight from the assessment of BSIP initiatives to date.

Options	Discussion of sustainability	RAG rating
Fares	<ul style="list-style-type: none"> The Fares Package 1 initiative has generated significant patronage growth and as a result reduced the subsidy cost per passenger, but further growth is needed for the fares offers to be sustainable in the long term 	●
Enhanced services	<ul style="list-style-type: none"> Service enhancements on key routes have observed good patronage growth, with the required subsidy substantially below forecast. Further growth in patronage will be needed to make the enhancements commercially sustainable but initial results demonstrate the potential for long term growth 	●
Supported Services	<ul style="list-style-type: none"> Given the nature of supported services, and their primary purpose to provide services to groups that rely on bus services to access key amenities, it is highly unlikely that they can be commercially sustained due to low levels of demand to support ongoing costs 	●
DRT	<ul style="list-style-type: none"> Given the lack of the maturity of the scheme it is difficult to assess the potential to cover costs in the future. If the scheme was promoted there are indications that patronage will grow but the service is unlikely to be commercially viable. It will however provide a more flexible and more cost effective alternative to fixed route supported services 	●
Passenger Experience	<ul style="list-style-type: none"> Initiatives promoting the bus brand is expected to generate a better return on investment through higher patronage. Similarly, improvements to overall experience will increase the likelihood of using the bus service over other modes. 	●

Step 2- Qualitative Assessment (4/4)

● - Limited contribution/ potential ● - Some contribution/ potential ● - Strong contribution/ potential

As part of **Criteria 4 - Deliverability**, consideration needs to be given to the deliverability of the options given the timescales for spending the BSIP funding.

Discussion of the deliverability for each of the options is considered in the table on the right in line with the framework set out on slide 39.

Options	Discussion of deliverability	RAG rating
Fares	There are limited time constraints associated with delivering fares changes in that the offer could be valid for a short period of time and therefore deliverable during the funding period.	●
Enhanced services	Additional enhanced services are relatively quick to deliver as they do not need to be tendered.	●
Supported Services	Given there is less than two years to spend BSIP funding, it would be challenging to deliver additional supported services during that time as the tendering process would mean the services could only be supported for a year, which is likely to be unattractive to operators and as such, costs are likely to be higher.	●
DRT	The new DRT service was mobilised within two months of funding being allocated to the CA. There are two established suppliers who are currently working towards operating at planned capacity. There is potential to renegotiate and extend current contracts swiftly.	●
Passenger experience	Dependent on the type of initiative as brand identity and marketing can be delivered relatively quickly but within journey information and journey planning tools could take more time to deliver.	●

Section 8: Recommended option/s

Assessment summary

● - Limited contribution/ potential ● - Some contribution/ potential ● - Strong contribution/ potential

The table below sets out the results of the assessment of options for BSIP funding based on the prioritisation framework.

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
Supported Services	Poor-Low**	●	●	●	●	5

Conclusions (1/2)

We have reviewed BSIP finances and identified a range of funding that could potentially be reallocated between BSIP initiatives. Following a change in rules, funding can now be allocated to supported services.

We have completed a prioritisation exercise to determine how best to spend funding that may become available. This exercise considered expected value for money, alignment to the CA's vision for bus services, socio-economic impacts, likelihood of financial sustainability, and deliverability within the BSIP period. The findings of this exercise are:

- **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 relatively 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.

Conclusions (2/2)

- **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.
- **Supported services are ranked 5th.** Supported 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, supported services are expected to provide poor to low value for money. Where patronage levels are higher, value for money is also higher.

Based on this analysis, there is a good case to reallocate available funding to fares initiatives and enhanced services. Initiatives to improve passenger experience and provide DRT services are currently fully funded. Whilst new supported services are likely to provide poor or low value for money there may be strong social reasons to invest, especially where DRT is unable to provide an alternative. In the recent past, driver shortages have constrained service expansion but those constraints are reportedly easing so a more even balance between fares reductions and service enhancements may be possible.

Appendix 1: Financial review supporting information

Assessment of initiatives (1/2)

The table below includes the assessment of each of the initiatives under the three options identified and illustrates how the total savings under each option were developed, alongside the respective total spend from Aug-23 included in the base forecast.

BSIP Initiative	BSIP Working Group	Description	Base Forecast £m	Option 1: Forecast revisions		Option 2: De-Scope Initiatives Savings £m	Rationale
				Option 1a: Low range £m	Option 1b: High range £m		
A1 - Ambitions to deliver a high frequency, accessible bus network	Network & Services	Enhanced Commercial Services	£10.4m	£0.9m	£0.9m		Base forecast assumes a medium-case growth scenario as set out in the Enhanced Services Director's Decision Notice. The notice indicates a high-growth scenario is the likely outcome which is reflected in Option 1a and 1b.
I1 - DRT services to complement bus network	Network & Services	VIA - 2 year tendered contract WeDRT - 2 year tendered contract	£6.4m	£0.25m	£0.25m		Services have only been running at 70% (Jun-23) due to lack of buses available. Option 1a and 1b assumes 80% in Aug-23 and increasing to full capacity by Nov-23.
C1, C2 - Fares reductions, discounts and simplification package	Fares & Ticketing	Fares Package 1- First Bus	£6.9m	£0.25m	£0.25m		Base assumes demand growth of 12.5%. Options 1a and 1b assume a more conservative growth rate of 10%.
C1, C2 Fares Package 2 (birthday fares and care leavers)	Fares & Ticketing	Fares Package 2: Birthday Offer (inclusive of supplier costs)	£9m	£2.5m	£5.75m		Base forecast assumes 100% take up of current users and 12% growth above that which requires ~400k journeys per month. As current weekly journeys are ~11k, Option 1a assumes a 80% take up scenario. Option 1b is a more conservative scenario, assuming 40% take up in light of current conversion rates being c20%.
I3 - More supported services	Network & Services	Supported services contingency	£1.6m			£0.575m	Option 2 only retains £1m which is allocated for NSC services due to start from Sept-23.
I3 - More supported services	Network & Services	WEST local	£2.0m			£0.75m	15 applications have been received to-date. The funding requirement has not been requested and is subject to further clarifications and discussions with applicants. Option 2 assumes ~£80k spend from Jan-24 onwards.

Assessment of initiatives (2/2)

BSIP Initiative	BSIP Working Group	Description	Base Forecast £m	Option 1: Forecast revisions		Option 2: De-Scope Initiatives Savings £m	Rationale
				Option 1a: Low range £m	Option 1b: High range £m		
C1, C2 Fares Package 2 (birthday fares and care leavers)	Fares & Ticketing	Fares Package 2: SAM Care Leavers Dev cost Fares Package 2: Care Leavers	£1.7m			£0.25m	Updated forecast received on 5 Sep, excluding a 10% allowance for contingency. In the absence of information, an optimistic assumption of 26% growth in FY25 and 100% take-up has been retained.
C1, C2 - Fares reductions, discounts and simplification package	Fares & Ticketing	Fares Package 3 /contingency	£1.7m			£1.7m	The package is yet to be agreed therefore has a high probability to be de-scoped.
F2 - Marketing, promotion and communications F3 - Travel guides and journey planning F4 - Within journey information	Passenger Experience	All items within the initiatives	£3.8m			£1.2m	Potential for partial (20%) de-scope on majority of marketing and promotions initiatives. Spend on fares package 3 and contingency excluded in Option 2.
F1 - Brand identity	Passenger Experience	Initiative F1 - Brand identity	£2.5m			£0.425m	Option 2 assumes ~£100k spend from Aug-23 onwards.
Total potential funds for re-distribution by option			£46.0m	£3.9m	£7.15m	£4.9m	

We have considered £46m of the total forecast of £56.25m. The remaining £10.25m (including £3.25m of actuals at July 2023) has not been considered in our detailed review of individual initiatives.

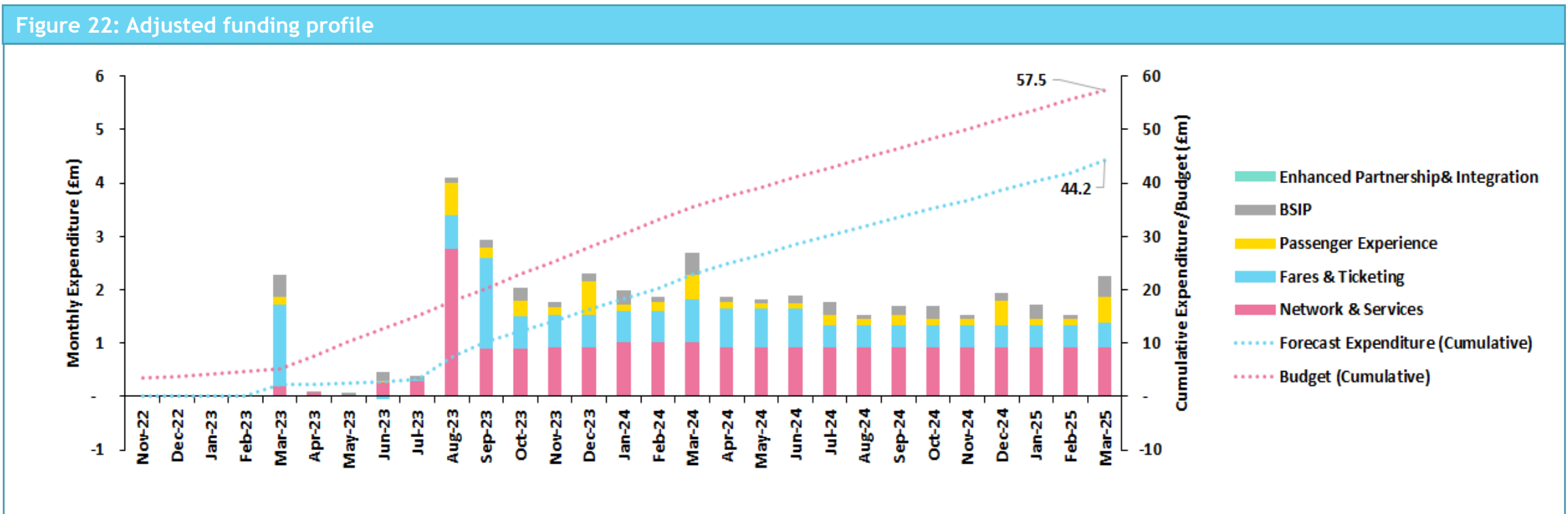
The following slides provides a graphical view of the spending profile if all funds identified in the table above were redistributed.

All funding redistributed

The figure below sets out the funding profile based on redistributing all the funding identified which totals £13.3m.

The forecast for Aug-23 includes an allowance for enhanced services covering Apr-23 to Jul-23. This forecast assumes an average run-rate of ~£2.0m per month between Aug-23 and Mar-25, which would require a ramp-up in spending on BSIP initiatives compared to current levels.

Figure 22: Adjusted funding profile



Appendix 2: Out of scope funding mechanisms

Potential alternative revenue sources beyond BSIP

There are a range of different revenue streams beyond farebox revenue that could be drawn upon to fund bus services beyond BSIP from March 2025 onwards. Not all of these are relevant for buses, or specifically supported services (for example mechanisms tied to land value capture are most likely out of scope).

The following slides in this section provide an early consideration of some relevant mechanisms (where there is a low level of relevance, we have still included some mechanisms in this early assessment for completeness).

Further work needs to be done to assess the nature of the powers of Combined Authority to implement some of these measures, their acceptability as well as their ability to deliver additional funding over and above the transport levy and beyond BSIP.

Criteria	Description	Green	Amber	Red
1. Relevance	How likely the mechanism is to target direct or indirect beneficiaries	High relevance	Medium relevance	Low relevance
2. Efficiency/scale	The mechanism's effectiveness at collecting revenues without negative consequences, and the potential order of magnitude of such a contribution.	High effectiveness	Medium effectiveness	Low effectiveness
3. Feasibility of implementation	The degree to which the mechanism is considered to be practical to implement in the West of England; i.e. what is the political and public perception, are powers in existence or agreeable/likely, and are the costs of implementation reasonable?	High feasibility	Medium feasibility	Low feasibility
4. Timing and risk	What are the timing and risk implications i.e. does the mechanism offer revenue upfront and therefore help to reduce debt early on, can the cashflow legally be borrowed against, how volatile/smooth is the funding and how susceptible is it to shocks?	Low risk	Medium risk	High risk

Funding mechanism assessment (1/4)

The following slides set out an assessment of potential funding mechanisms against the criteria detailed in the previous slide.

Mechanism	Beneficiary	1. Relevance	2. Efficiency / scale	3. Implementation	4. Timing and risk
Supported services fare supplement	Service user	Directly targets users of the bus services which benefit from any additional funding.	May be revenue losing if fares are set too high and reduce demand. Also potentially goes against purpose of including low demand routes	CA has authority to set fares	Given potential demand effects, unlikely to be borrowable against
Cross subsidising fare supplement	Network user	Users benefiting from high value routes help pay - through additional fares - for low value routes	Economically efficient - user pays principle - although likely to be counter-productive in reducing demand for buses	Difficult to implement through the EP	May be stable enough to borrow against, could contribute to long term decline in bus demand
Workplace parking levy	Road user	Commuters pay more to drive instead of taking the bus	Rejected by other CA due to low revenue base. Incentives improve congestion and air quality. working from home attitudes may have negative affect on demand	CA has authority to set levy, complex and costly but other CAs are considering	May be stable enough to borrow against

Funding mechanism assessment (2/4)

Mechanism	Beneficiary	1. Relevance	2. Efficiency / scale	3. Implementation	4. Timing and risk
Community parking levy	Road user	All drivers (including those on the share services routes) pay to drive instead of taking the bus,	Reasonable scale depending on supplement level, leisure travel may be disincentivised. Incentives improve congestion and air quality, leisure travel may be disincentivised	CA has authority to set levy, might be more politically difficult if it effects low income areas. Complex and costly to set up.	May be stable enough to borrow against
Air quality / congestion pricing	Road user	All drivers in key urban areas, cross subsidising routes in other areas.	Very significant revenue raiser and effective at reducing congestion and air quality issues in key areas. Could have some disincentive on travel to areas	Very politically controversial requires significant community consultation. Has not been successful in other CAs outside of London where it is being extended. CA does have the powers to implement.	Can be borrowed against
Council tax precept	Residents in local area	All residents in areas wanting shared services contribute to transport services they value but do not heavily all use.	Scale would be sufficient depending on precept rate but might need to be justified through larger programme	Politically controversial, would probably need larger programme to justify which would effect scale.	Can be borrowed against and is stable.

Funding mechanism assessment (3/4)

Mechanism	Beneficiary	1. Relevance	2. Efficiency / scale	3. Implementation	4. Timing and risk
Visitor / tourism levy / hotel tax	Visitor / potential service user	Unless routes are frequented by tourists	Scale would be sufficient, but might need to be justified through larger programme	Requires new powers and HMT resistant in the past, but other CAs are considering. Might require larger programme of transport investments to justify / improvements for the travel sector	Potentially could be borrowed against, is seasonable and volatile
Business rates supplement	Businesses in local area	Businesses unlikely to benefit, but do contribute to areas wellbeing	Scale would be sufficient, but might need to be justified through larger programme	Powers exist for the Mayor to implement a BRS (although would need additional legislation to activate). The legislation currently stipulates that a ballot of affected businesses is required. Politically would need to be part of a larger programme	Can be borrowed against and is fairly stable.

Funding mechanism assessment (4/4)

Mechanism	Beneficiary	1. Relevance	2. Efficiency / scale	3. Implementation	4. Timing and risk
Mayoral tax precept	Residents in all of CA	General societal (non-use) value placed on low demand routes	Scale would be sufficient, but might need to be justified through larger programme	Powers exist for the Mayor to implement. Politically would need to be part of a larger programme and could be difficult given recent increases in council tax. Has been done in other CAs	Can be borrowed against and is fairly stable.
SIT/CIL (and other land/development related mechs)	Developers in local area	Usually reserved for schemes that create additional development	Likely to create scale on its own, but might effect development potential in area. Also shared services unlikely to lead to additional development or uplift so more than likely to reduce development overall.	Powers exist, however politically difficult if not linked to wider programme, and potential pushback from developers if there are current viability issues	Can be borrowed against, however not a very stable revenue source
MCIL	Developers in all of CA				
Employer Transport Levy	Employers	Employers unlikely to benefit from shared service	Sufficient Scale. Payroll tax burden generally has negative effect on wages in the longer-term, but is also seen as a relatively efficient tax due to the low responsiveness of labour to changes in wages.	There is precedent in Paris, where a 0.3% payroll levy is in place. But could be politically difficult and no powers currently exist to implement	Could potentially be borrowed against

Summary of funding mechanism assessment

The table below sets out a summary of the assessment included in the previous slides.

Mechanism	1. Relevance	2. Efficiency / scale	3. Feasibility of implementation	4. Timing and risk
Shared services fare supplement	Green	Pink	Green	Pink
Cross subsidising fare supplement	Yellow	Yellow	Pink	Yellow
Workplace parking levy	Yellow	Yellow	Yellow	Yellow
Community parking levy	Yellow	Yellow	Yellow	Yellow
Air quality / congestion pricing	Yellow	Green	Pink	Green
Council tax precept	Yellow	Yellow	Pink	Green
Visitor / tourism levy / hotel tax	Pink	Yellow	Yellow	Yellow
Business rates supplement	Pink	Yellow	Yellow	Green
Mayoral tax precept	Pink	Yellow	Pink	Green
SIT/CIL (and other land/ development related mechs)/MCIL	Pink	Pink	Pink	Pink
Employer Transport Levy	Pink	Yellow	Pink	Yellow

More detailed consideration of funding options to support the BSIP cliff edge may be considered in due course.

Appendix 3: Value for Money Assessment

Introduction

- It is generally recognised that good local bus services are an essential part of vibrant, sustainable communities. Buses connect people to jobs and customers to businesses, they provide access to education and essential services, promote social inclusion and provide environmental improvements by encouraging a switch from private to public transport.
- This ability to generate wider economic, social and environmental benefits means that there is a clear rationale to increase the supply of local bus services above the levels determined by the commercial market. Where these wider benefits exist, LTAs can improve market efficiency by targeting investment and support to expand supply and/or keep fares lower than they would otherwise be.
- At the same time, LTAs have a responsibility to spend well and to make sure that they deliver value for money from expenditure. This means looking carefully at the costs and benefits of investments to make sure scarce resources are allocated to the right activities.
- In this context, it is important that decision-makers understand the value of local bus services in order to make the right investment decisions and to maximise the benefits of public policies to society.
- This Appendix describes the findings of an economic appraisal of five LTA initiatives:
 - Fares reduction
 - Expanding supply for commercial services
 - Expanding supply for supported services
 - Expanding supply for DRT services
 - Passenger experience

Methodology

Analytical framework

The complex changes to local bus markets brought about by government interventions are assessed under the analytical framework set out in the adjacent diagram.

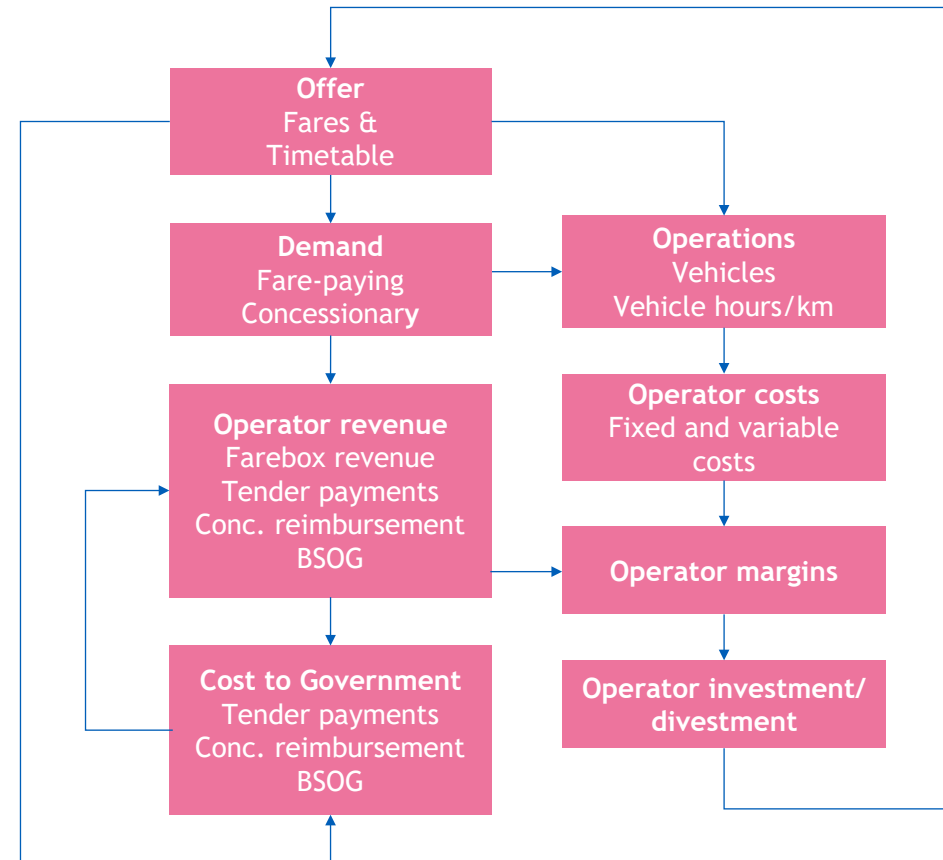
The framework includes analysis of demand and revenues, operator costs and cash flows between the government, local authorities and bus operators.

The analysis is split by geography and market type (commercial, supported, DRT) and passenger type (fare paying, concessionary).

The analytical framework drives the inputs to the appraisal framework (see following slide).

The analysis is largely based on a combination of published data for the West of England including Bath and North East Somerset, Bristol City and South Gloucestershire for 2021/22 (the latest year of published data) together with CA data on supported and DRT services.

Analytical framework



Methodology (1/4)

Appraisal framework

Whilst frequent, reliable and affordable local bus services are not an end in themselves, they enable individuals to take employment, participate in education and take better care of themselves - activities which are clearly important to individual and community well-being.

It is easy to think of examples where local bus services enable participation in voluntary work or training. It is also easy to think about the positive physical and mental well-being impacts gained by older and disabled people enjoying a more active lifestyle made possible through concessionary travel on local bus services. The challenge is in assigning a value to the contribution that local bus services have on making these activities possible.

In taking a holistic view of the relationship between local bus service connectivity and economic, social and environmental outcomes, we can begin to understand the wider social implications of transport policy and investment decisions. To that end the appraisal framework includes the following categories of costs and benefits:

- Impacts on bus passengers from changes to fares and service quality.
- Impacts on other members of the community through changes to highway congestion, air quality, noise and transport safety.
- Wider economic impacts in the longer term from increased participation in economic activities with increased levels of employment and increased levels of productivity.
- Wider social impacts arising from increased participation in education, healthcare and other social activities leading to improvements to mental and physical wellbeing.
- Costs and benefits falling to bus operators in the form changes to operating costs and revenues.
- Changes to Government taxes and expenditure as a result of changes in infrastructure investment, changes in direct and indirect taxes, expenditure on concessionary travel and revenue support in the form of BSOG.

Methodology (2/4)

The value for money estimates are forward looking. They look at the potential benefits we might reasonably expect from a £1 of support for each initiative. It is not an evaluation of the initiatives that have been implemented to date (see Section 2), it is an assessment of the expected benefits for a broad set of initiatives that might be implemented in the future.

An illustration of the appraisal approach is show below with reference to an increase in bus service miles.

- Following an increase in service miles, customers benefit from lower waiting times. The lower waiting times will likely generate growth in patronage. The primary benefits of the increase in service miles are the value of waiting time saving for existing and new customers.
- For commercial services, operators would see an increase in revenue from the new customers, but they would also see an increase in operating costs (running more service miles). The LTA would therefore need to provide a subsidy to operators. For supported and DRT services, operators would simply be contracted to run additional service miles.
- The cost of the initiative is the value of the payment to operators and the benefit is the value of reduced waiting time for existing and new customers. There are wider economic, social, and environmental benefits to take account of, but most of the benefits are customer benefits. The more people using the service, the greater the benefit of the expenditure.

Methodology (3/4)

Demand modelling

The demand model is the driver of the modelling framework. Changes in demand for bus services lead to economic benefits, changes in revenue and changes in costs as a result of service level changes.

The model is based on a demand curve, where the price of travel is the generalised cost of travel. This model keeps the impact of fare changes and the impact of generalised journey time changes separate:

$$\text{Generalised Cost} = \text{Fare} + \text{Generalised Journey Time}$$

Changes in either element of generalised cost will affect demand. The magnitude of the impact on demand is determined by the elasticity of demand for the relevant elements of generalised cost:

$$\text{Change in Demand (\%)} = \text{Fare elasticity} \times \text{Change in Fare (\%)} + \text{Generalised Travel Time elasticity} \times \text{Change in Generalised Journey Time (\%)}$$

Changes in demand directly drive any changes in revenue. Revenue is calculated as demand multiplied by fare for each individual geographical area. Concessionary travel reimbursement reflects both changes in fares and demand.

Benefits and disbenefits are experienced by those directly affected by the policy and also by others who have acquired some sort of benefit as a result of the policy. The benefits are grouped as follows: bus-user benefits, non-bus-user benefits, private sector provider impacts and wider impacts. In addition, there is a financial impact for the Government who funds the policy and supports bus services through BSOG and concessionary fares.

Fare and Generalised Journey Time elasticities of demand are taken from a recent literature review published by DfT (see table at the end of this section).

Methodology (4/4)

User benefits

User benefits are formed of two separate elements:

- Fare benefits: the change in fares enjoyed by all passengers who are affected by policy, including generated passengers. This is calculated using the rule of a half:
$$\text{Fares benefits} = \frac{1}{2} \times \text{change in fare} \times (\text{Demand under Do Minimum} + \text{Demand under Do Something})$$
- Generalised Journey Time (GJT) benefits: the change in generalised journey time caused by changes in frequency, in-vehicle time and delay times. This is also calculated using the rule of a half and values of time as included in TAG A1.1 according to the following formula:

$$\text{GJT benefits} = \frac{1}{2} \times \text{change in GJT} \times \text{Value of Time} \times (\text{Demand under Do Minimum} + \text{Demand under Do Something})$$

Non-User benefits

Non-user benefits are calculated on principles set out in the Department for Transport's appraisal guidance (TAG unit A5.4). We have assumed a diversion factor of 31% for the number of miles travelled by a car driver as a result of an increase in the number of bus miles travelled.

Wider impacts

Include proportionate values described in "The 'true value' of local bus services"

<https://www.buscentreofexcellence.org.uk/resources-collection/the-true-value-of-local-bus-services>

Fare reductions

Fare reductions

Universal fare reductions generate £3.89 of benefit for each £1 of government expenditure based on user and non-user benefits. If wider impacts are also taken into account, the benefit cost ratio increased to £5.40

Operators are taken to be no-better and no-worse off from providing a discount. Potential revenue reductions are fully compensated by the Authority.

The benefit associated with fares subsidy are generally high where fare reductions are expected to generate significant new patronage. If new revenues are captured through a gain-share mechanism (as now) this will offset the cost of the subsidy.

Table 1: Fare reduction appraisal for each £ of expenditure

	£
User benefits	
From fare change	3.48
From service change	0.00
Non-user benefits	
Decongestion, Safety, Local Air Quality, Noise, Greenhouse Gases	0.32
Option and non-use value value	0.03
Reduced fuel tax revenue	-0.13
Wider impacts	0.00
Employment and education	0.63
Health and wellbeing	0.48
Volunteering	0.40
Bus operator benefits	0.00
Change in operating profits	0.20
Cost to Government	0.00
(tender, BSOG, concessionary fares, subsidy)	1.00
BCR (user + non-user)	3.89
BCR (user + non-user +wider impacts)	5.40

Note: Estimates are based on a modelled 10% reduction in fares and adjusted to show the benefit value per £ of expenditure.

Commercial service enhancement

Commercial service enhancement

Increased service frequency for commercial services generates £2.41 of benefit for each £1 of government expenditure based on user and non-user benefits. If wider impacts are also taken into account, the benefit cost ratio increased to £2.95

Operators are taken to be no-better and no-worse off from providing a discount. Potential revenue reductions are fully compensated the Authority.

The expected benefit from enhancing commercial services is relatively high at £2.95 because commercial services have relatively high “load factors”. Each £ spent provides a benefit relatively high numbers of new and existing customers.

Table 2: Commercial service appraisal for each £1 of expenditure

	£
User benefits	
From fare change	0.00
From service change	2.34
Non-user benefits	
Decongestion, Safety, Local Air Quality, Noise, Greenhouse Gases	0.11
Option and non-use value value	0.01
Reduced fuel tax revenue	-0.05
Wider impacts	0.00
Employment and education	0.22
Health and wellbeing	0.17
Volunteering	0.14
Bus operator benefits	0.00
Change in operating profits	0.00
Cost to Government	0.00
(tender, BSOG, concessionary fares, subsidy)	1.00
BCR (user + non-user)	2.41
BCR (user + non-user +wider impacts)	2.95

Note: Estimates are based on a modelled 10% increase in service miles and adjusted to show the benefit value per £ of expenditure.

Supported service enhancement

Supported service enhancement

Increased service frequency for supported services generates £0.87 of benefit for each £1 of government expenditure based on user and non-user benefits. If wider impacts are also taken into account, the benefit cost ratio increased to £0.98

The expected benefit from enhancing supported services is lower than that for commercial services as supported services carry much less patronage. The journey time benefits are experienced by fewer people.

Analysis shows some supported services have higher benefit cost ratios (BCRs) than others. The ranges are typically between 0.6 and 1.2 with services with high levels of patronage showing BCRs over 2.

The estimated BCRs are lower than those estimated by DfT at 2.0 due to patronage levels falling and tender costs increasing.

Table 3: Supported service appraisal for each £1 of expenditure

	£
User benefits	
From fare change	0.00
From service change	0.52
Non-user benefits	0.00
Decongestion, Safety, Local Air Quality, Noise, Greenhouse Gases	0.02
Option and non-use value	0.00
Reduced fuel tax revenue	-0.01
Wider impacts	0.00
Employment and education	0.04
Health and wellbeing	0.03
Volunteering	0.03
Bus operator benefits	0.00
Change in operating profits	0.34
Cost to Government	0.00
(tender, BSOG, concessionary fares, subsidy)	1.00
BCR (user + non-user)	0.87
BCR (user + non-user +wider impacts)	0.98

Note: Estimates are based on a modelled 10% increase in service miles and adjusted to show the benefit value per £ of expenditure.

DRT service enhancement

DRT service enhancement

The expected benefit from enhancing DRT is currently lower than the benefits from supported services as DRT services currently have a passenger load factor (total patronage/total vehicle miles) which is 12% of that for supported services and 6% that of commercial services.

If DRT patronage levels were to increase so that load factors were two thirds of that of supported services, the BCR would increase from 0.27 to 1.64 for user and non-users and 0.31 to 1.91 when wider impacts are included.

Key to the success for DRT is patronage growth.

Table 4: DRT service appraisal for each £1 of expenditure

	Low £	High £
User benefits		
From fare change	0.00	0.00
From service change	0.24	1.57
Non-user benefits		
Decongestion, Safety, Local Air Quality, Noise, Greenhouse Gases	0.01	0.06
Option and non-use value value	0.00	0.01
Reduced fuel tax revenue	0.00	-0.02
Wider impacts	0.00	0.00
Employment and education	0.02	0.11
Health and wellbeing	0.01	0.08
Volunteering	0.01	0.07
Bus operator benefits	0.00	0.00
Change in operating profits	0.02	0.03
Cost to Government	0.00	0.00
(tender, BSOG, concessionary fares, subsidy)	1.00	1.00
BCR (user + non-user)	0.27	1.64
BCR (user + non-user +wider impacts)	0.31	1.91

Note: Estimates are based on a modelled 10% increase in service miles and adjusted to show the benefit value per £ of expenditure.

Passenger experience

Passenger experience

The BSIP includes a package of measures to increase awareness of service availability and improve knowledge while travelling. These include: brand identity; marketing, promotion and communications; travel guide & journey planning; within journey information; and a bus passenger charter.

Research undertaken for DfT* provides customer valuation for many of these journey attributes including: the provision of in-journey information and a passenger charter. The valuation is shown as equivalent journey time savings. Given the age of the research, the customer benefit has been adjusted and capped at a value of 15 pence per journey.

Given the age of the research, and the lack of detail on the delivery of the improvements, confidence in the value for money estimate is low.

* AECOM (2009) The Role of Soft Measures in Influencing Patronage Growth and Modal Split in the Bus Market in England

Table 5: Passenger experience appraisal for each £1 of expenditure

	£
User benefits	
From fare change	0.00
From service change	1.03
Non-user benefits	
Decongestion, Safety, Local Air Quality, Noise, Greenhouse Gases	0.05
Option and non-use value value	0.01
Reduced fuel tax revenue	-0.02
Wider impacts	0.00
Employment and education	0.10
Health and wellbeing	0.07
Volunteering	0.06
Bus operator benefits	0.00
Change in operating profits	0.55
Cost to Government	0.00
(tender, BSOG, concessionary fares, subsidy)	1.00
BCR (user + non-user)	1.62
BCR (user + non-user +wider impacts)	1.85

Note: Estimates are based on a customer benefit (willingness to pay) at 15 pence per journey and adjusted to show the benefit value per £ of expenditure.

Record of assumptions

Table 6: Data sources

Input	Source
Number of passenger trips	DfT Bus Statistics, Table BUS01
Average revenue per passenger	DfT Bus Statistics, Table BUS04
Operating cost	DfT guidance on concessionary fares (2016) and DfT Bus Statistics, Table BUS05
Vehicle miles travelled	DfT Bus Statistics, Table BUS02
Number of Vehicles	DfT Bus Statistics, Table BUS06
Government support for bus services	DfT Bus Statistics, Table BUS05

Table 7: Behavioural parameters

Input	Value	Source
Generalised Journey time		
In-vehicle-time Elasticity	-0.6	RAND Europe and SYSTRA (2018)
Value of time (pence per minute)	9.0	TAG A1.1
Wait Time value of time factor	2.00	TAG A1.3
Fares factors		
Fare elasticity - Fare paying	-0.8	RAND Europe and SYSTRA (2018)
Fare elasticity - Concessionary Pass	0.0	