

DECISION-MAKER:	CABINET
SUBJECT:	GROUP BUS FARE OFFER
DATE OF DECISION:	17 JANUARY 2023
REPORT OF:	COUNCILLOR KEOGH CABINET MEMBER FOR TRANSPORT & DISTRICT REGNERATION

<u>CONTACT DETAILS</u>			
Executive Director	Title	Executive Director Growth	
	Name:	Adam Wilkinson	Tel: 023 8254 5853
	E-mail	Adam.wilkinson@southampton.gov.uk	
Author:	Title	Transport Policy & Sustainable Travel Manager	
	Name:	Iain Steane	Tel: 023 8280 2283
	E-mail	Iain.steane@southampton.gov.uk	

STATEMENT OF CONFIDENTIALITY
None

BRIEF SUMMARY

In Summer 2022, SCC in partnership with bus operators introduced a trial of a lower priced Group Fare offer. Known as 'Five for Fiver', the offer reduced the price of the bus operator's standard £8 group ticket to £5 for up to five people to encourage more travel by bus and to enable people to experience Southampton over the school summer holidays.

The offer ran from July 27th to 25th September and has been continued as a weekend only Group Fare offer. It is now proposed that the weekend only Group Fare offer continues to 31st March 2023 with the potential to continue into 2023/24.

The Evening £1 Fare offer has been running since June 2021 and is continuing currently to 31st March 2023. Any future decision on both of these offers will need to be made in context of challenges around the network changes.

RECOMMENDATIONS:

(i)	To delegate authority to the Executive Director of Place, following consultation with the Cabinet Member for Transport and District Regeneration to determine the mechanism to set up and administer the Group Fare Offer and £1 Evening Fares for 2022/23, and if continued, in 2023/24.
(ii)	To note the context of the financial challenges the Council currently faces, as set out in paragraph 13 of the report.

REASONS FOR REPORT RECOMMENDATIONS

1.	The Group Fare offer trial and £1 Evening Fares are carried out under S1 Localism Act powers and requires a Cabinet decision to continue. This will allow the Offers
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	to continue to provide affordable bus travel for people in Southampton during a period of change in the bus network.
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED	
2.	Do Nothing – the Fare Offers would not have a legal or approved framework to be implemented without the correct delegations.
DETAIL (Including consultation carried out)	
3.	<p><u>Summer Group Fare Offer (Five for a Fiver)</u></p> <p>Working in close co-operation with local bus operators a Summer Group Fare offer was trialed to encourage families and groups to try bus travel and for existing users to make more use of the bus.</p> <p>Making bus travel more affordable and simpler is one of the nine ambitions in the Bus Service Improvement Plan (BSIP) as a way of reducing the cost of travel by bus. Participating bus companies reduced the price of their existing group day ticket product from £8 to £5 for a group of up to 5 people travelling together between 23rd July and 25th September 2022. This was supported by a £3 contribution from SCC so bus operators still retained the £8 cost of their own Group ticket.</p>
4.	<p>The trial initially ran to 5th September but was extended to 25th September spanning school holidays and term times to identify any difference and included Music in the City and the Southampton International Boat Show.</p> <p>The Summer Trial concluded on 25th September with 26,600 tickets sold over the 9-week period. 18,737 in the 6-week school holiday and 7,539 in the subsequent 3 weeks. Weekends tended to be the busiest days with Saturdays coinciding with Southampton FC home games producing the greatest ticket sales. Once the school term started, sales of the group ticket reduced by 60% on weekdays.</p>
5.	In agreement with the bus operators, the offer was extended initially to end of October then 13 th November as a 'Weekend Only' product. Between 500-750 tickets are sold each weekend. Sales have stabilised with Saturday being the busier day.
6.	<p>SCC carried out two passenger surveys in August and September to understand people's motivations, travel patterns and awareness of the scheme. This also gathered data on group size and ticket types.</p> <ul style="list-style-type: none"> • 37% of the 776 people surveyed were travelling in a group of 2 or more, • 7% of travellers had used the summer group offer with most being season ticket, return or single ticketholders • Of the 54 people travelling in a group who used the 5 for £5 ticket 16% were groups of 2, 28% in group of 3, 23% in a group of 4 or 32% in group of 5, and • 20 of respondents were making this journey for the first time by bus, and 50% of them had previously made this journey by car.
7.	A further continuation to 31 st March 2023 is now proposed of the Weekend Only £5 Group Fare product. This includes the adjusted bank holidays over Christmas period. All participating operators have agreed to this. It should be noted that from 19 th February 2023, following First Group's decision to withdraw the CityReds from Southampton, it will still be available on First Solent buses. Southampton MiniLink are no longer in the offer following the withdrawal of their services in October.
8.	Spend for the initial group ticket offer period between July-September was £78,800 from an anticipated £100,000 budget envelope. Spend to end of November

following autumn extension is £98,100. The extension to 31st March 2023 as a weekend only offer is expected to cost a further £66,000 for a total spend of £144,800.

Group Offer Period	Amount
July-September (actuals)	£78,800
October-March Weekends Only (forecast)	£66,000
Total Forecast Spend	£144,800

Table 1 – Group Offer Spend

The additional cost to March will be accommodated within the Concessionary Fares budget forecast.

9. £1 Evening Fares

Cabinet determined on 18 October 2021 to support the promotional £1 Evening Bus Fare that was introduced by the bus operators from 5th September 2021. This was part of a package of activities to support Southampton’s night-time economy and aid recovery from the Covid pandemic.

Funding for the scheme initially ran to 31st March 2022 under a variation of the 2021/22 Concessionary Fare scheme.

Participating operators are First and Go South Coast. Following Officer discussions with the bus operators, and Cabinet agreement on 19th July 2022, the offer will continue through to 31st March 2023.

The spend to date for 2022/23 (end October) based on operator returns is £47,600.

The weekly support payment is calculated on the difference between evening bus revenue prior to the introduction of the free evening parking charges in July 2021 with adjustments for seasonality against 2019 (as a pre-pandemic baseline) and the 2020 fare increase.

10. Further continuation of the offers beyond 31st March 2023 would require a new decision and funding from the 2023/24 budget. With significant changes around the bus network following the withdrawal of First’s CityRed services and methodology for the 23/24 Concessionary Fares Scheme, the continuation of the Group and £1 Evening Fare Offers may be challenging. Depending on how the bus network performs and adjusts over coming months there may be need for SCC to support some bus services if they are uncommercial for the new operator. Concessionary Fares could be higher as the new methodology will need to consider fare changes, latest DfT guidance and the new bus network.

RESOURCE IMPLICATIONS

Capital/Revenue

11. The funding for the Fare Offers is coming from a one-off allocation in the forecast spend on the 2022/23 Concessionary Fares scheme as outlined above.
 Additional funding for the Evening Bus Fare Support is coming from existing S106 developer contributions totalling £67,000.
 The estimated funding envelopes are:

	Actuals to Sept 22	Projection Oct 22- March 23	Total FY 2022/23
£1 Evening	£42,200	£126,600	£168,800
£5 Group Travel	£78,800	£66,000	£144,800
Total	£121,000	£192,600	£313,600

Table 3 – Bus Fare Offers

Therefore, the total budget envelope for the Fares Offers is £313,600, with £67,000 from S106 and remaining £245,800 coming from the Concessionary Fares budget.

12. The Council does not yet have a balanced budget for 2023/24, with a major budget shortfall as reported to Cabinet on 8 November (reported as £28.9M). It also is forecasting an in-year deficit of £9.6M as reported at Cabinet on 15 November. Both issues are a very considerable financial challenge to the Council and a significant risk to its financial resilience and are at a time when the Council continues to face significant financial risks due to economic pressures such as inflation and higher interest rates and escalating demand pressures for local services.

Against this background, an Essential Spend only approach has been adopted across the council, designed to ensure spend is minimised to legal requirements (including contractual) and avoidance of service failure. All decisions to spend, where not essential, further increase financial risk by limiting the options to mitigate the forecast deficit or address the future budget shortfall projection.

The spend within this report is to provide a service over and above essential levels and cabinet are therefore asked to carefully consider such a commitment.

Property/Other

13. There are no property implications with this report.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

14. Localism Act 2011 Section 1 provides the ability to carry out a trial to financially support the bus operator commercial offer.

15. Any permanent or longer-term scheme would need to be put in place via powers under the Enhanced Partnership, Transport Act 2000 or Bus Services Act 2017.

Other Legal Implications:

16. Subsidy Control

The Council needs to assess whether the fare offer complies with Subsidy Control legislation. Subsidy Control applies where the arrangements could confer an economic advantage due to the Council's financial input. The Fare Offer is a form of subsidy as it replaces revenue the bus operators would have received. Therefore this would be an economic advantage for bus operators currently operating in Southampton and potential to affect international trade (as operators who do or could operate services within the area include companies with national and international subsidiaries and parent companies).

17.	The next stage is to review the subsidy and identify how it meets the two tests: 1. Financial - Total subsidies provided in last 3 years, then 2. Meeting the 7 Principles
18.	The financial test needs to look at whether the totality of subsidies provided to each operator over the last 3 years exceeds £332,000, if so then remains in scope for subsidy control, and then needs to meet the 7 principles <ul style="list-style-type: none"> • They must be evidenced to pursue a specific public policy objective to remedy an identified market FAILURE or address social difficulties or distributional concerns, • Be proportionate and limited to only what is necessary to achieve the objective, • Be designed to bring about a change in economic behaviour of the beneficiaries to achieve an objective that would not have been achieved if the subsidy have not been provided, • MUST NOT compensate for activity that would have been offered if the subsidy had not been provided anyway, • Must achieve a public policy objective that cannot be achieved by other less distortive means, or • Demonstrate the positive contribution to achieving the policy objective outweighs any negative impact on trade or competition. <p>If, after following all the tests, a subsidy can be justified then it has to be notified to Government and included on their transparency register under current guidance and pending revised guidance under the Subsidy Control Act 2023 when it comes into force on 4th January 2023.</p>
19.	Officers have looked at the first financial test to understand level of subsidy provided to bus operators over past 3 years: The items in scope are: <ul style="list-style-type: none"> • £1 Evening Fares (to date), • Group Fare Offer (to date), and • Infrastructure on Tap On Tap Off readers. <p>The total to all operators is £380,000 with the highest to an individual operator being £199,600 which is below the £332,000 threshold. Therefore, the first test has been met and the subsidy doesn't need to be included on the register.</p>
RISK MANAGEMENT IMPLICATIONS	
20.	To be compliant with the Subsidy Control process.
POLICY FRAMEWORK IMPLICATIONS	
21.	Simpler and cheaper fares are an ambition within the Bus Service Improvement Plan (BSIP) to meet targets about increasing the number of people making journeys by bus.
22.	The provision of concessionary travel accords with the policy direction of the City's adopted Local Transport Plan (2019) by helping the Council meet its targets for increasing the use of sustainable transport modes (and bus travel in particular) and increasing accessibility and promoting social inclusion.

KEY DECISION?	Yes
WARDS/COMMUNITIES AFFECTED:	All

SUPPORTING DOCUMENTATION

Appendices

1. Equality Impact Assessment

Documents In Members' Rooms

1. N/A

Equality Impact Assessment

Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.	Yes
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Data Protection Impact Assessment

Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.	No
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Other Background Documents

Other Background documents available for inspection at:

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
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1. None	
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