

Bath & North East Somerset Council

MEETING/ DECISION MAKER:	Cabinet	
MEETING/ DECISION DATE:	5th May 2022	EXECUTIVE FORWARD PLAN REFERENCE:
		E 3357
TITLE:	Park & Ride Contract Renewal	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Exempt Appendix 1 – Park and Ride Option Assessment Appendix 2 – Equalities Impact Assessment		

1 THE ISSUE

- 1.1 This report sets out the options available to the council to renew the contract to run the bus services between the Park & Ride sites and the city centre of Bath. This is due to the expiry of the existing contract in August 2022 that commenced in 2012.
- 1.2 The new contract was tendered to the market with a number of potential options presented for pricing to allow the Council to understand and develop the best fit solution for the service for the duration of the contract term.

2 RECOMMENDATION

The Cabinet is asked to;

- 2.1 Note the assessment of the tender returns as set out within Exempt Appendix 1
- 2.2 Consider fully the charging options as part of the contract award process and give delegation to the Director of Place Management to agree with the West of England Combined Authority (WECA) to;
- (1) Award the contract to the preferred bidder on a gross cost basis with the following contract specification but with a clear understanding of sustained service improvements as patronage increases:

- a) At commencement of the contract fares to be set at £3.60 per return adult fare on all days (rather than £3.60 Monday-Friday and £3.00 weekends as set currently);
 - b) All group ticket options currently available to be maintained and;
 - c) At commencement of the contract that the hours of operation to match the current service provision
- 2.3 Agree that the service financial model will be reviewed at 6 monthly intervals to compare the actual income against the model and, subject to income levels reaching necessary gateway levels;
- a) Invest the additional income in increased service provision such as extended hours of operation and/or;
 - b) Reduce the fares charged for the Park & Ride service and/or;
 - c) Invest in improvements on the Park & Ride sites to improve the customer experience
- 2.4 Note the additional costs for the service against the agreed Council budget for the service and the mitigation plan as set out within 5.10 and approve the establishment of a P&R smoothing reserve to manage the income risk whilst patronage returns to pre-Covid levels.
- 2.5 To delegate the authority to the Director of Place Management in consultation with the Cabinet Member for Transport to implement a parking charge on the Park & Ride site for any users as agreed to offset the increased costs of the operation of the sites and the bus service and ensure that the service remains viable in the long term.

3 THE REPORT

- 3.1 The current Park and Ride contract was signed by Bath and North East Somerset Council in 2012. The terms of the contract were advantageous to the Council in providing both a guaranteed, index linked net income and allowed all concessionary fares income reimbursement to be retained by the Council.
- 3.2 Demand for the Park and Ride Service is seasonal, variable and affected by a number of issues. For example, significant periods of inclement weather and heavy snow leads to a reduction of the number of passengers and the number of buses being able to operate the services whereas Seasonal events such as the Bath Christmas Market and Bath Half Marathon increase patronage.
- 3.3 Historic use of the Park and Ride service has been strong although overall numbers of trips have reduced slightly, mainly linked to the national increase in age qualification for a concessionary fare pass:

2,074,638 total passengers in 2015-16
2,047,112 total passengers in 2016-17
2,057,604 total passengers in 2017-18
1,831,185 total passengers in 2018-19
1,801,344 total passengers in 2019-20 (note Covid impact in March 2020)

- 3.4 However, due to the Covid 19 Pandemic and the changes to the working and leisure patterns as a result, passenger numbers on the services are currently at 78% of 2019-20 levels. This change in usage has had a significant operational impact on the service and the income generated from fares, although noting that service levels (or numbers of buses running) also dropped during the pandemic reducing costs for the operator.
- 3.5 The pandemic has also had a significant effect on the national bus market, reducing patronage and resulting in the need for Central Government grants to ensure service continuity, with around £2 billion made available to over 160 operators nationally. This has affected the levels of risk that operators are willing to accept on contracts and has clearly influenced the prices received for the tender.
- 3.6 Despite the current usage being below the historical trends the overall long-term forecast for the service is considered to be positive. Demand is likely to grow because of a number of local, regional and national policy interventions and practical changes to the operation of the city from a sustainable transport perspective, some of which are reflected below:

Policy

- (1) Department for Transport Decarbonisation Plan*
- (2) WECA's Transport Decarbonisation Study*
- (3) The Councils Climate Emergency Declaration (March 2019)*
- (4) (Proposed) Adoption of the Councils Journey to Net Zero Policy including demand management measures such as Traffic Cells, Workplace Parking Levy and road user charging*
- (5) Significant Regeneration plans generating increased employment opportunities including Bath Quay South, Bath Quays North, Milsom Quarter masterplan.*

Operational

- (6) Introduction of Clean Air Zone in November 2020*
- (7) Rises in city centre parking charges – On street increases implemented in January 2022 on a three year rolling programme and Off street increases due to be implemented by September 2022 (as agreed within budget setting in February 2022) on a three year rolling programme*
- (8) Redevelopment of Avon Street carpark in summer 2022 as part of the Bath Quays North regeneration project*
- (9) Proposed implementation of an additional 7 Residents Parking Zones which may lead to a reduction of "park & stride" behaviour within the areas affected, subject to public consultation and approval*

- 3.7 A Member Working Group was commissioned to consider the current operating model of the Park & Ride. This allowed consideration of the current position and to develop a range of options to be discussed and be used to define the specification for the retendering process. The agreed specification was then passed to WECA to be included within the tender process. The final specification offered 4 charging models with 60 separate running options. It was noted that the final tender was complex and as such may have had an impact on the number of tenders received. The Member Working Group has also considered the tender return and in light of the outcomes supported the outcome as set out above.

Concessionary Fares

- 3.8 The English National Concessionary Travel Scheme (ENCTS) currently consists of guaranteed free travel for people over state pension age and people with an eligible disability on all eligible local bus services anywhere in England from 0930 until 2300 on weekdays and all day at weekends and on Bank Holidays.
- 3.9 Approximately 33% of journeys made on the Park and Ride service are made by holders of concessionary travel passes (i.e. elderly and disabled). All passengers who use a concessionary travel pass do not make payment. However, the Council is able to recover the cost
- 3.10 The average annual decline in concessionary fare journeys consumed over the period 2014-15 to 2019-20 (excluding March 2020) was 2.1% for the WECA area. This trend was forecast to continue over time due to the age of eligibility increasing from 60 to 65. However, the Covid pandemic has made like for like comparisons for 2020-21 and 2021-22 impossible.
- 3.11 One of the fundamental principles of ENCTS is that it should be cost-neutral for bus operators (or in the case of the Park and Ride Service for the Council). The general principle is that operators should be “no better and no worse off”. In practice, this means:

Travel Concession Authorities should¹

- (1) Compensate operators for the revenue forgone – i.e. the revenue they would have received from those concessionary passengers who would otherwise have travelled and paid for a (full fare or discounted) ticket in the absence of a scheme; and*
- (2) pay operators any net additional costs they have incurred as a result of the scheme – this could for instance include the cost of carrying additional generated passengers (i.e. concessionary passholders that would not have travelled in the absence of the scheme) or other costs that would not have been incurred in the absence of the concession such as scheme administration costs. Those costs are net of additional revenue.*

Calculating concessionary travel reimbursement is therefore predicated on determining what would have happened in the absence of the scheme. This requires local authorities to estimate the various components of reimbursement (scheme administration costs, marginal operating costs, marginal capacity costs and peak revenue requirement costs).

¹<https://researchbriefings.files.parliament.uk/documents/SN01499/SN01499.pdf>

- 3.12 To offset the costs of the service it is proposed to further examine the options to implement parking charges for some site users who do not use the bus service or alternatively all bus users as is currently in place in Oxford Park & Ride service. Whilst this model is significantly different to the current model, it does ensure that all users of the service contribute to the running costs of the sites. As the use for each space, particularly at peak times such as the summer period and the Christmas Market period, is a potential fare income under the gross cost contract offer the use of the spaces should be considered fully.

- 3.13 All contracts issued for bus services by the West of England Combined Authority include all standard clauses including for termination if deemed necessary. However, this option would only be considered in light of significant variation to the usage of the service or other unforeseen circumstances.

4 STATUTORY CONSIDERATIONS

- 4.1 The WECA Order 2017 transferred to the Combined Authority responsibility for certain transport functions, primarily related to public transport operations but also including responsibility to develop transport policies for its area and to carry out its functions so as to implement those policies.
- 4.2 This provides an overall summary, but in general terms WECA is the Transport Authority for the transport functions set out in Parts 4 and 5 of the Transport Act 1985 and Part 2 of the Transport Act 2000, including overall responsibility for delivery of English National Concessionary Travel Scheme.
- 4.3 The ability of WECA to carry out the direct delivery of its Transport Authority functions for the region is expected to work on the principle of "greater than the sum of the parts" - meaning we can achieve more by combining resources through WECA than as councils working individually.
- 4.4 As a result of this transfer of responsibility, all Public Transport staff within BANES transferred to WECA. As WECA is now staffed to act as Transport Authority for the region, WECA have procured the contract on behalf of BANES.
- 4.5 However, the responsibility for the development of the contract type, service design and specification and contractual terms for the Park & Ride service remains with BANES.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 5.1 To fully assess the market the tender requested prices for a number of charging options and mechanisms as set out below. This included a net cost contract approach (where the Operator retains all fare income) and a gross cost contract approach (where the operator charges for providing the service and BANES retains all fare income):

- 5.2 Net contract options in the tender response were expressed in two forms:

- (1) Provider retains concessionary fare income
- (2) B&NES retains concessionary fare income

Each net contract option was tendered at 3 price points:

- (1) £4 charge per car
- (2) £3 adult return fare
- (3) £2.50 adult return fare

- 5.3 The Gross cost contract option is more straightforward and simply requests a cost to be paid to the Bus Operator for operating the service in line with the specification. Under a gross cost contract option, all income would be retained by B&NES. Consequently, the Council has the ability to change prices, operating

hours, charging mechanisms and overall service offer in a much more flexible way (with relevant negotiation with the service provision) and link the changes to increases to the income generated by increased patronage of the bus services or alternatively to income being generated by a parking charge on site for all or some of the users (see 3.12)

- 5.4 However, the Council also retains all of the operating cost risk for the contract if patronage drops or the income levels are lower as a result of the charging approach taken the funding gap between the cost of the contract and the income would need to be identified from within current council resources.
- 5.5 Several start and finish times were quoted within the tender. All options create a significant on-going budget pressure and, for this reason, any option to lengthen the timetable has unfortunately been dismissed at this time. However, as set out in 5.3 this could be revisited based on the income levels generated within the gross cost contract if supported.
- 5.6 The analysis of financial model options is therefore based on the default or current, option (Monday-Saturday 06:15-20:30, Sunday and Public Holidays 09:30-18:00).
- 5.7 The option to charge per car was considered based on the occupancy data available. However, it was noted that the confidence in the data was lower than the data for patronage for the bus use and as such the overall confidence for this approach was lower. Additionally, no data is available to identify which cars on the site are bus users and which may be using the site purely for parking (for leisure or other purposes). It is also recognised that management of this charging mechanism is more complex to determine what passengers arrived within what vehicle. Therefore, it is difficult to recommend this option at this time.
- 5.8 In recognition that the new contract would not be as financially favourable as the existing contract agreed in 2012, growth of £750k has already been applied to the service budget. The net cost option at £3 per adult return fare would result in a further budget pressure of £852k per annum. However, costs will be known and risk of the financial position worsening over the life of the contract would be removed. All net cost contracts do offer the ability to increase running time for a cost but fares cannot be varied in the same flexible way.
- 5.9 A gross contract option leaves the council with both the risk and reward of fare income fluctuations. Modelling fare income on current patronage levels, whilst maintaining a £3.60 adult return fare price estimates a budget pressure of £764k. Confidence that patronage will increase over the 5 years of the contract due to measures described in 3.6, in addition to the availability commercial levers such as those described in sections 3.12 and 3.13 means that it is estimated the aforementioned budget pressure would reduce year on year over the life of the contract and by year 5 the contract would once again be income generating to the council. It is estimated that the upside of a gross contract option outweighs the risks of a downside and as such the gross contract option is recommended.
- 5.10 To manage the budget pressure over the life of the contract a P&R smoothing reserve has been identified as per recommendation 2.4, using a combination of above budget income generated in financial year 2021/22

and Covid Contingency Reserve funding. This will mitigate the pressure and avoid the need to find funding from elsewhere in the organisation.

- 5.11 It is noted that to manage the contract on a commercial basis additional dedicated staff will be required. This role will be responsible for the development of the business model for the service, driving patronage and liaising closely with residents, businesses, visitors and other potential revenue streams. To provide the staff and back office support it is estimated that an additional £80k per annum should be budgeted for within the model.

6 RISK MANAGEMENT

- 6.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision-making risk management guidance.
- 6.2 It is noted that awarding the tender on a gross cost basis does place the Council at risk if the patronage levels on the service drops. This risk has been thoroughly considered as part of the development of the report and recommendations as set out above.

7 EQUALITIES

- 7.1 The Equalities Impact Assessment (Appendix 2) did not identify any adverse impacts as a result of these proposals. The proposed service operation will mirror the current arrangements and any changes to the prices are deemed to be low when compared to the overall costs of travel by either public transport or private car.
- 7.2 The Equality Act requires bus companies to take steps to ensure Disabled people can get the same service as everybody else by making reasonable adjustments for Disabled people. All vehicles used on the Park & Ride service will continue be compliant with these regulations

8 CLIMATE CHANGE

- 8.1 Current national policy levers are unlikely offer a significant enough contribution to reducing national transport emissions by 2030 in line with the Councils climate emergency declaration. This means that a large proportion of the vehicles operating on roads in the West of England in 2030 will remain powered by internal combustion engines (including the sale of new hybrids up to 2035) and the demand for private car use will likely have risen, in line with business as usual.
- 8.2 The Park & Ride service helps to address this by helping to facilitate the outcomes of the wider local transport policies and address the climate emergency to improve air quality by helping to achieving a 2030 headline target of a 25% reduction in car trips.
- 8.3 By intercepting and reducing congestion and vehicle intrusion into the city centre and potentially residential neighbourhoods, the service helps towards air quality improvement by ensuring NO2 targets are met and CO2 emissions reduced in the shortest possible time.

9 OTHER OPTIONS CONSIDERED

9.1 To not award the contract - This option was dismissed as the provision on the Park & Ride service is considered an important part of the overall transport strategy of the Council, whilst recognising that the provision of services may act as an attractor to cars thus abstracting some passengers from scheduled bus services. However, this is deemed to be low numbers overall as many car users would simply drive into the city centre to park.

10 CONSULTATION

10.1 The Joint Local Transport Plan 4 that was consulted widely upon in in 2019 and received over 4500 responses supported increasing travel options on arterial routes and reducing private car travel by using interventions such as Park & Ride services.

10.2 The West of England Combined Authority consulted with the public regarding their views all supported bus services including Park and Ride services. The survey received a total of 1565 responses, of which 316 were paper and 1249 were online. The Supported Bus Service Survey was open from 18th October 2021 until 28th November 2021 and was conducted online and in paper format. Paper surveys along with collection boxes were provided on all Combined Authority supported bus services including Park & Ride services. A dedicated survey webpage was set up to host the online version of the survey.

10.3 Survey information was sent to Town and Parish Councils, councillors from B&NES, Bristol & South Gloucestershire council and local voluntary and community organisations. Notifications were also sent to a range of other stakeholders and interested parties. Documents were available in other formats (Another Language, Braille, Audio Tape, Large Print, Plain Text, easy English, BSL Video or CD Rom) by contact to the Comms team.

10.4 Additionally, some of the responses to the consultation on the Journey to Net Zero identified that due to both the operating hours and the costs of the Park & Ride, in some circumstances it can be cheaper and more convenient to park in the city centre than to use our P&R services. We have considered the comments received as part of the development of both the long and short term operating model of our P&R sites. Specifically, the comments have been included within the development of the specification for the retender of the current contract that allowed an opportunity to review our current charges and operating hours in a bid to make the P&R sites more attractive to users.

10.5 The S151 Officer and Monitoring Officer have been consulted in the drafting of this report.

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Background papers	None
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