

Date: 29 March 2019

Subject: Opportunity Pass including 16-18 Free Bus Travel

Report of: Andy Burnham, Mayor of Greater Manchester, Portfolio Lead for Transport and Eamonn Boylan, Chief Executive, GMCA

PURPOSE OF REPORT

This report sets out a proposal to implement a pilot scheme (the ‘Pilot’) to introduce an Opportunity Pass including free bus travel for eligible young people within Greater Manchester.

RECOMMENDATIONS:

- (i) note the key features of the proposal, including, in particular, the duration of the Pilot; the eligibility criteria for 16-18 year olds; and the proposed delivery model;
- (ii) note the outline scope of the Opportunity Pass and progress to date, including, in particular, the engagement with businesses and other stakeholders to explore opportunities to extend the scope of the Pilot beyond the provision of free bus travel;
- (iii) note that a progress update on the delivery of the Opportunity Pass will be provided to the Combined Authority in June 2019;
- (iv) note the strategic and economic case for the provision of free bus travel for eligible young people;
- (v) note the financial case and funding sources for the provision of free bus travel for eligible young people, including, the financial information included in Part B to this report;
- (vi) note the legal advice and EQIA undertaken in regard to delivery of free bus travel for eligible young people;
- (vii) note the key risks relating to the delivery of free bus travel for eligible young people and the mitigating actions;
- (viii) approve the proposal to implement the Pilot for a period of two years from 1 September 2019;

- (ix) approve the delegation of decisions required to ensure the delivery of the Opportunity Pass Pilot to the GMCA Chief Executive and the TfGM Interim Chief Executive;
- (x) Approve the delegation of decisions required to develop the budget and identify funding to deliver and operate the Opportunity Pass Pilot, as per paragraph 3.5 of this report, to the GMCA Chief Executive and the GMCA Treasurer, in consultation with the Mayor of Greater Manchester.

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Comments and/or recommendation from the relevant Overview & Scrutiny Committee

Risk Management – see paragraph 8.1 to 8.5

Legal Considerations – see paragraph 7.1 to 7.8

Financial Consequences – Revenue – see paragraph 6.1 to 6.13, 8.3

Financial Consequences – Capital – n/a

BACKGROUND PAPERS:

- The Mayor’s ‘Future of Greater Manchester’ full speech transcript ;
- Reports to Greater Manchester Combined Authority 15 February 2019:
 - 7a - Mayoral General Budget Overview
 - 7b – Mayoral General Budget and Precept
 - 7c - GMCA Transport Revenue Budget

TRACKING/PROCESS		
Does this report relate to a major strategic decision, as set out in the GMCA Constitution		Yes
EXEMPTION FROM CALL IN		
Are there any aspects in this report which means it should be considered to be exempt from call in by the AGMA Scrutiny Pool on the grounds of urgency?		N/A
TfGMC	Overview & Scrutiny Committee	

N/A	Corporate Issues and Reform - 19 March 2019	
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1. INTRODUCTION

- 1.1 This report sets out a proposal to implement a pilot scheme (the 'Pilot') that will provide an Opportunity Pass to eligible young people. The Opportunity Pass will provide a number of benefits including free bus travel at all times of the day and week.
- 1.2 One of the Mayor of Greater Manchester's key manifesto pledges was to provide free bus travel to young people (16-18 year olds) in GM, to support the strategy of making GM "the best place to live, work and get on in life" and to make GM a place for young people "to explore, to shape and to build".
- 1.3 In addition, the Greater Manchester Strategy Implementation Plan commits the city region to a diverse range of policies, programmes and reforms designed to improve the education and life chances of young people. There is a significant amount of activity underway across GM to support the achievement of these ambitions.
- 1.4 The Mayor of Greater Manchester announced the proposal on 7 January, outlining how free bus travel could be provided to "ensure that life horizons are not limited by financial barriers". In the same speech, the Mayor described the Opportunity Pass as "a passport to study, apprenticeship or work but more than that; free or reduced entry to participating sporting, cultural and leisure venues".
- 1.5 The Opportunity Pass aims to generate a sustainable increase in bus patronage and reverse an ongoing decline in bus use by young people. Removing barriers to travel for young people will help them to access education, employment, leisure and social activities which, in turn, will support the future prosperity of Greater Manchester.
- 1.6 As well as free bus travel, it will also provide access to a complementary range of benefits and opportunities for young people including, for example, access to sporting, cultural and leisure venues; retail offers; and unique opportunities provided by businesses and partners across GM. These benefits and opportunities are the subject of ongoing development and an update will be provided in a report to GMCA in June 2019.

2. KEY FEATURES OF THE PROPOSAL

- 2.1 As noted above, under the proposal all eligible young people would benefit from free bus travel at all times of the day and week within GM.
- 2.2 The proposal would be implemented as a Pilot. The Pilot would run from the start of the 2019/2020 academic year (i.e. 1 September 2019) to the end of the 2020/21 academic year (i.e. end 31 August 2021).
- 2.3 16-18 year olds who are resident in GM would be eligible for the Pilot from 1 September following their 16th birthday to 31 August following their 18th birthday (aligned to the equivalent post 16 academic years).

- 2.4 All eligible young people would be able to access free bus travel during the Pilot period using a personalised Opportunity Pass smart card. This card will also be able to be used during the Pilot as a flash pass to provide access to other complementary benefits that may be included e.g. discounted access to sporting, cultural and leisure venues. Applicants would be required to pay a £10 application fee to cover administration costs, including the production and delivery of the card.
- 2.5 The name and visual identity of the Pilot, including the design of the Opportunity Pass smart card, will, subject to all necessary legal searches, be selected by the Greater Manchester Youth Combined Authority (GMYCA) in consultation with the Chief Executive of the Combined Authority.
- 2.6 A behavioural code will also be developed and introduced in collaboration with GMYCA; with TfGM and the Combined Authority retaining the right to withdraw the card and access to opportunities if the cardholder breaks the behavioural code.
- 2.7 The Pilot would provide data to assess the associated costs and benefits in more detail, enabling a more informed decision on whether to extend the Pilot beyond the proposed end date of 31 August 2021.
- 2.8 Legal advice has been obtained which determined that in order to ensure a consistent and transparent application across all local bus services and bus operators in GM and avoid potential legal (including State Aid) challenges, the most deliverable way to implement the Pilot is through a discretionary concessionary scheme ('the Scheme').
- 2.9 Engagement with bus operators will continue; ahead of the introduction of the Pilot to work through the operational and commercial implications of the Scheme; and during the Pilot to explore the potential for monetary contributions from bus operators towards the costs of a more permanent scheme, should the Pilot be extended.
- 2.10 The Scheme is intended to cover bus services only and there are no proposed changes to concession eligibility on Metrolink and Rail as a result of the Scheme.
- 2.11 TfGM has undertaken and validated an Equality Impact Assessment ('EQIA') on the provision of free bus travel for eligible young people that did not identify any concerns under current equalities legislation. This is covered in further detail in paragraphs 6.5 to 6.8.

3. OPPORTUNITY PASS DEVELOPMENT

- 3.1 As noted above, in a speech on 7 January, the Mayor described the Opportunity Pass as 'a passport to study, apprenticeship or work but more than that; free or reduced entry to participating sporting, cultural and leisure venues'.

- 3.2 Extending the Opportunity Pass beyond free bus travel, to include wider access to opportunities within GM, will help to leverage the benefits of the concession and more effectively achieve the strategic objectives set out in paragraph 4.7.
- 3.3 Following the announcement on 7 January, an Opportunity Pass Board has been constituted to guide the development and delivery of the Opportunity Pass. The Board membership includes senior officers from the Mayor's Office, GMCA, TfGM, The Greater Manchester College Group and The Growth Company. The Board is chaired by the Chief Executive of the Combined Authority.
- 3.4 A Programme Manager has been appointed to manage and coordinate delivery of the Opportunity Pass across partners within the 'GM Family'. Subject to approval, the Opportunity Pass Board, as described above, will be responsible for taking key decisions relating to the delivery of the Opportunity Pass.
- 3.5 Any funding required to deliver and operate the Opportunity Pass, in addition to the costs of providing free bus travel as noted in section 6 and Part B of this report, will need to be funded from outside of existing budgets. It is intended to work with partners to identify opportunities to deliver and operate the pilot at minimal cost to the public sector. However, whilst contributions may be available to put towards the costs of operating the scheme, at the time of writing the amount and likelihood of these are uncertain. Work is ongoing to develop the budget and to identify funding sources that can be used to pay for these costs. It is proposed to delegate decision making relating to this to the GMCA Chief Executive and the GMCA Treasurer, in consultation with the Mayor of Greater Manchester. An update will be provided in a further report to the Combined Authority in June, as noted below.
- 3.6 On 14 February, the Combined Authority announced that Rose Marley, Director of Rose Marley Management and CEO of SharpFutures, had been appointed to lead the development of the Opportunity Pass and "to work with brands and businesses to empower young people across Greater Manchester with a rich variety of opportunity."
- 3.7 Engagement has commenced with businesses and other stakeholders to explore the opportunities and experiences that will be provided by the Opportunity Pass. It is currently envisaged that these opportunities will include, but will not be limited to: free or reduced entry to participating sporting, cultural and leisure venues; retail offers; and unique opportunities provided by businesses and partners across GM.
- 3.8 Further detail on the budget, scope and development of the Opportunity Pass including a progress update on the delivery of the Pilot will be provided in a further report to the Combined Authority in June 2019.

PROVISION OF FREE BUS TRAVEL FOR ELIGIBLE YOUNG PEOPLE

4. STRATEGIC CASE

Why provide free travel for 16-18 year olds?

- 4.1 Educational attainment in GM is below the England average, and the proportion of 16-18 year olds not in education, employment or training ('NEET') is almost 50% above the England average.
- 4.2 There is evidence to suggest that the cost of travel can be a significant barrier to young people pursuing education and training opportunities which in turn limits access to higher value employment and opportunities later in life. Failing to address the transport barriers contributes to young people in GM underperforming to their potential, impacting on their lives and the future prosperity of GM.
- 4.3 Furthermore, a recent study into tackling hateful extremism, social exclusion and radicalisation in GM following the terrorist attack at the Manchester Arena on 22 May 2017, recommended free transport for 16-18 year olds to remove access to affordable transport as a barrier to education, employment, training and socialising¹.
- 4.4 By removing financial barriers, free bus travel will extend the mobility options available to young people by increasing their capabilities to travel in relatively independent ways.
- 4.5 There is a strategic rationale, therefore, for an intervention to subsidise the travel costs of young people in GM to enable them to make the best of the opportunities available in the region.

Strategic Objectives and Options Assessment

- 4.6 A number of strategic objectives have been developed to support the development and assessment of options to support young people in GM through removing the transport barriers to opportunities.
- 4.7 These objectives include, in particular: to increase access to opportunities for education, employment, training, leisure and culture; and to seek to establish a sustained increase in bus patronage as a means to promote the use of public transport.
- 4.8 A long list of options for the provision of free travel was identified that considered levels of validity, geographic coverage and population base. These options were derived as variants of the core option, i.e. free travel for 16-18 year olds in GM.

¹ A Shared Future, A report of the Greater Manchester Preventing Hateful Extremism and Promoting Social Cohesion Commission, 2018

- 4.9 These options were evaluated against the strategic objectives as well as three viability criteria (Value for Money; commercial and legal viability; and affordability) to arrive at a short list of options.
- 4.10 Based on the evaluation process, it was determined that the preferred option is to provide free bus travel to all '16-18 year olds' living in GM, at all times of the day and week, alongside the provision of experiences and opportunities.

5. ECONOMIC CASE

Value for Money

- 5.1 A Value for Money assessment has been carried out based on estimates of benefits and costs. The key benefits assessed are welfare benefits to existing and generated users and decongestion benefits. Other benefits, such as the longer term Gross Value Added ('GVA') benefits of connecting younger people to education and training opportunities would be baselined during the Pilot.
- 5.2 Using the standard DfT approach to monetising benefits (WebTAG), the monetary value of the welfare and decongestion benefits have been set against the estimated costs of the Pilot, using the current demand forecasts, which are based on demand experienced on the similar free travel scheme in Greater London.
- 5.3 The economic appraisal is based on the 'base' financial case. The initial results show that the benefits outweigh the costs, with a positive Benefit Cost Ratio ('BCR') of 1.20.
- 5.4 The appraisal also assumes a loss of revenue to Metrolink during the Pilot, due to a modal shift to bus. However, it is possible that additional revenue will be generated as a result of the capacity released on Metrolink during the Pilot. This has not been modelled at this stage and therefore any additional revenue generated would reduce the total net cost and improve the BCR.
- 5.5 In addition to the monetised economic appraisal, there are other non-monetised impacts of the Pilot that have been considered in forming an overall view of the expected Value for Money, including the longer term GVA benefits of connecting younger people to education and training opportunities.
- 5.6 The economic appraisal therefore concludes that a Pilot providing free bus travel to 16-18 year olds in GM is likely to offer Value for Money (i.e. a positive public sector assessment of the use of resources to meet the intended outcomes of a proposal).

6. FINANCIAL CASE & FUNDING

- 6.1 The financial case for the proposal is based on the implementation of a concessionary scheme, with bus operators being reimbursed for the revenue forgone relating to non-generated journeys; and the marginal and additional capacity costs for generated journeys.
- 6.2 As the actual costs of the scheme are dependent on a number of factors, including, in particular, the actual generated demand from the Pilot, a number of scenarios based on different assumptions have been included in the financial case to arrive at an affordability range.
- 6.3 The affordability range is based on estimates of revenue foregone and marginal costs, following the principles of DfT guidance on concessionary scheme reimbursement to bus operators.
- 6.4 'Revenue foregone' is the farebox revenue that bus operators would have received from those concessionary passengers who would otherwise have paid for a (full fare or discounted) bus ticket in the absence of the Pilot.
- 6.5 Marginal costs include the incremental operating costs and additional capacity costs that would be borne by bus operators as a result of carrying additional passengers that would not have travelled by bus in the absence of the Pilot.
- 6.6 The total cost for a full year is estimated at £15.9m in the 'base case' but the purpose of the Pilot is to gather the data on take-up and usage to inform future financial planning. As described above, the cost has been estimated within a range based on testing the best and worst case financial assumptions for each of the scenarios in combination.
- 6.7 As approved by the GMCA on 15 February 2019, the prorated estimated cost of £9.3m in the 2019/20 financial year would be funded from the Transport Levy (£6.05m) and Earnback monies (£3.25m).
- 6.8 However, to ensure the costs of this Pilot do not fall entirely on the taxpayer, we are working with public and private sector partners who may benefit from the scheme to identify additional funding sources. Whilst contributions may be available to put towards the costs of operating the scheme, at the time of writing the amount and likelihood of these are uncertain, and they have therefore not been included in the Financial Case.
- 6.9 There is a further Parliamentary Order which covers increased Mayoral responsibilities, including bus reform. Districts have recently given consent to the Order which has now started the Parliamentary process. However, the various budgets for the 2019/20 financial year have had to be prepared on the basis of the current split of responsibilities and particularly, that the 16 – 18 Travel Concession is a GMCA responsibility. It is anticipated that the Order will be in place for the 2019/20 financial year and hence, some budget adjustments between funding sources will be required in due course.

- 6.10 Future funding for the scheme beyond the 2019/20 financial year is being sought from contributions from the GM FE Colleges and Sixth Form Colleges and through commercial sponsorship of the Opportunity Pass. We will also be approaching school sixth forms. It is anticipated that financial support from these additional funding sources will become available in which case the financial contributions from the public sector will be reduced. However, in the worst case scenario that no additional funding is secured, the costs to cover the full year would be £15.9m (requiring an additional Band D precept of £15). This funding assumption assumes that there is no ceiling on the Mayoral (General) precept, above which a referendum would be required. Any decision by Government to impose a ceiling on the precept for the second year of the scheme (2020/21) would not be known until after the approval of the Pilot, creating a potential funding risk that could result in the scheme being withdrawn if the other sources of funding could not be identified.
- 6.11 Under all scenarios, it is assumed that the Pilot would potentially shift fare-paying eligible young people away from Metrolink to bus at a cost to TfGM. This cost is assumed to be funded from the Earnback allocation noted above. As described previously, potential Metrolink revenue generated by the released capacity has not been modelled at this stage and any revenue that is generated would partly offset the estimated net cost of the proposal.
- 6.12 The projected resource cost to TfGM to administer the provision of free bus travel would be offset by revenue from receipt of card application fees of £10 per card.
- 6.13 On 15 February the Combined Authority approved the 'Mayoral General Budget and Precept' and the 'GMCA Transport Revenue Budget' reports. These approvals included provisions for the forecast costs of providing 16-18 Free Bus Travel in the 2019/20 financial year as described above.

7. LEGAL CONSIDERATIONS

- 7.1 The two core principles that apply to any intervention around bus fares are:
- There must be fair and consistent application across all bus operators; and
 - The intervention must not overcompensate bus operators and therefore risk a challenge on the grounds of State Aid.
- 7.2 External legal advice has been obtained. This confirms that the best way to implement the Pilot in order to ensure a consistent and transparent application across all bus services in GM and avoid the risk of State Aid issues, is through a discretionary concessionary scheme.
- 7.3 Under the 1985 Transport Act, bus operators are obliged to participate in a concessionary scheme for 16-18 year olds who are in full time education, however these powers do not extend to the full age group. TfGM can, however, use its functional power of competency under the Transport Act 2000 as amended by the 2011 Localism Act (previously referred to as "well-being powers") to extend the scheme.

7.4 Bus operators would be reimbursed on a 'no better, no worse' basis as required by the DfT concessionary scheme guidance and as set out above in the Financial Case.

EQUALITY IMPACT ASSESSMENT ('EQIA')

7.5 TfGM has undertaken and validated an EQIA on the Pilot that did not identify any concerns under current equalities legislation.

7.6 It is noted that the Pilot would result in a number of issues with respect to transport costs for young people:

- Children aged 5-15 and 16 year olds up to 31 August following their 16th birthday (who do not qualify for the disability concessionary scheme) would still be required to purchase children's bus tickets (half the adult fare) for bus travel;
- Some eligible young people currently travel (and pay subsidised fares) on private bus services procured directly by the schools and colleges. These private services may continue during the Pilot period and would not be included in the proposal for free bus travel; and
- Some areas of GM have lower access to bus services, therefore whilst residents of these areas would be eligible for free bus travel, they would be less able to take it up than those in areas with greater network coverage.

7.7 The issues identified above do not present an issue under current equalities legislation because they do not disadvantage individuals relative to their current position.

7.8 Eligible young people with a disability would continue to be eligible for any relevant England National Concessionary Travel Scheme ('ENCTS') and Local Scheme concessions, but will also be able to apply for the Opportunity Pass in order to access the other complementary benefits of the Pilot.

8. KEY RISKS

8.1 The key financial risks are as follows:

- Should demand be higher than expected, the forecast reimbursement costs borne by Greater Manchester Combined Authority ('GMCA') would increase putting pressure on the affordability of the Pilot. The key factors impacting demand for the pilot have been modelled variably based on best and worst case financial assumptions (within the scenarios described in paragraph 5.2) to arrive at an affordability range.
- In addition to, but also predicated by the variability of demand, there is a risk that bus operators may not agree with the 'standard' concessionary reimbursement rate proposed. A successful appeal could result in higher reimbursement costs putting pressure on the affordability of the Pilot.

- 8.2 These financial risks are being mitigated, in part, by ongoing engagement with bus operators to better understand the demand factors which will inform the development of the proposed concessionary reimbursement rate.
- 8.3 On 15 February, the Combined Authority approved a proposal that the existing balance on the Concessionary Travel Reserve, which is forecast to be c. £8 million at 31 March 2019, would be retained to fund the risks connected with the potential implementation of the 16-18 Concession.
- 8.4 The key non-financial risk is the risk of legal challenge to the Scheme. This risk is mitigated by the external legal advice sought by TfGM in the development of the proposal, and the governance framework that is already in place for TfGM's existing concessionary schemes.
- 8.5 There is also a delivery risk associated with launching the Pilot on 1 September. This risk is being mitigated by the resources and governance arrangements that have been put in place, as described in Section 3 above; and by ongoing engagement with bus operators.

9. RECOMMENDATIONS

- 9.1 Recommendations are set out at the front of this report

Eamonn Boylan

Chief Executive, GMCA