

Forward Plan reference number: Not applicable

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| Report title: Extension to DigiGo service | |
| Report to: Cllr Tom Cunningham, Cabinet Member for Highways, Infrastructure and Sustainable Transport | |
| Report author: Paul Crick, Director, Highways and Transport | |
| Date: 1 September 2023 | For: Decision |
| Enquiries to: James Hopkins, Transport Business Development Manager Email: james.hopkins@essex.gov.uk | |
| County Divisions affected: Braintree, Chelmsford, Uttlesford | |

1. Everyone's Essex

- 1.1 A strong bus network helps support everyone in Essex. It helps key workers get to work; children get to school; older people to access shops and healthcare; reduces congestion; improves air quality; and helps mitigate climate change. It fits with the three themes of Everyone's Essex – Renewal, Equality and Ambition. Digital Demand Response Transport (D-DRT) is a key part of the bus network in rural and suburban areas.
- 1.2 This report recognises the early success of the DigiGo pilot and the exciting new delivery model of transport it offers. It proposes that DigiGo should become a long-term part of the supported bus network in the local area. This would mean integrating DigiGo into the supported bus network strategy agreed by Cabinet in May 2023 as a new service.

2. Recommendations

- 2.1. Agree to continue to provide the DigiGo service for an initial two years from 1 April 2024, and two further one-year extension options will be considered during after this period that will be subject to a future decision, based on performance during 2024/25 and 2025/26.
- 2.2. Agree to extend the TravelEssex app contract with Moovit for one year from 1 April 2024 at a cost of £115,000, of which £60,000 is attributable to DigiGo.
- 2.3. Agree to extend the Payment Service Provider contract with Stripe for one year from 1 April 2024.
- 2.4. To note that 2.1 to 2.3 will be funded by external sources, as detailed at 3.20

3. Summary of issue

- 3.1. Buses play a vital role in our transport system and are responsible for around 32.7 million passenger journeys per annum in Essex in 2022/23. Buses transport more people than any other form of public transport – getting people

to work, education and to see friends and family, the everyday journeys that make up our lives.

- 3.2. In February 2020, government launched a £220m package named '*A better deal for bus users*', which included a Rural Mobility Fund (RMF) worth £20m.
- 3.3. The primary objective of the RMF was to trial on-demand transport solutions in rural and suburban areas, which work better for residents than traditional transport services (i.e. timetabled bus services).
- 3.4. On-demand transport solutions are known as Digital Demand Responsive Transport (D-DRT). D-DRT operates flexibly, where you want, when you want. It is not like a conventional bus (that runs to a fixed timetable), instead it uses smaller vehicles (e.g. minibuses) with bookings made via a smartphone app. Bookings can be made in advance or booked on-demand; with payment made via the app, a guaranteed seat and real-time tracking of your vehicle available.
- 3.5. Recognising that D-DRT has the potential to transform the local transport offer, fill gaps in provision and complement commercially viable timetabled bus services; the Council submitted two bids to the RMF. The two schemes would deliver a digital, fully electric D-DRT; fitting with the Council's clear priorities for a 'Safer, Greener, Healthier' approach to travel in the County.
- 3.6. On 15 March 2021, the Department for Transport (DfT) announced that the Council had delivered two sound and comprehensive business cases and awarded a combined £2.575m for delivery of the two schemes to be fully grant funded.
- 3.7. The two schemes, named '*South Braintree D-DRT*' and '*Central Essex Square D-DRT*', were then setup and launched in April 2022 and named DigiGo. DigiGo had grant funding to operate for a two-year period until March 2024.
- 3.8. In the DfT approved business case, the Council outlined that the DigiGo service would be delivered in-house during the pilot phase. This decision was taken for several reasons:
 - 3.8.1. A digital, electric D-DRT service will be the first of its kind in the UK; requiring greater control and oversight to ensure successful delivery
 - 3.8.2. The commercial transport operator market in Essex did not currently make regular (or any) use of electric minibuses
 - 3.8.3. A key aim of the pilot was to provide evidence that delivery of a transport service with electric minibuses is a viable business model; with the Council leading by example as a 'demonstrator effect' and assist the driving of a transformation in the commercial market
 - 3.8.4. To achieve the short timescales required to launch the service.
- 3.9. A decision was taken in March 2021 to pilot DigiGo. In this decision, the Council committed to consider the future funding of the DigiGo service; with an aspiration (in the long-term) for the service to be commercially viable or

supportable under its Local Bus Service Priority Policy. This paper sets out DigiGo's performance during this time, with recommended options and next steps for the service.

- 3.10. DigiGo has been operating for 15 months since its launch in April 2022. It operates 7 days a week, 7am until 10pm every day (except bank holidays).
- 3.11. In that time, the service has grown rapidly, with comprehensive marketing initiatives raising awareness and use of the service.
- 3.12. Passenger and resident feedback have shaped the service. Several iterations and changes have been made to the operation, directly because of that feedback, demonstrating the flexible nature of the service and the ability to be more dynamic.
- 3.13. A key example of a change made from resident feedback is the merger of the two schemes ('*South Braintree D-DRT*' and '*Central Essex Square D-DRT*') into one travel zone in September 2022. This included an extension of the area to Dunmow and several surrounding villages to enable travel to key destinations, such as GP's and employment opportunities. These changes were made with the approval of the DfT.
- 3.14. The service has transported over 35,000 passengers since its commencement: with more capacity for growth within its existing fleet. It is on-target to deliver its revised forecast to transport around 39,000 passengers during 2023/24. Like for like growth in passenger numbers (August 2022 to August 2023) is 348%.
- 3.15. Passengers highly value the service, with a 96% 5-star score from thousands of ratings given after the completion of a journey. This is higher than average satisfaction results for bus services across the industry. Passengers have provided the Council with excellent feedback on the impact of the service. This feedback demonstrates improvements in access to education, employment and social opportunities, including reduced social isolation and reduced car use, aiding a reduction in carbon emissions.
- 3.16. With growing passenger numbers and outstanding feedback, DigiGo took up the option to participate in the Government's £2 single fare cap in January 2023. This offered passengers and residents even more affordable public transport in the rural and sub-urban areas served.
- 3.17. As a result of the £2 cap, DigiGo has seen growth in longer journeys being taken since January 2023 and has recently confirmed participation in the extension of the fare cap until 31 December 2024.
- 3.18. The evidence from the first 15 months of operation demonstrates a clear and growing need for DigiGo. The Council has received numerous requests from residents and Members to extend the current service, and to bring DigiGo to other parts of Essex.

3.19. It is proposed to extend the provision of the DigiGo service for two years and to consider two, one-year extension options during this period. The two, one-year extension options are subject to a future, separate decision, based on performance during 2024/25 and 2025/26. This approach puts the service on an equal footing with other new local bus services that the Council funds. The service would have up to 4 years to continue growing passenger numbers and income, with the aim to reduce the Cost Per Passenger Journey (CPPJ) to below £5 CPPJ by the end of 2027/28; which it is forecast to do.

3.20. In order to extend the DigiGo service, it will be necessary to:

- 3.20.1. Extend the TravelEssex app contract with Moovit for one year April 2024 to March 2025 at a cost of £115,000. Details of the app are set out in 3.4 of this report. The contract allows for extension.
- 3.20.2. Extend the Payment Service Provider (PSP) contract with Stripe. This would be for the one year from April 2024 to March 2025 at a cost of £18,000. Details of the app are set out in 3.4 of this report. The contract allows for extension.
- 3.20.3. Offer permanent contracts to the staff delivering the service, who are currently on fixed-term contracts. It is proposed to do this in this report.

3.21. To fund DigiGo during the proposed extension, which is estimated at £658,000 in 2024/25 and £583,000 in 2025/26, the Council has a range of options that will mitigate against the need to seek new or additional funding beyond current budget commitments. The options being progressed are:

- 3.21.1. Section 106 contributions
- 3.21.2. A carry forward from the original RMF grant, projected to be £348,000 from the two pilot years (approved by DfT)
- 3.21.3. Consulting on the replacement of low use supported local bus services in the area with DigiGo
- 3.21.4. If the above funding is not realised, the Council will use some of the £4.9m Bus Service Improvement Plan (BSIP+) granted to ECC by DfT to support Bus Service Improvement Plan implementation. This grant is awarded in 2023/24 and is available for the duration of this extension.

3.22. The Council anticipates that the above options would fund the service deficit. The Council also anticipates that the growing passenger forecast can be accommodated within existing capacity, therefore not increasing the projected cost base. This ensures the service remains fully externally funded.

4. Options

4.1. Do not extend DigiGo (not recommended)

The Council could choose to end the pilot and not extend the DigiGo service.

This option is not recommended on the basis that the economic, social and environmental benefits of DigiGo would be lost. Over 10,000 residents would be left without a public transport service in rural and sub-urban areas currently served by DigiGo.

The Council has an ambitious and progressive agenda to transform transport services in rural and sub-urban areas through the DigiGo model. The current DigiGo service needs further time to fully mature and grow to understand where else in Essex it could be implemented.

4.2. Extend DigiGo for two years, plus two further one-year extensions (Recommended)

DigiGo has proven its value to residents within the operational area served. It has generated great interest and demand from other parts of Essex and around the UK. It requires further time to mature and grow; with the data showing evidence of encouraging indicators for its wider potential use and ability to demonstrate continued growth in the current area.

This is the recommended option for DigiGo. It would put the service on an equal footing with other new local bus services that the Council funds. The service would have up to 4 years to continue growing passenger numbers and income, with the aim to reduce the Cost Per Passenger Journey (CPPJ) to below £5 CPPJ by the end of 2027/28; which it is forecast to do.

5. Links to Essex Vision

5.1. This report links to the following aims in the Essex Vision

- Enjoy life into old age
- Provide an equal foundation for every child
- Strengthen communities through participation
- Develop our County sustainably
- Connect us to each other and the world
- Share prosperity with everyone

5.2. This links to the following strategic aims in the Organisational Plan:

- Enable inclusive economic growth
- Help people get the best start and age well
- Help create great places to grow up, live and work
- Transform the council to achieve more with less

6. Issues for consideration

6.1 Financial implications

6.1.1. DfT awarded ECC £2.575m revenue funding following a successful bid into the RMF, this grant funding enabled ECC to establish a two year trial of

DigiGo running to the 31 March 2024. No match funding was required by ECC.

- 6.1.2. Financial modelling within the original business case to DfT demonstrated that from Year 3 onwards, without the DfT grant, there would be an annual deficit for the service, should it be extended. With a recommendation included to carry out a review of the service to consider future funding for year 3 onwards, which this paper addresses.
- 6.1.3. Extensive work has been undertaken to develop a new, broader, and updated financial model for DigiGo, based on the actuals from the first 15 months of operation. The model takes account of the current and expected macro-environment (e.g., inflation, energy costs).
- 6.1.4. The updated financial model projects that DigiGo will require a net revenue investment of £658,000 in 2024/25 and £583,000 in 2025/26 to sustain it for an additional two-year period as recommended in this paper.
- 6.1.5. The table below highlights the forecasted financial position for DigiGo for the initial two-year extension and the additional two single year extensions thereafter.

| | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|--------------------|-----------|-----------|-----------|-----------|-----------|
| | £ | £ | £ | £ | £ |
| Forecasted revenue | (190,469) | (282,752) | (374,405) | (466,052) | (557,719) |
| Operating costs | 916,646 | 940,578 | 957,449 | 996,023 | 1,031,002 |
| Forecast Deficit | 726,176 | 657,826 | 583,044 | 529,971 | 473,283 |

- 6.1.6. The Council has a range of options to fund the extension of DigiGo, these are being actively progressed. In addition to this ECC has been awarded £4.9m of BSIP+ funding in 2023/24 and a further £4.9m in 2024/25, which will ultimately be made available to support the proposed two-year extension should the other funding options not meet all the costs.
- 6.1.7. A measured approach has been taken to calculate the costs and fare revenue included in the modelling; based around the actuals from the first 15 months of operation. Should projections not be realised, there are further mitigations available to the Council, such as a review of the service level offered and fare prices.
- 6.1.8. It is assumed that HM Government £2/£2.50 fare cap will be in place until the end of November 2024. The financial modelling assumes that demand will remain at the same levels once the cap is removed and prices return to their pre-cap levels. The price elasticity of demand is unknown at this stage, if it is elastic then DigiGo may need to consider a range of interventions. Any such intervention may increase the operational deficit that is presented in this paper.

- 6.1.9. Operating costs have been inflated for future financial years, by corporate inflation projections. There is a risk that the current macroenvironment may see inflation in excess of these projections.

| | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|-------------|---------|---------|---------|---------|
| General | 2.50% | 2% | 2% | 2% |
| Staffing | 2.50% | 2.50% | 2.50% | 2.50% |
| Electricity | -23% | -9% | 2% | 2% |

- 6.1.10. Please note the forecasts do not allow for any future capital investment in new vehicles as the useful economic life is estimated at 7 years. Should the vehicles need to be refreshed sooner, lease or capital financing would be considered.
- 6.1.11. The current Travel Essex app is due to expire 31 March 2024. The one year extension would take this through to 31 March 2025. The cost for this is shared between DigiGo and the wider IPTU. DigiGo will be responsible for £60,000 per annum, which matches the future modelled operating costs in the tables above.
- 6.1.12. As a result of the extension, employees are required to be moved from fixed term contracts to permanent and therefore employment rights will be granted. Should the service not carry on beyond the recommended extension the Council would incur redundancy costs.

6.2 Legal Implications

- 6.2.1 The DigiGo service started under the Rural Mobility Fund from the Department for Transport, however, it is now considered under the Council's Local Bus Service Priority Policy, to ensure passenger transport services in rural areas.
- 6.2.2 The contracts with Moovit and Stripe are capable of extension under the terms of the contracts. Any extensions must be made in line with the extension options and requirements established in the relevant contracts.
- 6.2.3 The Council must adhere to any applicable grant conditions, including any subsidy control or competition impact reviews.

7 Equality and Diversity implications

- 7.1 The Public Sector Equality Duty applies to the Council when it makes decisions. The duty requires us to have regard to the need to:
- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act. In summary, the Act makes discrimination etc. on the grounds of a protected characteristic unlawful

- (b) Advance equality of opportunity between people who share a protected characteristic and those who do not.
- (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

7.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, gender, and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).

7.3 The equality impact assessment indicates that the proposals in this report will not have a disproportionately adverse impact on any people with a particular characteristic.

8 List of appendices

8.1 Equality Impact Assessment – Proposed DigiGo extension

8 Background papers

9.1 Local Bus Services consultation paper

8.1 Rural Mobility Fund – Stage 1 application – South Braintree D-DRT

8.2 Rural Mobility Fund – Stage 1 application – Central Essex D-DRT

8.3 Rural Mobility Fund CMA April 2021

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| I approve the above recommendations set out above for the reasons set out in the report. | Date |
| Cllr Tom Cunningham, Cabinet Member for Highways, Infrastructure and Sustainable Transport | 08/11/2023 |

In consultation with:

| Role | Date |
|--------------------------------------------------------------------------|-------------------|
| Mark Ash, Executive Director, Climate, Environment and Customer | 26 October 2023 |
| Executive Director, Finance and Technology (S151 Officer) | 06 September 2023 |
| Stephanie Mitchener, Director of Finance on behalf of Nicole Wood | |
| Director, Legal and Assurance (Monitoring Officer) | 17 October 2023 |
| Laura Edwards on behalf of Paul Turner | |