

Mayoral Combined Authority Board

04 March 2022

Approval to proceed with issuing the notice of intention to prepare an assessment of a proposed franchising scheme

Is the paper exempt from the press and public? No

Purpose of this report: Policy Decision

Is this a Key Decision? Yes

Has it been included on the Forward Plan? Yes

Director Approving Submission of the Report:
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Executive Summary

This report recommends the MCA take the decision to formally assess bus franchising as an option to deliver the Bus Service Improvement Plan (BSIP) and therefore issue, in accordance with S.123C of the Transport Act 2000, the notice of Intention to prepare an assessment of a proposed franchising scheme and subsequently commence the assessment.

What does this mean for businesses, people and places in South Yorkshire?

The proposals set out in the paper will enable the MCA to fully assess whether a bus franchising scheme, could better support the delivery of the MCA's ambitions for the bus service network in South Yorkshire as set out in the Bus Service Improvement Plan.

In parallel, the work to establish and implement the Enhanced Partnership between the MCA and bus operators continues, as approved by the MCA on 15 November 2021.

Recommendations

It is recommended that the Board:

- a) Approves issuing, in accordance with s.123C Transport Act 2000, a notice of intention to prepare an assessment of a proposed franchising scheme.
- b) Approves the preparation of the assessment and associated costs of a proposed franchising scheme following issuing of the notice.

Consideration by any other Board, Committee, Assurance or Advisory Panel

Mayoral Combined Authority Board	24 January 2022
Mayoral Combined Authority Board	15 November 2021
Transport and the Environment Board	21 October 2021

1. Background

- 1.1 The National Bus Strategy guidance issued by the DfT, set out the requirement for Mayoral Combined Authorities and Local Authorities to enter into an Enhanced Partnership to access Bus Service Improvement Plan (BSIP) funding.
- 1.2 The South Yorkshire Mayoral Combined Authority (MCA) submitted an ambitious BSIP to Government on 29 October 2021. The MCA of 15 November 2021 approved issuing of a notice to operators of the proposal to make an Enhanced Partnership Plan and Scheme and enter into a period of statutory consultation with operators of qualifying local bus services, followed by a period of public consultation.
- 1.3 The initial BSIP submitted to the DfT on 29 October 2021 left consideration of an alternative delivery model of franchising open as an option. It stated:

“The Enhanced Partnership was agreed by the MCA as the most appropriate means of delivering the initial set of activities contained within this Initial BSIP as well as enabling access to future funding. The intention is for the Enhanced Partnership to be in operation for a five year period from April 2022, matching the multi-year funding allocation through the CRSTS, albeit noting that there is a requirement to refresh the BSIP on an annual basis. However, it is not the only delivery model available to the Mayor and the MCA for all of the prioritised activities contained within this Initial BSIP. The prioritised activities within this document will also be used to undertake an initial assessment of the legal, financial and technical aspects of a number of future delivery models, including franchising, so that a clear preference can be identified as to the most appropriate mechanism to secure the required improvements beyond the proposed Enhanced Partnership.”

2. Key Issues

- 2.1 There are significant operational challenges ahead and prior to the time in which a franchising assessment and subsequent steps could be completed. These issues are not specific to any particular model of bus governance and will need to be considered whichever approach is taken.
 - Likely reduction/ending of government Covid subsidy support for buses.

- Passenger recovery to pre-COVID levels is expected to take several years
- Significant cost inflation pressures within the system (salaries, fuel, fare rises, etc)

The combination of these issues is likely to place pressure on the level of services operated in South Yorkshire without additional UK Government funding and support from Bus Operators. The implications of any changes to services will need to be reflected in the assessment process.

2.2 The proposal is for the MCA to assess a franchising scheme as an option across the whole of South Yorkshire.

2.3 Given the present and likely levels of funding needed to support the bus network in South Yorkshire and issues highlighted at para 2.1 above it is vitally important that the MCA assess and understand different bus delivery options available, to ensure the most efficient use of resource available.

3. Options Considered and Recommended Proposal

3.1 Option 1

The MCA could decide to defer taking a decision on issuing the Statutory Notice of Intention to Proceed with undertaking a franchising assessment.

3.2 Option 1 Risks and Mitigations

Without a decision on starting the process of assessing a franchising scheme, the MCA would not be in a position to undertake a robust assessment to help determine if franchising will be a better model for the MCA to deliver its ambitions for bus services in South Yorkshire as defined in the BSIP. To undertake this assessment, a notice will need to be issued that offers the MCA access to the data required to underpin the assessment.

3.3 Option 2

The MCA commences an assessment of a proposed franchising scheme and the associated costs.

3.4 Option 2 Risks and Mitigations

This approach will allow the MCA to access the data needed to enable an assessment of franchising to be completed, which will give insight into the full impact of franchising. Without such an assessment, it would leave the MCA without the option of pursuing a franchising model at a time where greater control of the bus network for economic and sustainability reasons may be critical (noting that reaching a point of implementing franchising could take 4 or 5 years in the best case and the franchising process can be stopped at any stage of the process – See Annex A for steps and timelines).

3.5 Recommended Option

Option 2

4. Consultation on Proposal

- 4.1 The approvals sought here do not give rise to starting a formal consultation process, as there is no requirement to consult on the Notice or the franchising assessment.
- 4.2 Formal consultation would be required after an independent audit of the franchising assessment has been completed to enable finalisation of the Franchising scheme (see Annex A).

5. Timetable and Accountability for Implementing this Decision

- 5.1 If the MCA approve this decision, the indicative timeline for Issuing the Notice is within 1 month of the decision having been made and an estimated 12-18 months for the assessment to be completed.

6. Financial and Procurement Implications and Advice

- 6.1 The costs of the assessment exercise are forecast to be in the region of £3m. In addition, a further £2m would be required for the next phase of activity.

The costs of these initial exercises do not include any cost of sustaining a franchise arrangement. Under such an arrangement the MCA would be responsible for the financial performance of the bus network in a manner in which it currently is not. The experience of peer authorities is that significant capital investment and ongoing revenue support is likely to be required to implement and sustain a franchise arrangement. Whilst the quantum of the required resource is currently unknown it is likely that the scale would require new funding to be identified from local or national sources. The assessment proposed through this report will identify the investment and ongoing subsidy that would be required.

As the transport levy has now been set for the forthcoming financial year without provision being made for the initial assessment exercise, resource would need to be made available from the release of reserves or deployment of other resource.

In the first instance, it is proposed that the costs of the initial exercise are underwritten from the un-earmarking of £3m from the current PFI reserve. A recent reserve strategy review exercise has confirmed that redeployment of this reserve could be managed without unduly impacting upon the MCA's ability to mitigate the risk around that PFI arrangement.

Should underspend arise in-year the requirement for reserve draws could be mitigated, whilst the MCA could also opt to redeploy forecast underspend from the gainshare funded 18-21 concession scheme.

It should be noted that in choosing to redeploy resource to this activity the MCA would be reducing its ability to deploy further funding to mitigate the significant risks around the commercial sustainability of the transport network and its potential contraction should government funding end in April 2022.

As part of its review of the initial assessment exercise consideration would need to be given to how the identified costs of sustaining any franchise arrangement would be funded.

7. Legal Implications and Advice

- 7.1 Section 123B requires an authority that proposes to make a franchising scheme covering the whole or any part of their area to prepare an assessment of the proposed scheme. Before it can undertake an assessment that authority must publish, in such manner as they consider appropriate, a notice stating that they intend to prepare such an assessment. In undertaking the assessment, the authority would have to comply with the provisions of s.123B and any statutory guidance issued.

8. Human Resources Implications and Advice

- 8.1 Although the assessment of a franchising scheme (Business Case development) is likely to make use of external advisors, there is an impact on SYMCA's management resources, specifically in the areas of Procurement, Finance, Transport Development and Legal. In addition, resource will be required to coordinate and oversee the external advisor's work over an estimated period of 12 to 18 months.

9. Equality and Diversity Implications and Advice

- 9.1 The equality and diversity implications of any proposed franchising scheme will be considered as part of any future reports recommending a way forward. Any decision to proceed to make a franchising scheme would be supported by a full equality impact assessment allowing Members to have due regard to their Equality Act 2010 obligations.

10. Climate Change Implications and Advice

- 10.1 The Initial BSIP/Enhanced Partnership Plan sets out the scale of change required to meet the region's net zero targets by 2040. The specific climate change implications of any proposed franchising scheme will be considered in any future decision to proceed to make a franchising scheme.

11. Information and Communication Technology Implications and Advice

- 11.1 None as a consequence of this paper.

12. Communications and Marketing Implications and Advice

- 12.1 If the MCA approve this paper and a future decision is made to audit the franchising assessment and make a Franchising Scheme, there will be a period of statutory consultation, which will require the support of the Communication and Marketing teams.

Further resource will be required to support the public consultation phase of the activity to drive engagement and participation.

List of Appendices Included

A Steps and likely timeline of the franchising process

Background Papers

South Yorkshire Bus Service Improvement Plan (Initial Version) – October 2021

<https://southyorkshire-ca.gov.uk/explore/transport>