

## Transport and the Environment Board

27 October 2022

### Bus Reform Update

---

Is the paper exempt from the press and public?	No
Reason why exempt:	Not applicable
Purpose of this report:	Monitoring/Assurance
Is this a Key Decision?	No
Has it been included on the Forward Plan?	Not a Key Decision

---

#### Director Approving Submission of the Report:

John Dowie, Interim Executive Director of Infrastructure and Place

#### Report Author(s):

Pat Beijer, Director of Public Transport Development

[Pat.Beijer@southyorkshire-CA.gov.uk](mailto:Pat.Beijer@southyorkshire-CA.gov.uk)

---

#### Executive Summary

This report provides an update on progress with the assessment of a bus franchising scheme for SYMCA, sharing with the Board recently completed work on a case for change, which articulates the strategic rationale for looking at alternative models for South Yorkshire's bus network. SYMCA are following Department for Transport guidelines in undertaking this assessment, which is in the process of being updated.

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

The bus network in South Yorkshire has been in decline for many years, both in terms of passenger demand and service levels provided. Changes in travel behaviours resulting from the Covid pandemic have seen passenger numbers returning in volumes below pre-Covid levels and the stabilisation of the commercially operated bus network has been increasingly reliant on central and local funding support.

The limitations of local funding and pending removal of central government support funding, puts South Yorkshire's bus network at risk of going into a continuous cycle of decline.

The assessment of a bus franchising scheme the MCA has started, will explore if franchising is an alternative model to provide sustainable and equitable bus services for the travelling public of South Yorkshire that supports economic mobility.

## Recommendations:

That the Board:

- Notes the progress made by SYMCA to date against the process set out in DfT's franchising guidelines set out in DfT's Bus Services Act 2017, Franchising Scheme Guidance.
- Endorses the case for change

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

None

---

### 1. Background

- 1.1 In 2017, DfT published its Bus Services Act 2017, Franchising Scheme Guidance. This guidance sets out in some detail the steps Local Transport Authorities (LTAs) and Mayoral Combine Authorities (MCAs) have to undertake in a bus franchising process. This guidance is currently being updated by the DfT and adjusted guidelines are expected to be published before the end of 2022.

This revised guidance will take account of more recent practical experiences from authorities going through the process of franchising, as well the Bus Service Improvement Plans developed by authorities in response to the National Bus Strategy: Bus Back Better, published by government in March 2019.

- 1.2 In March 2022, the MCA Board approved for SYMCA officers to undertake an assessment of a bus franchising scheme. Subsequently, a notice of intent was issued on 22 March 2022. Since then work has been progressing, following DfT's 2017 guidance, the assessment process has to follow a number of stages, which include:

- Setting out the strategic rationale for looking at alternative delivery models for South Yorkshire (Case for Change)
- Setting of SMART objectives for the franchising assessment itself
- Defining the options to be assessed within the franchising assessment
- The development of a 5-case business case, which comprises the strategic case, the economic appraisal, the financial appraisal, the commercial case and the management case

- 1.3 Once the business case work has been concluded, the MCA Board will be presented with its findings. This can facilitate a decision on whether the Board wish to progress to the next stage: commissioning an independent audit of the assessment of a franchising scheme.

In line with the DfT guidance, subsequent gateway stages are public consultation, selection of a preferred option and transition to implementation.

- 1.4 SYMCA officers have completed work on the Case for Change and outlined at a high level the options to be appraised in the business case (Do Minimum = Enhanced Partnerships, Do Something = Bus Franchising, with or without depots and vehicles asset ownership as sub-options), in preparation for commissioning technical advisors to support the detailed assessment work.

## **2. Key Issues**

- 2.1 The SYMCA area is relatively densely populated and urbanised with a relatively deprived population and concentrated pockets of economic activity. This is an environment in which a bus market would be expected to flourish.
- 2.2 However, bus patronage in South Yorkshire is experiencing a long-term decline. Importantly, while this situation is not unique to South Yorkshire, there are other local authorities in England that have experienced an increase in bus patronage per head of population proving that such decline is not inevitable.
- 2.3 During the development of the Case for Change, the bus market in South Yorkshire has been described as neither experiencing the benefits of sustainable competition, with Operators competing to attract customers, or of a sustainable monopoly, with Operators utilising their secure position to reverse the decline. The findings of the Case for Change, particularly the underlying causes, would support this hypothesis.
- 2.4 The emerging developments in South Yorkshire's bus market, with government's withdrawal of Covid emergency support funding for commercial operators looming in April 2023, demonstrate some of the market challenges in South Yorkshire; Not all operators accepted the emergency support funding announced in September 2022 and implemented service reductions from early October 2022. Where SYMCA looked to buy back services to stabilise the network, not all contracts offered received tender responses from the supply market.
- 2.5 Affordability will be a key test criteria within the franchising assessment work, as irrespective of what operating model is adopted, this will be one of the critical factors in the MCA's ability to achieve its strategic aims. Therefore, work on making the bus network more financially sustainable and growing passenger demand should continue in parallel with the assessment work.

## **3. Options Considered and Recommended Proposal**

### **3.1 Option 1**

The Board notes the progress made to date on assessing a franchising scheme and endorses the case for change

### **3.2 Option 1 Risks and Mitigations:**

There is a small risk that commercial operators do not support the findings in the case for change and will be less collaborative or interested in the South Yorkshire bus market as a result. Through engagement with operators on the case for change and ongoing work through the Enhanced Partnerships on collaborative solutions, this risk can be mitigated.

### **3.3 Option 2**

The Board does not endorse the case for change

### **3.4 Option 2 Risks and Mitigations:**

This could delay the engagement of technical advisors to undertake the business case work (procurement is expected to start in November 2022, to enable completion of the business case in time for an MCA decision in September 2023). This will also delay the understanding of the potential viability of alternative bus operating models for the MCA, such as franchising, at a time the bus network is facing significant challenges of decline.

### **3.5 Recommended Option**

Option 1

## **4. Engagement on Proposal**

- 4.1 We will continue to engage with Local Authority partners throughout the assessment process and a stakeholder engagement plan is under development to liaise effectively with other key stakeholders, including the travelling public and operators.

## **5. Timetable and Accountability for Implementing this Decision**

- 5.1 Procurement of technical advisors for the business case appraisal is expected to start in November 2022, with work on the detailed appraisal itself starting in January 2023.

## **6. Financial and Procurement Implications and Advice**

- 6.1 Budgetary provision has been made following the 4 March 2022 MCA Board approval to support the assessment of a franchising scheme, with a mix of external technical advisors, legal advisors

## **7. Legal Implications and Advice**

- 7.1 Franchising process and outputs are set out in statute with associated statutory and best practice guidance. We are adhering closely to the provisions to ensure a safe and defensible process. Legal issues will become increasingly important for the latter stages of the process.

## **8. Human Resources Implications and Advice**

- 8.1 There are no known HR implications as a result of this paper.

## **9. Equality and Diversity Implications and Advice**

- 9.1 There are no known equality and diversity implications as a result of this paper.

## **10. Climate Change Implications and Advice**

- 10.1 There are no direct implications of this paper on climate change or air quality.

## **11. Information and Communication Technology Implications and Advice**

11.1 There are no known ICT implications as a result of this paper.

## **12. Communications and Marketing Implications and Advice.**

12.1 As set out in section 3.2 a detailed stakeholder engagement plan is under development. This will be in addition to the statutory consultation requirements as set out in DfT's guidance for bus franchising schemes.

## **13. Appendices**

Appendix 1: SYMCA Bus Reform Case