

Overview and Scrutiny Committee

Thursday, 26 September 2024

South Yorkshire Bus Reform

Is the paper exempt from the press and public?No

Reason why exempt: Not applicable

Purpose of this report: Discussion

Is this a Key Decision? No

Has it been included on the Forward Plan of Key Decisions? Not a Key Decision

Portfolio: Travel & Transport

Portfolio Holder: Mayor Oliver Coppard

Lead Chief Executive: Martin Swales

Director Approving Submission of the Report:
Melanie Corcoran, Executive Director of Transport

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Executive Summary

On election in May 2022 the Mayor made a strategic priority of fixing South Yorkshire's buses so that public transport is the efficient and effective public service it used to be.

On 4 March 2022, the Mayor and Leaders at the MCA Board approved the recommendation to issue a Notice of Intention to prepare an assessment of a proposed bus franchising scheme (Franchising Scheme) in accordance with the Transport Act 2000 (as amended by the Bus Services Act 2017).

The Department for Transport (the "DfT") guidelines stipulate that the MCA is required to undertake a franchising assessment ("Franchising Assessment"), an Independent Audit and Public Consultation before a decision can be made on the preferred regulatory model for buses in South Yorkshire. South Yorkshire's Bus Reform programme is currently at the end of the Franchising Assessment phase.

On 12 March 2024 the Mayor and Leaders at the MCA Board noted the outcome of the assessment of the proposed franchising scheme and approved the progression to the next stage of the process – the Independent Audit. This audit has taken place over Summer 2024.

This paper reports progress to date and the requirements of potential next steps to the committee, allowing for scrutiny and feedback of the process to take place.

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

South Yorkshire’s bus system is critical to making the region work effectively – it connects people with places, education, business, healthcare, shopping, and leisure. They are fundamental in supporting South Yorkshire Mayoral Combined Authority’s ambitions to drive economic growth and to improve the prosperity, health, and environment for the people of South Yorkshire.

However, the bus market in South Yorkshire has been experiencing a cycle of decline, an issue that has been further exacerbated by the impacts of the Covid-19 pandemic and rising levels of cost inflation. The effects of this are a growing reliance on public funding to sustain bus service levels.

The Franchising Assessment considers a range of possible operating models for bus services in South Yorkshire against the underlying bus market challenges and considers implications for the people of South Yorkshire.

Recommendations

That the OSC members:

1. Note the progress made towards bus reform in South Yorkshire
2. Provide feedback and any further considerations for the MCA as it moves towards Bus Reform in South Yorkshire.

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

Mayoral Combined Authority Board	04 March 2022
Transport and the Environment Board	27 October 2022
Audit and Standards Committee	20 September 2023
Overview and Scrutiny Committee	21 September 2023
Audit and Standards Committee	13 December 2023
Mayoral Combined Authority Board	12 March 2024

1. Background

- 1.1 South Yorkshire's bus system is critical to making the region work effectively – it connects people with places, education, business, healthcare, shopping, and leisure. Buses are fundamental in supporting South Yorkshire Mayoral Combined Authority's ambitions to drive economic growth and to improve the prosperity, health, and environment for the people of South Yorkshire.
- 1.2 South Yorkshire's buses are in long-term decline – over time, the bus network has been cut, numbers of people using buses has declined and service quality has diminished.
- 1.3 The public sector is increasingly stepping in to support the market, with no corresponding increase in decision making power – spend on tendered bus services in South Yorkshire increased from £6.95m in 2021/22 to £23.38m in 2024/25.
- 1.4 The bus fleet in South Yorkshire requires significant investment – recent investment hasn't kept pace with the need to maintain overall fleet standards and renewal requirements. This means the passenger experience can be poor, maintenance costs can be high, and vehicles are generally more polluting. The only investment in zero emission buses has been facilitated by the public sector.
- 1.5 There are two options for how bus services in South Yorkshire can be delivered – Enhanced Partnership or Franchising. Doing nothing is not an option.
- 1.6 SYMCA has powers to implement bus franchising, subject to following the statutory process. In 2022 SYMCA began a bus franchising assessment. This assessment is the formal process set out in legislation which must be followed in order to take the decision to franchise the bus network.
- 1.7 The assessment was completed earlier in 2024. After being considered by the MCA board, it decided to progress the proposed franchising scheme to independent audit, which was the next stage of the process.
- 1.8 Under franchising, SYMCA would set fares, routes, timetables and branding. Private operators would bid for franchise contracts. SYMCA would keep revenue raised by fares and pay operators to run the service.
- 1.9 SYMCA would own buses and depots in order to deliver the best value for money for the public sector.

2. Key Issues

2.1 Issues raised by the Committee:

- 2.2 The Overview and Scrutiny Committee have been engaged throughout the bus reform assessment process and have helped to shape the MCA's approach to this work. This happened most recently at a briefing on 16 September 2024. The Committee has raised a number of specific issues which have been responded to through the briefing process. These issues have included realising benefits

through bus reform, the approach to bus fares in a reformed bus system, and the need to protect public finances.

2.3 Independent review of the Assessment

2.4 In March 2024 the MCA Board gave authority for an independent review (Audit) of the assessment to be carried out. This process has been carried out by PwC over Summer 2024.

2.5 It is intended that the outcome of the independent review process will be brought to the MCA board on 8 October 2024 for consideration, and a decision on potential next steps.

2.6 The legislation relating to bus franchising requires an auditor to provide a report and express an opinion in relation to the following areas required by section 123D of the Transport Act 2000:

- Whether the information relied upon by the Authority in considering the matters referred to in Section 123B(3)(d) of the Act (affordability) or section 123B(3)(e) of the Act (value for money) is of sufficient quality.
- Whether the analysis of the information in the Assessment is of sufficient quality; and
- Whether the Authority had due regard to the Guidance issued under section 123B of the Act in preparing the Assessment.

2.7 Consultation requirements

2.8 Following the preparation of the assessment, and the report prepared by the auditor, the next stage of the process would be to consult widely on franchising proposals. The MCA board would be required to approve any recommendation to carry out a consultation. Consultation would provide an opportunity for bus passengers, bus operators and businesses to comment on the proposals. The Mayor would then need to give conscious consideration to the consultation responses before taking the decision as to whether to implement the franchising scheme or not.

2.9 The legislation would require the MCA to publish a number of key documents:

- a consultation document relating to the proposed scheme.
- the assessment of the proposed scheme
- the report prepared by the auditor.

2.10 The act also details the stakeholders that an authority must consult with, about their proposals, together with requiring public consultation.

3. Options Considered and Recommended Proposal

3.1 Option 1

3.2

This report provides an update on the bus reform process, and feedback on issues raised by the Committee through its engagement with the programme, As such it doesn't present options for consideration.

3.3 Recommended Option

3.4 N/A

4. Consultation on Proposal

4.1 This report doesn't contain any proposals to consult upon.

5. Timetable and Accountability for Implementing this Decision

5.1 This report doesn't contain a decision. However, it is anticipated that the MCA Board will take decisions relating to the content of the report on 8th October 2024.

6. Financial and Procurement Implications and Advice

6.1 This report doesn't result in any financial or procurement implications. However, both of these are fully considered as part of the bus reform assessment

7. Legal Implications and Advice

7.1 In accordance with the requirements of the Transport Act 2000 and the DfT's Franchising Scheme Guidance, the next stages of a franchising process would, subject to the MCA Board determining to proceed, include:

- MCA approval to proceed to Consultation following consideration of the independent review report.
- Publication of a notice of the proposed franchising scheme in accordance with sections 123E(2)(d) and 123E(3) of the Act;
- Statutory consultation.
- Preparing and publishing a report setting out the MCA's response to the statutory consultation together with a recommendation as to whether to proceed with the proposed franchising scheme.
- If the decision is to proceed with the franchising scheme (which is a Mayoral decision under section 123G(4) of the Act), making and publishing the scheme, and
- Transition to and implementation of the franchising scheme.

As the MCA is a Mayoral Combined Authority, it must be the Mayor that takes the decision as to whether or not to proceed with a franchising scheme.

8. Human Resources Implications and Advice

8.1 This report doesn't result in any direct human resources implications. However, the management case of the assessment will address HR requirements for bus reform.

9. Equality and Diversity Implications and Advice

- 9.1 The EDI implications of making a franchising scheme will be properly scrutinised, monitored and mitigated as required through the undertaking of an Equality Impact Assessment

10. Climate Change Implications and Advice

- 10.1 Modal shift towards public transport, and the decarbonisation of the bus system through the introduction of zero emission buses are important aspects of the bus reform process

11. Information and Communication Technology Implications and Advice

- 11.1 This report doesn't result in any technology implications

12. Communications and Marketing Implications and Advice

- 12.1 The features of a potential bus franchising consultation are outlined in sections 2.8-2.10 of the report

List of Appendices Included:

N/A

Background Papers

South Yorkshire Bus Franchising Assessment