

Report to: West Yorkshire Combined Authority

Date: 16 March 2023

Subject: **Bus Reform Update**

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Is this a key decision?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the report contain confidential or exempt information or appendices?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:	
Are there implications for equality and diversity?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

1. Purpose of this Report

- 1.1 The purpose of this report is to update the Combined Authority on the Bus Reform Assessment, including Options and Objectives, and seek approval to: secure the conditional availability and preliminary briefing of a suitably qualified independent audit organisation ("Auditor") so that after having prepared the assessment and should the Combined Authority wish to proceed, the Auditor may then be instructed to prepare a report in accordance with section 123D of the Transport Act 2000 as amended by the Bus Services Act 2017 ("TA 2000").

2. Information

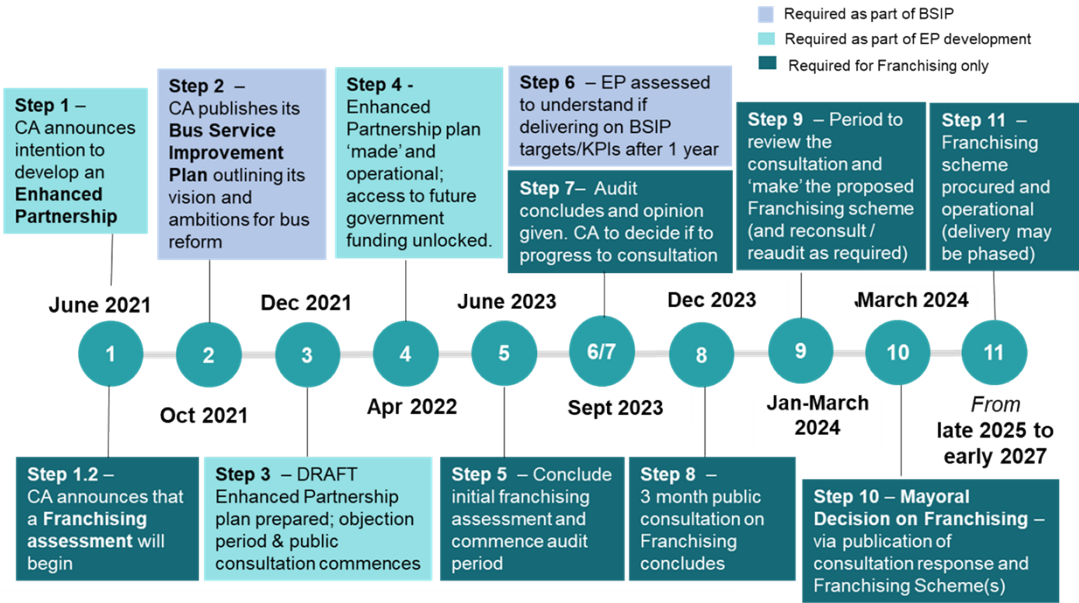
Bus Reform Assessment programme update

- 2.1 Buses are the most widely used form of public transport in West Yorkshire and therefore provide a vital public service which is integral to the Combined Authority's economic, social and environmental ambitions for the region. However, the current commercially-led system faces many challenges, including variable customer satisfaction levels, declining patronage (over the long-term, and accelerated by the impacts of the Covid 19 pandemic) and a financial system increasingly dependent on public funding support to maintain current service levels.

2.2 The Combined Authority has worked with operators via the West Yorkshire Bus Alliance to address these challenges and deliver improvements for passengers, however it recognises changes need to go further and faster. In response to the Government’s National Bus Strategy for England, the Combined Authority set out its vision for a better bus system in its [Bus Service Improvement Plan](#) (BSIP), published in 2021. In line with Mayor Brabin’s pledge to ‘Bring buses back under public control, introduce simpler fares, contactless ticketing and greener buses’, the BSIP was focussed on the outcomes for passengers and acknowledged the Combined Authority would explore different models for delivery – including franchising and an Enhanced Partnership (which was established in April 2022). Any new model of delivery should explore ideas for innovation in the delivery of local bus services, and how these could be harnessed for wider economic and social benefits to West Yorkshire.

2.3 Figure 1 below provides an overview of the Combined Authority’s bus reform roadmap (up to date as of March 2023), including development of an Enhanced Partnership and working towards a mayoral decision on franchising by March 2024.

Figure 1 – The Combined Authority’s Bus Reform Roadmap (March 2023)



2.4 A Notice of Intent to conduct an assessment of a franchising scheme was issued by the Combined Authority in June 2021 in accordance with section 123C of the TA 2000 , which sets out the statutory process authorities must follow. Furthermore, an internal Bus Reform programme was established to manage this process following indicative approval of an £7m budget (with initial expenditure approval of £1m) by the Finance, Resources and Corporate Committee in [January 2022](#).

2.5 Figure 2 provides a more detailed overview of the programme for completion of a franchising assessment specifically, including the assessment

development period, audit and public consultation, ahead of a Mayoral decision.

Figure 2 – Bus Reform Assessment programme timeline (March 2023)

Activity	2022		2023												2024			
	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Assessment Period	█	█	█	█	█	█	█	█										
Audit								█	█	█	█							
Consultation												█	█	█				
Preparing for Decision															█	█	█	
Mayoral Decision																	█	

- 2.6 The table reflects an amendment of the programme initially set out to the Combined Authority in [May 2021](#), with the period for development of the assessment document extended to June 2023.
- 2.7 This extension of the ‘Assessment Period’ is to account primarily for delays in obtaining the bus operator data that is necessary for the development of the assessment. It also accounts for the subsequent impact of the pre-election period on further Combined Authority decisions being taken before May 2023. This amendment to the timetable will support further time to consider key decisions and implications of bus reform for the Combined Authority and West Yorkshire bus priorities in advance of completion of the assessment, including also a recognition of the impacts of the continued challenges within the current bus market, particularly in relation to Bus Recovery Grant funding from the Department for Transport, which it has recently been announced will extend now to June 2023.
- 2.8 As reflected in Figure 2, it is still the case under the amended timetable that a mayoral decision on franchising could be taken by March 2024. This will be subject to completion of the statutory steps in relation to the assessment audit and consultation. It is proposed that the Combined Authority begin engagement of suitable qualified organisations to secure their availability in support of this work (see 2.22).

Progress update on the Assessment

- 2.9 The following section provides an update on progress of the assessment work, which is being led by the Combined Authority with support of external consultants. The requirements for the assessment are set out in the TA 2000, and supporting guidance documents, but broadly consists of a business case looking at Strategic, Economic, Commercial, Financial and Management cases.

Assessment Objectives

- 2.10 Early assessment objectives were approved by the Combined Authority in [May 2022](#) to enable commencement of the assessment. These draw primarily

from the approved Bus Service Improvement Plan objectives, but also recognise the need to also consider wider strategic impacts of the bus network in West Yorkshire.

- 2.11 The initial objectives have since been further developed as part of the emerging Strategic Case of the assessment. It is proposed to have four tiers of objectives (with supporting sub-objectives) to respond to the Combined Authority's obligation to ensure Value for Money, ambitions for bus and wider transport, as well as other social, economic and environmental challenges which all form part of the reason as to why bus reform is necessary in West Yorkshire.
- 2.12 The latest draft objectives for Bus Reform are:
- 2.13 **A bus reform option which robustly represents public sector value for money.**
- 2.14 **Improved experience for bus customers, maximising deliverability of the Combined Authority's Bus Service Improvement Plan by 2030:**
- Establish bus as a key mode of choice for travel in West Yorkshire.
 - Establish a financially sustainable bus service (cheaper, simpler and better value fares and tickets).
 - Improve operational delivery to provide the passenger with a service they can feel confident in using.
 - Improve connectivity for communities facing deprivation, inequality and exclusion.
 - Ensure the bus service is integrated to deliver sustainable connectivity.
- 2.15 **Improve the contribution of bus to achieving objectives in the West Yorkshire Combined Authority's Transport Strategy 2040 and supporting transport policies by 2040:**
- Economy: supporting an integrated transport system which provides reliable and improved connectivity to the places where customers need to travel to for work, education, leisure and access to services.
 - Environment: establishing a transport network that helps to reduce the overall impact of transport on carbon emissions and air quality, and increases our resilience against climate change, including via zero-emission buses.
 - People and place: enabling a transport system that increases access in a safe, inclusive way that encourages use of bus as part of a multi-modal network.
- 2.16 **The bigger picture, using bus to support the combined Authority's overarching aims relating to wider social, environmental and economic policy ambitions for the region, as set out in the West Yorkshire Plan and Strategic Economic Framework, by 2040.**
- 2.17 A final set of agreed objectives will be included in the assessment's Strategic Case.

Options for assessment

- 2.18 The assessment requires the Combined Authority to consider a number of options for reform, in addition to the current arrangements, and for these to be considered in each of the five cases of the business case. The West Yorkshire draft assessment is being developed currently with three options for reform:
- **Enhanced Partnership** – as is (base case) continue with current arrangements, with Enhanced Partnership Schemes as agreed and any business as usual plans or improvements that the Combined Authority would adopt, and any improvements or changes planned by operators.
 - **Enhanced Partnership plus** - push the limits of the Enhanced Partnership framework and related legal arrangements, with new Schemes aligned to the Combined Authority vision as far as legally possible.
 - **Franchising** - replacement of the existing de-regulated commercial system with services contracted by the Combined Authority, exact variation of franchising to be determined.
- 2.19 A summary of the key elements making up the current draft of the franchising option for this assessment can be seen in Table 1 below. These have been developed with reference to a range of possible delivery methods, but will be subject to further development and agreement before the assessment is finalised.

Table 1: Franchising option for Assessment

Franchising variation	Franchising Option to be assessed
<u>Scheme area</u>	West Yorkshire wide, recognising the different needs of bus services in each District area
<u>Services contracted</u>	All services, with permitting in particular for cross-boundary services that cannot be franchised. Inclusion of school services under review.
<u>Revenue risk on contracts</u>	Full fare box control and revenue risk on all contracts – ‘gross cost’ approach.
<u>Assets ownership</u>	<u>Staged</u> investment in full asset ownership – bus depots and a 100% zero-emission bus fleet. Depot and Fleet strategies to consider staging and transition in more detail.
<u>Procurement round</u>	Staged transition with anchor lots in each District area - Lotting Strategy to consider this in detail.
<u>Contracting bundling size</u>	Mixed sized contract bundles to facilitate competition and participation of smaller-to-medium sized operators. Social value to be considered as part of the contracting strategy.

Remaining work to complete the assessment

- 2.20 Work will continue to finalise the assessment ahead of a further decision on whether to submit the assessment to audit. Central to this will be the completion of economic and financial modelling utilising the data in relation to bus services, but will also include finalisation of strategies in relation to the procurement approach, depots and fleet.
- 2.21 The assessment will also include the upfront capital and transition costs the Combined Authority would need to fund under the proposed franchising option or the Enhanced Partnership Plus option. These options will be explored further in the final assessment document, alongside cost benefit analysis. The approach taken will seek to mitigate against any impact on Local Authority budgets. The assessment will also look at how best to ensure participation of small-to-medium sized operators and new entrants in the local bus market.

Procurement of Auditors and public consultation support

- 2.22 Following completion of the assessment, the next steps required under the TA 2000 are for an audit and consultation on the assessment to be undertaken. Requirements for both of these steps are outlined in guidance issued alongside the Bus Services Act 2017.
- 2.23 It is planned to move to these stages before the Combined Authority Annual Meeting in June 2023, with an extraordinary meeting of the Combined Authority to be scheduled at the earliest opportunity following the end of the election period in May to seek approval to do so.
- 2.24 In advance of this, and to ensure swift transition to these stages of the programme and avoid delay should there be approval to proceed, the Combined Authority is asked to agree to commence the conditional procurement of this support.
- 2.25 The Combined Authority will only enter into contract with the suppliers of these activities subject to approval to move to these stages of the assessment process, however the programme is seeking approval to commence the relevant procurement activity, including issuing of briefs to market.

3. Tackling the Climate Emergency Implications

- 3.1 A key aim of bus reform is to support decarbonisation of the local bus network and provide improved sustainable travel options for the region, to support West Yorkshire's response to the Climate Emergency.

4. Inclusive Growth Implications

- 4.1 A key aim of bus reform is to ensure the local bus network better supports the Combined Authority's inclusive growth ambitions, including by ensuring better bus connectivity in areas of economic deprivation to major employment sites.

5. Equality and Diversity Implications

- 5.1 A key aim of bus reform is to enable the local bus system to better support Equality, Diversity and Inclusion across the region, including that it is safe and accessible for all and adapted to suit individual different needs.
- 5.2 An Equality Impact Assessment (EqIA) has been undertaken on the Bus Franchising Needs Assessment scheme as part of business case development. This will be kept under review as the assessment work is further developed.

6. Financial Implications

- 6.1 There are no financial implications arising directly from this report.

7. Legal Implications

- 7.1 There are no legal implications directly arising from this report. External legal support has been procured to assist in the preparation of the assessment for bus franchising and will continue to input to the development of the assessment.

8. Staffing Implications

- 8.1 There are no staffing implications directly arising from this report.

9. External Consultees

- 9.1 No external consultations have been undertaken.

10. Recommendations

- 10.1 That the Combined Authority approves:
- Securing the conditional availability and preliminary briefing of a suitably qualified independent audit organisation ("Auditor") so that after having prepared the assessment and should the Combined Authority wish to proceed, the Auditor may then be instructed to prepare a report in accordance with section 123D of the TA 2000.

11. Background Documents

There are no background documents referenced in this report.

12. Appendices

There are no appendices to this report.