

Report to: West Yorkshire Combined Authority

Date: 25 May 2023

Subject: **Bus Reform**

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Is this a key decision?	<input checked="" type="checkbox"/> Yes <input 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 checked="" type="checkbox"/> Yes <input type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:	Paragraph 3
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 paper is to seek from the Combined Authority:

- Confirmation that, in accordance with the Transport Act 2000 (as amended by the Bus Services Act 2017) (the "Act"), it wishes to proceed with the proposed franchising scheme as assessed in the Bus Reform Assessment and to progress the Bus Reform Assessment to Audit.
- Delegated authority to the Chief Executive to approve final minor amendments to the Assessment document, which has been shared with members as an exempt appendix to this report, ahead of Audit.

1.2. Also, that the Bus Reform programme (Bus Franchising Needs Assessment) scheme proceeds through decision point 4 (full business case) and work commences on activity 5 (delivery) and a further contribution to the Combined Authority's contribution of £4,012,000 is approved. The total scheme value is £5,012,000.

2. Information

2.1. Buses are the most widely used form of public transport of in West Yorkshire and therefore provide a vital public service which is integral to the West Yorkshire 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 Authority set out its vision for a better bus system in its [Bus Service Improvement Plan](#) (BSIP), published in 2021. In line with 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 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 of West Yorkshire.
- 2.3. A Notice of Intent to prepare an assessment of a proposed franchising scheme was issued by the Combined Authority in June 2021 in accordance with section 123C(4) of the Act. 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](#).
- 2.4. Furthermore, in March 2023, the Combined Authority [approved securing](#) the conditional availability and preliminary briefing of a suitably qualified independent auditor ("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 Act.

Assessment Overview

Structure

- 2.5. The Act sets out the statutory steps an Authority must follow to complete an Assessment of a Franchising scheme, including development of a Compelling Case for Change, setting objectives, options generation and refinement, followed by the detailed assessment of these options, ahead of selection of a preferred option. This must then be subject to Audit and Consultation before a Mayoral Decision can be made on whether to proceed with Franchising.
- 2.6. Section 123B of the Act sets out the factors which must be considered as part of the detailed assessment and broadly reflects the treasury five case business case model:
- Strategic
 - Economic
 - Financial
 - Commercial
 - Management
- 2.7. Further, the statutory guidance specifically states that relevance of the Green and Aqua books to the particular circumstances should be considered by an authority making a franchising assessment. The Combined Authority has therefore followed this model and worked through the relevant details to ensure it meets its statutory obligations and developed a robust assessment in the aim of enabling an informed decision to be taken.

Objectives

- 2.8. The Act requires local transport authorities to set objectives as a key activity as part of a Franchising assessment. Early assessment objectives were approved by the Combined Authority in May 2022 to enable commencement of the assessment. These drew primarily from the approved Bus Service Improvement Plan objectives, but also recognised the need to also consider wider strategic impacts of the bus network in West Yorkshire.
- 2.9. The initial objectives have since been further developed as part of the emerging Strategic Case of the assessment to respond to the Combined Authority’s 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.
- 2.10. The final objectives as included within the Bus Reform Assessment are as set out below.

Table 1 – Bus Reform Assessment Objectives

Objective	Sub-objectives
The whole journey, enhancing the contribution of the bus system towards the Combined Authority’s Transport Strategy 2040 and wider policies.	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.
Improved travel experience for citizens, maximising deliverability of the Combined Authority’s Bus Service Improvement Plan by 2030.	Network: taking people where they need to go, when they need to go, and catering for the complexity of modern travel patterns.
	Fares and ticketing: making paying for bus travel more affordable, easier, convenient and flexible.
	Customer service and information: providing passengers with the right tools to travel with confidence and help should their journey not go to plan.
	Bus priority: journeying by bus is quicker, and a viable alternative to the private car.
	Green and better vehicles: improving the onboard experience and making bus a sustainable choice for travel in West Yorkshire.

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- 2.11. The assessment as states that ‘All these policy-led objectives will need to be balanced against the need for the bus system to be affordable, deliverable, and to offer good value for money – these aspects will be tested through the economic, financial, commercial and management cases’.
- 2.12. The objectives are structured over several tiers to show the central role that bus reform holds not only in specific bus related policy, but to achieve our ambitions on wider transport and organisational policy.
- 2.13. Achieving these objectives would help to support the bus market in West Yorkshire and reverse some of fundamental challenges it faces, allowing for an improved customer service and providing financial stability. It would also strengthen the role played by the bus system in supporting the region’s economic growth, decarbonisation and placemaking.

Options:

- 2.14. The assessment analyses two new options against the Enhanced Partnership ‘as is’ (the reference case):
- An Enhanced Partnership ‘Plus’
 - Franchising
- 2.15. Both governance models utilised powers introduced under the Bus Services Act 2017 and can take varying forms. The variation of these models for the purpose of the assessment have been developed through internal and external engagement.
- 2.16. This has included market engagement with local bus operators – including both the major operators and the medium-to-smaller operators - to understand what more could be achieved under the Enhanced Partnership and how they may be impacted by a potential Franchising scheme. This work is ongoing.
- 2.17. The Enhanced Partnership ‘Plus’ would see the existing legal scheme that applies to operators strengthened to cover additional improvements across all elements of bus service delivery as set out under the BSIP, as well as the addition of a number of policy levers, including:
- Qualifying Agreements to implement improvements to the bus network
 - The Combined Authority exercising traffic commissioner powers (bus registrations) to manage performance
 - Influence over deployment of zero emission buses
 - Exploring use of Key Route Network powers to better manage highways
- 2.18. Franchising would see the suspension of the current commercial bus system, with nearly all bus services instead contracted by the Combined Authority according to its own specification.
- 2.19. Under the model of Franchising assessed, the Combined Authority would take full control of farebox revenue, and also provide depots and some vehicles as part of some of the service contracts. There would be a staged transition to franchising

across the region, with mixed sized contract bundles of contracts let together to facilitate market competition.

- 2.20. Both options would be implemented West Yorkshire wide and, for the purpose of the Assessment, have been modelled with the existing bus network using operator data from the 2021/22 financial year as its base case.
- 2.21. For the benefit of bus customers, both options would involve interventions - including network enhancements, simpler fares and integrated tickets, streamlined customer service, better aligned bus priority and greener buses – to improve the passenger experience and work towards the ambitions set out in the BSIP in order to address the challenges faces the existing bus system.

Assessment draft conclusions

- 2.22. Subject to undertaking a final review of the assessment and carrying out any minor amendments that may be needed - which it is proposed to delegate to the Chief Executive - the Combined Authority has now prepared its assessment of the Bus Reform options.
- 2.23. Following analysis of each option across all five cases, the assessment concludes that Franchising offers clear strategic benefits and greater opportunity to achieve the Combined Authority's objectives and ambitions for West Yorkshire, compared to the reference case Enhanced Partnership and Enhanced Partnership 'Plus'.
- 2.24. However, the Assessment is clear that Franchising requires significant capital investment by the Combined Authority and has key risks including:
- Budget risk and responsibility for farebox revenue.
 - Management of market transition and procurement of services.
 - Fleet purchase and depot acquisition.
 - New skills and resources required for delivery.
- 2.25. The assessment also concludes that an Enhanced Partnership 'Plus' model offers increased benefits beyond the reference case. This would have less risk for the Combined Authority but is ultimately still dependent on being able to agree its delivery with local bus operators - reducing the level of certainty and control. Further work would be required with operators to agree the detailed specifics of what could be achieved under this model for the benefit of local passengers and there remains a risk that not all of the benefits assumed would be actually delivered.
- 2.26. Both franchising and Enhanced Partnership 'Plus' would according to the assessment be justifiable options in terms of delivering Value for Money, and are affordable, deliverable. However, modelling shows that across all options, the challenge of ongoing bus patronage decline remains and would require service cuts unless further investment and / or additional policy levers are applied to significantly increase passenger demand and / or cover the cost of maintaining current service levels. However, both Franchising and the Enhanced Partnership Plus would slow this rate of decline, with the former doing this to the greatest extent and at better value with public money.
- 2.27. Furthermore, according to the assessment across all options including the reference case, the public sector will be increasingly relied on to support the bus sector over

time – Franchising is identified as providing the greatest levels of control and direct influence to manage these risks.

- 2.28. The assessment therefore concludes that Franchising is the preferred option for the Combined Authority to progress with subject to both the audit and the outcome of the statutory consultation, which will inform a report and recommendation to the Mayor.
- 2.29. It is also proposed to continue engaging with local bus operators to understand in more detail what more may be achievable under the Enhanced Partnership, which can be considered as part of the final decision.

Next steps

- 2.30. Provided that the Combined Authority determines that it wishes to proceed with the scheme, then the Combined Authority must next, pursuant to section 123D(1) of the Act obtain a report from an independent auditor on the Assessment ("**Audit**").
- 2.31. The Audit is a statutory requirement and an important step in delivering an assessment that is as robust as possible for a future decision from the Mayor of West Yorkshire on a whether to proceed with implementation of franchising scheme. In line with the areas required under the Act, the Audit is particularly focussed on assurance of the quality and reliability of the information referred to in the Assessment.
- 2.32. Therefore, the Combined Authority is now in the process of procuring a suitably qualified, independent Auditor. Subject to approval, the Combined Authority will instruct them to provide an assurance report on that Assessment, in compliance with Section 133D of the Act, and section 1.77-1.87 of the Department for Transport's Franchising Scheme Guidance ("the Guidance").
- 2.33. The Assessment assurance report, in compliance with Section 123D of the Act, is required to include a statement on whether in the opinion of the Auditor:
- the information relied on by the authority in considering the matters referred to in section 123B(3)(d) or (e) of the Act is of sufficient quality;
 - the analysis of that information in the Assessment is of sufficient quality; and
 - the authority or authorities had due regard to guidance issued under section 123B in preparing the Assessment.
- 2.34. Subject to receipt of a satisfactory Auditor's report, if the Authority still wishes to proceed with the proposed franchising scheme, the Authority will then be required to conduct a statutory consultation in accordance with section 123E of the Act. The Guidance is clear that authorities should consult widely on their proposal and they should ensure 'that local passengers, businesses and transport providers are able to comment on the proposals before the authority takes the decision as to whether to implement the franchising scheme'. Authorities should aim to make their consultation materials as accessible as possible to all interested parties and ensure that local passengers in particular are aware of, and able to input to, proposals relating to their local bus services.
- 2.35. Following consultation, responses will be analysed, and the Combined Authority will prepare a final recommendation, ahead of a Mayoral decision. This is currently programmed for March 2024.

The Bus Reform programme (Bus Franchising Needs Assessment) scheme Approvals

- 2.36. This scheme will investigate the options for the proposed bus franchising scheme. This will include a thorough needs assessment, incorporating an assessment of the benefits and impacts of bus franchising, a comparison of these against other bus reform options, an audit of the proposed scheme, and the preparation and launch of public consultation. The scheme will be funded by Combined Authority Gainshare funding.
- 2.37. Previously, on 6 January 2022, Finance, Resources and Corporate Committee approved an indicative total scheme cost of £7,000,000 and development costs of £1,000,000 were released to progress development of the scheme's full business case and associated activities.
- 2.38. Since then, the costs have been further refined and developed as part of development of the Full Business Case which was submitted for internal assurance in January 2023.
- 2.39. Appendix 1 and 2 to this report set PMA's appraisal and provide a business case summary for the Bus Reform Programme (Bus Franchising Needs Assessment) scheme, which recommends that the Bus Reform programme (Bus Franchising Needs Assessment) scheme proceeds through decision point 4 (full business case) and work commences on activity 5 (delivery) and a further contribution to the Combined Authority's contribution of £4,012,000 is approved. The total scheme value is £5,012,000.

3. Tackling the Climate Emergency Implications

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

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. This report recommends a further Combined Authority contribution to the Bus Reform programme of £4,012,000, bringing the total scheme value to £5,012,000.

7. Legal Implications

- 7.1. The information contained in Appendix 3 is exempt under paragraph 3 of Part 1 to Schedule 12A of the Local Government Act 1972 as it contains information relating to the financial or business affairs of any particular person including the Combined Authority. It is considered that the public interest in maintaining the content of the appendix as exempt outweighs the public interest in disclosing the information, as publication could prejudice current and future decision making.
- 7.2. The information contained in Appendix 3 is exempt under paragraph 3 of Part 1 to Schedule 12A of the Local Government Act 1972 as it contains information relating to the financial or business affairs of particular persons including the Combined Authority
- 7.3. 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 programme.

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

Bus Reform Assessment

- 10.1. This paper recommends that the Combined Authority:
 - i. Notes the conclusions and recommendation included within the Assessment (paras. 2.22 – 2.28).
 - ii. indicatively approves the Assessment for Audit, and delegates finalisation of the assessment to the Chief Executive.

Bus Reform programme (Bus Franchising Needs Assessment) scheme Approvals

- 10.2. The Combined Authority approves that:
 - i. The Bus Reform programme (Bus Franchising Needs Assessment) scheme proceeds through decision point 4 (full business case) and work commences on activity 5 (delivery).
 - ii. Approval to the Combined Authority's contribution of £4,012,000 is given. The total scheme value is £5,012,000.
 - iii. Future approvals are made in accordance with the assurance pathway and approval route outlined in this report. This will be subject to the scheme remaining within the tolerances outlined in this report.

11. **Background Documents**

[Department for Transport - Franchising scheme guidance \(2017\)](#)
[The West Yorkshire Bus Service Improvement Plan \(2021\)](#)

12. **Appendices**

Appendix 1 – Bus Reform programme (Bus Franchising Needs Assessment) scheme
- PMA Project Approvals report

Appendix 2 - Bus Reform programme (Bus Franchising Needs Assessment) –
Business case summary

Appendix 3 – The Bus Reform Assessment (EXEMPT)