

GREATER MANCHESTER COMBINED AUTHORITY

Date: 27 November 2020
Subject: Covid-19 Impact on Bus Franchising Report and Consultation
Report of: Eamonn Boylan, Chief Executive Officer, GMCA & TfGM

PURPOSE OF REPORT

This report introduces the Covid-19 Impact on Bus Franchising Report which has been prepared by TfGM on behalf of the GMCA. That considers the potential impact and effects of Covid-19 on the bus market in Greater Manchester and how they may affect the key conclusions of the Assessment of the Proposed Bus Franchising Scheme and the recommendations made that franchising is the best option for reforming the bus market in Greater Manchester.

This report makes several recommendations, including that the GMCA agree to undertake a public consultation in respect of the Covid-19 Impact on Bus Franchising Report, between 2 December 2020 and 29 January 2021.

RECOMMENDATIONS:

The GMCA is requested to:

1. Note the contents of this report.
2. Note the contents of the Covid-19 Impact on Bus Franchising Report – November 2020 - attached at Appendix 1.
3. Note the contents of the independent auditor’s Assessment of the Transport for Greater Manchester’s (TfGM) Covid-19 Impact on Bus Franchising Report dated 19 November 2020 and attached at Appendix 2.
4. Approve the publication of both the independent auditor’s Assessment of the Transport for Greater Manchester’s (TfGM) Covid-19 Impact on Bus Franchising Report and the Covid-19 Impact on Bus Franchising Report.
5. Approve the proposed funding arrangements and mitigations as set out in this report.
6. Note the mitigating responses to a downside risk scenario as set out in Section 3 of the Covid-19 Impact on Bus Franchising Report.
7. Agree to proceed with the Proposed Franchising Scheme by undertaking a public consultation, which would commence on 2 December 2020 and end on 29 January 2021.

8. Approve the Proposed Franchising Scheme as proposed to be modified following the consultation that ended in January 2020 and in accordance with this report and attached at Appendix 3, for the purpose of the recommended consultation.
9. Instruct TfGM to carry out all tasks necessary to carry out that consultation on behalf of the GMCA.
10. Note that a further report will be made to the GMCA on the outcome of the consultation.
11. Note that this Report is exempt from call in under the provisions of Part 5, Rule 16 of the GMCA constitution.

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Appendices:

1. TfGM Report – ‘Covid-19 Impact on Bus Franchising Report’ – November 2020
2. Independent auditor’s Assessment of the Transport for Greater Manchester’s (TfGM) Covid-19 Impact on Bus Franchising Report dated 19 November 2020
3. The Greater Manchester Franchising Scheme for Buses (Draft)

BACKGROUND PAPERS:

Report of the GMCA titled Bus Services Act 2017, dated 30 June 2017

Report of the GMCA titled Bus Reform Objectives Update, dated 25 May 2018

Report of the GMCA titled Bus Reform, dated 27 July 2018

Report of the GMCA titled Transport Revenue Budget 2019/20, dated 15 February 2019

Part A Report of the GMCA titled Bus Reform Update, dated 28 June 2019

Report of GMCA titled Audit and Consultation, dated 7 October 2019

Report of GMCA titled Financial Impact of COVID-19 dated 29 May 2020

Report of GMCA titled Bus Reform: Update dated 26 June 2020

1. INTRODUCTION

- 1.1 In June 2017, the GMCA decided to use the powers set out in the Transport Act 2000 (as amended by the Bus Services Act 2017) ('the Act') to prepare an assessment of a proposed bus franchising scheme for Greater Manchester.
- 1.2 In June 2019 TfGM completed its assessment of a proposed bus franchising scheme on behalf of the GMCA ('the Assessment'). The Assessment was subsequently audited by an independent audit organisation and then consulted upon.
- 1.3 The consultation ended on 8 January 2020.
- 1.4 In terms of next steps, following consultation on the Proposed Franchising Scheme ('the Proposed Franchising Scheme'), the Act requires the GMCA to publish a report setting out both the GMCA's response to the consultation and the decision on whether or not to make the proposed bus franchising scheme (which is made by the Mayor on behalf of the GMCA).
- 1.5 Before the outbreak of Covid-19 it was intended that the above report would be published by the GMCA and considered in spring 2020.
- 1.6 Consideration of the consultation was initially delayed, however, as social distancing measures and guidance introduced by the Government in response to the Covid-19 pandemic meant that it was not possible for the GMCA to hold a compliant meeting. Secondary legislation introduced under the Coronavirus Act 2020 subsequently allowed the GMCA to meet virtually by means of remote access. Notwithstanding this development, because the potential implications of Covid-19 had not been taken into account in either the Assessment or in the consultation, it was not considered appropriate for the GMCA to publish a formal response to the consultation, or for the Mayor to make a decision in respect of the proposed bus franchising scheme, as required by the Act at that time.
- 1.7 Instead, TfGM completed its report on the findings of the consultation (*Bus Franchising in Greater Manchester – Consultation Report*) ('the Consultation Report') which included consideration of the issues and themes raised by consultees and TfGM's response to those matters and members were asked to note the contents of the Consultation Report at their meeting on 26 June 2020. Members were also asked to note that TfGM would prepare a further report which would consider the potential impact and effects of Covid-19 on the bus market in Greater Manchester and make recommendations about appropriate next steps.

2. THE COVID-19 IMPACT ON BUS FRANCHISING REPORT

- 2.1 TfGM has now completed its Covid-19 Impact on Bus Franchising Report ('the Report'). A copy is attached at Appendix 1.
- 2.2 The purpose of the Report is to consider the potential impact and effects of Covid-19 on the bus market in Greater Manchester, the options considered in the Assessment and its conclusions and how Covid-19 may impact on the recommendations made in the Consultation Report that the Proposed Franchising Scheme would be the best option for reforming the bus market in Greater Manchester.

2.3 The Report is intended to help GMCA and the Mayor to decide on whether, and, if so, how, to proceed with the Proposed Franchising Scheme. It recognises that in the current circumstances the uncertainty over long-term forecasts is greater than it would normally be and that the range of factors and their variance which may influence the bus market is also wider.

2.4 The report sets out:

- The effects that Covid-19 has had on the bus market in Greater Manchester;
- Potential future Scenarios for travel in Greater Manchester and the effects on bus (“the Scenarios” as detailed below at Section 1.4 (Possible future transport scenarios) below);
- How Covid-19 and the potential future Scenarios may affect the case for change set out in the Strategic Case in the Assessment, and the conclusion that the Proposed Franchising Scheme was the best option to achieve the GMCA’s objectives;
- How Covid-19 and potential future Scenarios may affect the conclusion set out in the Economic Case in the Assessment that the Proposed Franchising Scheme was good value for money;
- How Covid-19 and potential future Scenarios may affect the considerations set out in the Commercial Case in the Assessment on the commercial strategy for implementing the Proposed Franchising Scheme, and the conclusion that it could be successfully procured;
- How Covid-19 and potential future Scenarios may affect the conclusion set out in the Financial Case in the Assessment that the Proposed Franchising Scheme was affordable;
- How Covid-19 and potential future Scenarios may affect the considerations set out in the Management Case in the Assessment, the implementation of the Proposed Franchising Scheme and the conclusion that this could be managed successfully;
- How Covid-19 and the potential future Scenarios may affect the Proposed Franchising Scheme and the conclusion that no modifications to the Proposed Franchising Scheme are required at this stage beyond those already contemplated;
- How Covid-19 may affect the partnership options considered in the Assessment and those put forward by operators during the consultation; and
- A conclusion on the effect of Covid-19 on the previous recommendation in the Consultation Report that the Proposed Franchising Scheme should be implemented.

3. REPORT CONCLUSIONS

3.1 In summary the Report concludes as follows -

3.2 The **Strategic Case** as set out in the Assessment remains largely unchanged as a result of Covid 19 albeit the context is more challenging. The GMCA objectives remain valid and the case for intervention in the bus market remains strong, with the Proposed Franchising Scheme still likely to perform better in meeting those objectives.

3.3 Similarly for the **Commercial Case** the Report concludes that there is no material change from the Assessment. It sets out how the flexibility of the model would enable it to be adapted in a number of specified eventualities such as changes in operated mileage,

depot strategy, procurement strategy etc and that franchising as a commercial proposition remains largely consistent with the aims of the Commercial Case.

- 3.4 In terms of the **Management Case** the fundamentals of the future operating model as defined in the Assessment are still relevant, can still be used to provide the foundations for implementation and ongoing operation, with redesign happening at specific targeted areas and to manage cost so that is aligned to the economic forecasts at that point in time. The report concludes therefore that TfGM on behalf of the GMCA would be able to manage the transition and implementation of the Proposed Franchising Scheme.
- 3.5 In considering the **Financial Case** Members will recall that the Assessment noted that revenue expenditure on bus services (of up to £86.2 million per annum funded by the ten local authorities through the statutory charge) represents the largest element of Greater Manchester's local transport budget, principally reflecting expenditure on national and local concessionary reimbursements and on subsidised services which would otherwise not be provided commercially. In addition, Greater Manchester has also prioritised significant capital investment in infrastructure for bus priority, facilities and other related measures.

Since the Assessment was completed local expenditure on concessionary reimbursements and subsidised services has been maintained, in conjunction with additional government funding, at pre-Covid levels to stabilise and help support recovery in local bus services.

It was agreed in October 2019 to approve the preferred funding scenario for the Proposed Franchising Scheme as set out in that report and the Assessment. In brief that consisted of:

i) £78.0 million, in total, of Mayoral 'earn back' funds provided by central government as part of Greater Manchester's Devolution Agreement. It should be noted that in terms of this funding including 'earn-back' for this purpose would mean that it would not be available for other (as yet unidentified) projects. However, the funding was originally provided for projects that are now complete or substantially complete;

ii) £11.0 million, in total, raised by the existing precept as part of the Mayor's 2019/20 budget for bus reform purposes (equating to £2.2 million per annum applied each year from 2020/21);

iii) £17.8 million, in total, of contributions by Local Authorities as a proposed one-off increase in the statutory contribution in 2020/21;

iv) £5 million, in total, of existing and forecast business rates pooling receipts held by the GMCA; and

v) £22.7 million, in total, of Mayoral precept required from future years' budgets'.

- 3.6 It should be noted that it is proposed to defer the local authorities' proposed one off contribution to the end of any transition period (from 20/21 previously to 2025/26, assuming a one year deferral of any implementation period). The deferral of this contribution could be accommodated through 2020/21 earn back funding which is of similar quantum.

- 3.7 In addition the October 2019 report to the GMCA states that the Assessment recognised that opportunities would be sought to secure additional government funding on an ongoing basis. It also confirmed that there would be ongoing risks that, if they arose, would need to be managed operationally through reducing the size of the network and/or increasing fares, and financially by allocating more funding to support services.
- 3.8 The Financial Case section of the Report considers the potential effects of Covid-19 with reference to the uncertainties that currently exist and a range of potential outcomes as identified in the Scenarios. The Report concludes that the sources of funding included in the preferred funding strategy remain available in principle for the Mayor, the GMCA and local authorities to prioritise to bus reform, as they reflect existing and available mechanisms.
- 3.9 Under all Scenarios the profile of transition costs, risks and operating revenue and costs would be deferred dependant upon the implementation date for the Proposed Franchising Scheme. It is envisaged that the GMCA would not begin to assume revenue risks until at least 2022/23.
- 3.10 The Report is clear, however, that the uncertainty previously identified during the transitional period (assumed to be until 2025/26) is now materially greater than at the time of the Assessment. (paras 5.3.4 and 5.3.7). In the event that the downside changes materialised the GMCA would need to consider further mitigations and/or funding in order for the Proposed Franchising Scheme to remain affordable. These mitigations would be of the same kind as set out in the previous GMCA reports (increase fares and/or reduce the network and/or increase local authority contributions), but the scale of any or all of the options may need to change.
- 3.11 Such potential mitigations, during transition, if Government funding is reduced or withdrawn, would include:
- i) Local Authorities, in conjunction with additional government funding, are currently being directed to pay concessionary reimbursements (and subsidised services payments) at pre-Covid levels. If concessionary reimbursements were once again paid on a usage basis, it could generate additional resources of at least £30 million, including £12.5 million previously provided for concessionary liabilities as part of the GMCA's preferred funding strategy, up to 2025/26 in the 'central' scenarios.
 - ii) Reducing transition costs (including on bus equipment, depots, and risk allowances). Savings in the order of £5 million to £10 million, net of inflation, could be achieved under the central scenarios and further savings could be achieved under a more adverse scenario.
 - iii) Making reductions to the network. This would be a significant mitigation option in the event of lower demand scenarios, noting that there would be some time lag in realising savings. The contracting strategy has the flexibility to accommodate such changes. For example, a 1% reduction (by way of illustration) in fleet volumes, operating kilometres and operating hours could result in a saving in the order of £4.5 million over the period from 2022/23 to 2025/26. Some of the changes may well be made by private sector operators before those parts of the network are

franchised, so the GMCA would potentially be taking over a smaller, less expensive part of the network.

- iv) Other, credible, locally prioritised funding sources included in the Assessment which the GMCA / /the Mayor could prioritise in the transition period, in particular the value of Integrated Transport Block (“ITB”) from 2021/22 that, based on previous years’ allocations, would be up to £16 million per annum and uncommitted ‘earn earn-back’ funding of approximately £15 million per annum from 2025/26, subject to confirmation through future gateway reviews

Further details are set out in the Report, in particular in the Economic Case (Section 3) and the Financial Case (Section 5).

- 3.12 As set out in the overall conclusion to the Financial Case in the Report the further mitigations and funding options detailed could offset the potential loss of farebox revenues during the transition period and the Proposed Franchising Scheme could remain affordable under Scenarios 1,2 and 4 (para 5.5.2).
- 3.13 Under a more significant downside scenario than Scenario 1 or 4, such as Scenario 3 the GMCA would need to accept the residual risk and, in the absence of government funding, would need to meet any shortfall through further local government funding and further network costs.
- 3.14 The Assessment concluded that the **Economic Case** for investment and reform was strong, with both partnership and franchising options representing high value for money. The Assessment further concluded that the Proposed Franchising Scheme was preferable because it created more economic value as defined by a net present value (‘NPV’) and was likely to result in more durable and lasting economic impacts. It was also concluded that the Proposed Franchising Scheme would create a better platform to deliver further potential economic value.
- 3.15 The information, and analysis of that information, used in considering whether franchising would represent value for money was considered by the independent auditor to be of ‘sufficient quality’ as required by the Act.
- 3.16 The analysis in the Report considers the potential impact and effects of Covid-19 and reviews the extent to which the assumptions underpinning the Proposed Franchising Scheme still hold and whether the Proposed Franchising Scheme would still represent value for money to the GMCA.
- 3.17 The uncertainty due to Covid-9 means that there is potential for structural, rather than simply incremental, changes to the bus market, and that the elasticity-based framework used to complete the economic appraisal in the Assessment is not well suited to dealing with structural changes in travel behaviour. It has not been possible, therefore, to create a robust single central estimate of the value for money of the Proposed Franchising Scheme with the same level of certainty as in the Assessment.
- 3.18 Scenario planning offers a tool to explore the range of possible alternative futures and hence test the robustness of the assumptions underpinning a proposal. The analysis in the Report, therefore, has used this approach, with the Scenarios and ‘What If?’ tests, to consider the robustness of the Economic Case presented in the Assessment and under

what, if any, circumstances the Proposed Franchising Scheme may not offer value for money and how likely this may be.

3.19 The Report's Economic Case has concluded that:

- Covid-19 has added uncertainty round the central Economic Case presented in the Assessment, but the 'What If?' testing shows that, on balance, there is a level of robustness in the economic appraisal to the Scenarios tested and that the Proposed Franchising Scheme is still the best performing option, as:
 - In the Scenario tests that allow for demand changes and adjustments to implementation costs, the re-based appraisals show, in all but the outlier Scenario S3, that the Proposed Franchising Scheme is still likely to offer at least medium value for money, although in those downside tests in which a significant proportion of the benefits were not realised, its value for money would be low or even poor; and
 - While an illustrative partnership option was tested, which showed high value for money in most Scenarios, this illustrative partnership option, as in the Assessment, has lower net economic benefit than the Proposed Franchising Scheme and there is considerable uncertainty surrounding the delivery of the benefits from this option when compared with the Assessment as operators have stated that they can no longer commit to their previous proposals.
- In Scenario 3 where decline is exacerbated by the assumed early withdrawal of significant proportions of government funding (which is now considered unlikely), the analysis suggested that the franchising scheme would be poor value for money using the standard transport framework. If such conditions did transpire, however, the problems of market failure in the bus market would be more acute than those previously assumed and further economic analysis would be required to reflect sufficiently the role that bus network plays in supporting the economy of Greater Manchester and the value for any money used to support it.
- The Scenario analysis has highlighted the importance that the franchise specifications must include suitable uncertainty management strategies to address any resilience issues which may arise in respect to value for money. A consideration of the commercial levers available to TfGM to address these issues is articulated in the Commercial and Management Case chapters of the Report.

3.20 The overall conclusion of this analysis is to confirm that, on balance, the value for money of the Proposed Franchising Scheme is likely to be robust to the uncertainty created by Covid-19 in all reasonably likely scenarios. The Proposed Franchising Scheme also remains preferable to the Partnership option as, on balance, the overall net benefits are likely to remain higher and more deliverable, particularly given the considerable uncertainty surrounding what, if any, partnership options are on offer.

3.21 In terms of the Proposed Franchising Scheme, the Report concludes that no further changes to the Proposed Franchising scheme beyond those already contemplated in the Consultation Report (and Bus Reform Report dated June 26 2020) are required in the light of the conclusions in the Report. The draft scheme failed to state that the period of 9 months that was to expire between the making of a local service contract and the provision of a local service under it in each sub-area was the "minimum period". It is recommended that the draft proposed scheme should be amended accordingly.

4. AUDITOR'S REVIEW

- 4.1 Members will recall that in September 2019 the independent auditor provided its opinion on the Assessment in accordance with section 123D of the Transport Act 2000 ("the Act").
- 4.2 The independent auditor has also been asked to provide a review of the Report. Its purpose is to provide the GMCA with independent assurance on the approach taken by TfGM in preparing the Report. For the avoidance of doubt, the auditor was not required to audit the Report on the same terms as its original audit of the Assessment but for the purposes of this report they are still referred to as "the auditor". The auditor was requested to provide assurance and comment on the overall appropriateness of the approach taken to the Report, and, in particular;
- i. whether the approach taken in the Report in considering the affordability and value for money of the Proposed Franchising Scheme in light of the potential impact of Covid-19 is appropriate;
 - ii. whether the information and analysis of that information as contained in the Report on the affordability and value for money of the Proposed Franchising Scheme is of sufficient quality for the purposes of the Report; and
 - iii. provide any specific recommendations on how the approach, information or analysis of that information might be improved.
- 4.3 The independent auditor has also been asked to report on those instances where, in preparing the Report, TfGM has departed from the guidance issued under section 123B of the Act on preparing the Assessment (as detailed by TfGM or identified by the auditor). The auditor has been asked to comment on whether any such departures are appropriate or not given the circumstances.
- 4.4 The auditor's report was completed and sent to TfGM on 19 November 2020. A copy of the auditor's report is attached to this report at Appendix 2.
- 4.5 In considering the contents of the auditor's report, members will note that the auditor has provided an informative summary of the work performed, and concluded that:
- the approach taken in the Covid Impact Report in considering the affordability and value for money of the Proposed Franchising Scheme in light of the potential impact of Covid-19 is appropriate; and
 - the information and analysis of that information as contained in the Covid Impact Report on the affordability and value for money of the Proposed Franchising Scheme is of sufficient quality for the purposes of the report recognising the uncertainty and difficulty in forecasting in the current environment and therefore the use of scenarios represents a sensible approach.
- 4.6 The auditor was also required to provide any specific recommendations on how the approach, information or analysis of that information as contained in the Report might be improved. As set out in their letter, the auditor's review has been an iterative process. This means that any suggestions and recommendations raised by the auditor during their review have been included in the Report.

4.7 The auditor was also required to report on those instances where, in preparing the Report, TfGM has departed from the guidance which related to the preparation of the Assessment. The auditor noted that as there is no guidance that TfGM could follow they have not been able to report in this regard.

5. WHETHER OR NOT TO PROCEED WITH PROPOSED FRANCHISING SCHEME NOW

5.1 The Assessment noted that while the bus market in Greater Manchester had been in decline for a number of years, it has great importance for the economy and society in Greater Manchester. It argued that it was important to intervene because the objectives of the GMCA for Greater Manchester – in terms of the economy, society and environment – were at risk without intervention, and because of the importance of the bus service to achieving the objectives of the Transport Strategy 2040. The Report has found that the Proposed Franchising Scheme remains the option most likely to enable the GMCA to meet its objectives for the bus service in Greater Manchester. Given that finding, and the position outlined in the Report on affordability and value for money, the Proposed Franchising Scheme remains an important option for bus reform. However, given continuing uncertainty over the future of the bus market in Greater Manchester, the question is whether a decision to proceed further with franchising should be taken now or be further delayed.

5.2 The possible benefits of deferring a decision on whether to proceed with franchising are:

- The Scenarios set out in the Report envisage a range of futures. While (as set out in section 9 of the Report) it is now possible to say that GM is less likely to see a scenario where bus patronage falls to a very low level (Scenario 3), uncertainty remains. It may be possible in the future to be more certain about future costs and benefits when it is clearer what direction key trends will take. As time goes on there will be less uncertainty about the impacts of Covid-19. There are likely to be further developments in the efforts to deal with the pandemic, including the development and distribution of vaccines and mass testing; developments in terms of the economy and recovery both nationally and locally, and in terms of support for the bus market. However, while there may be some more clarity about the direction of the bus market in spring 2021 or later in that year, the extent to which it will be is not easy to predict. The different scenarios partly depend on an economic recovery, which will take place over a longer period than the more immediate effects of Covid-19, and partly depend on how attitudes to public transport change over time. Both of these factors will play out over a longer timeframe, as suggested by the Scenarios. While there would be some benefit to waiting, it would not answer all questions about the future direction of the bus market.
- The approach to addressing uncertainty taken in the report is not unfamiliar to transport planners. Using scenarios rather than ‘point’ estimates (as has been done in the Report) is a well-established methodology. In July 2020, the DfT published a policy document in response to Covid-19, which indicated that scenario planning is likely to play a greater role in economic appraisal and that they would “provide further detail on the use of scenarios by the end of the year”. TfGM’s current understanding is that DfT are still developing guidance and that DfT will be issuing an

uncertainty toolkit and providing guidance on the use of scenarios in scheme appraisal as part of the TAG refresh in February 2021. TfGM have been involved in discussions with DfT on this guidance and feel confident that the approach taken to the application of scenario analysis in the Covid Impact Report will align with the guidance once published;

- Bus operators may be able to provide a better indication of what partnership they may be prepared to offer. The effects of the Covid-19 crisis on bus operator finances may last for a considerable period. It is not clear when a firm partnership offer might emerge that could be relied upon. Operators are still likely to be supported by Government in spring of 2021. They are unlikely to be able or willing to commit to a set of clear proposals at that time or for a period afterward. Pre-Covid-19 partnership proposals are largely a 'commitment to commit' and it is likely to be some time before any commitments comparable to those envisaged in the ambitious partnership might come forward. It would not be appropriate to wait until operators decide that they wish to determine a new partnership offer, as there is no clarity on when this might be, or what level of certainty might then be offered.

5.3 Thus, while there are some apparent reasons to delay a decision on whether to proceed with the Proposed Franchising Scheme, and while there will be more information available about the likely effects of Covid-19 given such a delay, it is not clear that the GMCA will be in a significantly better position to understand the longer-term effects of the Covid-19 crisis on the bus market in the Spring of 2021 or even later in that year.

5.4 There are a number of reasons, however, why it is important to take any decision to proceed with the Proposed Franchising Scheme sooner rather than later.

- The Assessment concluded that there was a need to address the challenges facing the bus market in Greater Manchester with urgency, because of the nature and importance of these challenges and because of the importance of the bus service to Greater Manchester: doing so would be vital to achieving the objectives of the Transport Strategy 2040. The challenges the bus market faces that were set out in the Assessment have not disappeared, and in terms of competition from other modes (particularly private cars and taxis), have increased under Covid-19. It is still important, therefore, to intervene in the market in a timely manner to make improvements to the transport system in Greater Manchester, and to address the challenges set out in the Assessment, as quickly as possible. The Covid-19 crisis has reinforced this by demonstrating how important bus services are to Greater Manchester, for example in how key workers relied upon bus services to get to work and to support the response to and recovery from Covid-19.
- There is potential for increased car travel and therefore increased congestion (hampering economic growth, causing greater delay to different bus routes, and worsening clean air) in some of the future scenarios because of the Covid-19 crisis. There are already indicators of this happening with car travel recovering more fully than public transport over the last few months. Mode shift is hard to achieve and once the use of car transport becomes the default for certain types of journeys

or in certain areas, it may be harder to change, even when good alternatives become available. This would both damage the bus market (through increasing congestion and reducing revenue) and make it yet more difficult to achieve the objectives of the Transport Strategy 2040. The implementation plan for the Transport Strategy 2040 contains the objective of increasing the share of sustainable modes of transport to 50%, in order to reduce congestion, which will support economic growth, social inclusion and clean air. To defer a decision on the intervention that has the best chance of achieving the GMCA's objectives for the bus service has the potential to damage the prospects of promoting sustainable modes of transport.

- To support the recovery from the crisis, it may be more important for the GMCA to be able to intervene in the transport system if its performance is further damaged by the Covid-19 crisis. To defer a decision on whether to proceed with the Proposed Franchising Scheme would mean that the GMCA would potentially have less ability to intervene to support the transport system during a period when the economic recovery is still going on (for instance by supporting bus services in a coherent way or planning bus service around the needs to key workers) even if the direct effects of Covid-19 have faded and hence hamper the recovery from the Covid-19 crisis in the medium to long term.

5.5 These reasons for proceeding now mean that, while there is always a case to defer making decisions until there is more information, it is considered that the question, whether and how to intervene in the bus market, should be looked at now. The findings of the Report in terms of whether and to what extent the previous conclusions reached in the Assessment remain valid, notwithstanding the impact of Covid-19, mean that it would be appropriate to take a decision to proceed with the Proposed Franchising Scheme. Failing to do so would hamper the delivery of the Transport Strategy 2040 and the ability to build back better.

5.6 When exercising its functions the GMCA must comply with the requirements of the public sector equality duty as set out in section 149 of the Equality Act 2010.

5.7 In that regard, as part of its consultation between October 2019 and January 2020, the GMCA sought views from consultees on the initial Equality Impact Assessment (EQIA) which had been prepared by TfGM to identify potential adverse impacts of the Proposed Franchising Scheme on persons with relevant protected characteristics. Section 12 of the Consultation Report explains what key themes came out from consultees and considered that there were no aspects of the EQIA that would require significant changes.

5.8 To summarise, the EQIA for the Proposed Franchising Scheme concluded that it would have a high positive impact on children and young people, older people and people with physical and sensory impairments and a medium positive impact on women, transgender people, lesbians, bisexuals and gay men, people with mental health problems and people from a variety of ethnic backgrounds. Crucially, since this was the primary purpose of the EQIA, it did not identify any groups that would suffer a significant adverse impact.

5.9 As set out throughout the Report, Covid-19 has had a significant impact on the bus market in Greater Manchester and on passengers – in particular those citizens with protected

characteristics who may have been disproportionately affected by the virus in the short term. However, in the longer term it is anticipated that any impacts would be significantly reduced and that people with protected characteristics would positively benefit from the Proposed Franchising Scheme.

5.10 This supports a decision to proceed with the Proposed Franchising Scheme.

6. CONSULTATION ON THE COVID-19 IMPACT REPORT

6.1 The Report is not a new assessment of the Proposed Franchising Scheme. Instead, it considers the extent to which the Assessment of the Proposed Franchising Scheme remains valid in the light of Covid-19 and the uncertainties associated with it. These are matters which those who were consulted previously had no opportunity to express a view on and on which it is recommended that they should now be given such opportunity.

6.2 Should the GMCA wish to proceed with the Proposed Franchising Scheme, therefore, it is recommended that the GMCA undertake a further consultation exercise. The purpose of the consultation would be to allow consultees to provide their views on the Assessment in the light of the Report across the five cases set out in the Assessment and on the Proposed Franchising Scheme itself in the light of it. It would be made clear that those who may wish to respond need not repeat any earlier representations that they may have made in the earlier consultation, although they would be free to do so or to indicate where they may wish to modify or supplement them in the light of Covid-19.

6.3 It is recognised that any consultation conducted in a time of Covid-19-related restrictions will be different to previous consultations and the GMCA will have to do everything it reasonably can to ensure that the consultation is fair. Due regard has also been had, under section 149 of the Equality Act 2010, to the relevant considerations in conducting a consultation at the current time given the potential difficulties those with protected characteristics may have in engaging with it, as detailed below.

6.4 At the time of writing, there are national restrictions in place relating to the Covid-19 pandemic. In light of these restrictions much of the proposed consultation activity will be conducted in a virtual way using digital tools such as attendance at virtual meetings, virtual exhibitions, webinars and social media. Research shows that an average of 80% of the Greater Manchester population have access to the internet and use it weekly. However, all consultation materials will be available as hard copies on request and plans are being put into place to provide alternative ways to engage with stakeholders who do not have access to the internet. This includes the opportunity for telephone and postal correspondence for those who may not have digital access.

6.5 In terms of persons who is to be consulted, it is recommended that the GMCA consults with those categories of persons who are identified as 'statutory consultees' in section 123E (4) of the Act. These are:

- all bus operators running local services in Greater Manchester;
- all other persons holding a PSV operator's licence or community bus permit who would be affected by the proposed scheme;

- such persons who appear to represent employees of bus operators running local services in Greater Manchester;
- such organisations appearing to represent bus passengers;
- any other relevant local authority whose area would be affected by the proposed scheme;
- a traffic commissioner;
- the Chief Constable of Greater Manchester Police;
- the Passengers' Council (which changed its name in 2014 to Transport Focus); and
- the Competition and Markets Authority.

6.6 In addition, it is recommended that the GMCA also consults more widely to ensure that local passengers, businesses and transport providers are able to comment on the proposals as well. It is therefore proposed to consult both passengers and non-passengers, to ensure that the general public will have the opportunity to review and comment on the proposals.

6.7 The consultation materials will include:

- i. The Report;
- ii. A Consultation Document which includes a summary of the overall conclusions of that Report and a description of the Proposed Franchising Scheme;
- iii. A questionnaire (available online and in hard copy) to give stakeholders, residents, businesses and visitors across GM and beyond, the opportunity to have their say on the proposals;
- iv. Various appendices to the Consultation Document which will include the Proposed Franchising Scheme and the assurance report prepared by the independent auditor; and
- v. Relevant background documents, including the materials from the previous consultation exercise undertaken between October 2019 and January 2020 and associated reports following the close of consultation.

6.8 The consultation materials will be published online and hard copies will be available on request. The materials will be made as accessible as possible to all interested parties and the consultation will ensure that local passengers in particular are aware of, and able to input to the consultation. An appropriate mix of channels, taking into account ongoing restrictions as a result of Covid-19, will be used to promote awareness of the consultation across Greater Manchester and into neighbouring authority areas. These will include free channels as well as targeted paid media and engagement activity. It is not thought likely that traditional consultation style events and drop-in sessions will be able to be hosted due to the restrictions currently in place and therefore online events, webinars and social media will be used to answer questions and engage.

- 6.9 A phone number and email address will also be provided for people to ask questions and seek further information. This includes a Language Line provision to support non-English speakers and details of how to get in touch will be translated into the most spoken/written languages within the Greater Manchester population.
- 6.10 The consultation document itself will be written in plain English. In addition:
- The consultation document will be augmented with additional explanatory and illustrative material, including appropriate visual material;
 - An animation will be produced to enable people to engage with the consultation in a simple, accessible way. This will have written subtitles and BSL translation;
 - All online materials will be compatible with screen readers and a read out loud guide will be provided;
 - Requests for alternative response channels or formats will be considered on a case-by-case basis; and
 - TfGM will provide opportunities via virtual exhibition spaces for those who wish to talk to them face-to-face, including those who may be unable to read the written material or to respond via the response channels, for example because of a disability.
- 6.11 A number of response channels will be provided:
- Respondents will be able to respond at gmconsult.org, where questions can be answered directly online or downloaded;
 - It will be possible to scan and email hard copies of the response form or return it to a freepost address (using a freepost address);
 - Responses via email and telephone will be accepted;
 - Anyone who cannot respond via the channels above or wishes to obtain a different format of the consultation will be able to email or phone the consultation team to discuss their individual requirements (this offer of support will be translated into the most commonly spoken languages in GM);
 - A dedicated language line will also be set up to assist people who might require it.
- 6.12 In addition, a market research company has been engaged to carry out independent qualitative research (online focus groups and workshops) to supplement responses submitted as part of the consultation. A cross-section of the population will be recruited, and this will include people from groups with protected characteristics.
- 6.13 Subject to the recommendations sought in this report, the proposal is that the consultation will commence on 2 December and end on 29 January 2021 to align with other GM-wide consultation activity that is taking place and local authority budget processes. This is to allow respondents a proportionate and adequate amount of time to consider the materials and respond to the consultation

6.14 The reports from the consultation activity and the responses to both this and the previous consultation will be taken into account before any decision is taken in respect of the Proposed Franchising Scheme.

7. CALL IN

7.1 The Chair of the Housing, Planning and Environment Scrutiny Committee has agreed to exempt this report from call in as any delay likely to be caused by the call-in process would seriously prejudice the legal or financial position of the GMCA or the constituent councils, or the interests of the residents of Greater Manchester in that it is necessary for local authorities to have clarity on funding options through their budget setting processes which are currently under consideration. Local authority budgets will need to be set by March 2021 for 2021/22 after the conclusion of the consultation.

8. NEXT STEPS

8.1 Members are asked to note that a further report will be made to the GMCA on the outcome of the consultation.

8.2 Following consideration of that report, in accordance with Section 123G of the Act the GMCA must publish a report setting out:

1. Its response to consultation on the Assessment; and
2. The Mayor's decision on whether or not to make the Proposed Franchising Scheme.

9. RECOMMENDATIONS

9.1 The GMCA is requested to:

1. Note the contents of this report.
2. Note the contents of the Covid-19 Impact on Bus Franchising Report – November 2020 - attached at Appendix 1.
3. Note the contents of the independent auditor's Assessment of the Transport for Greater Manchester's (TfGM) Covid-19 Impact on Bus Franchising Report dated 19 November and attached at Appendix 2.
4. Approve the publication of both the independent auditor's Assessment of the Transport for Greater Manchester's (TfGM) Covid-19 Impact on Bus Franchising Report and the Covid-19 Impact on Bus Franchising Report.
5. Approve the proposed funding arrangements and mitigations as set out in this report.
6. Note the mitigating responses to a downside risk scenario as set out in Section 3 of the Covid-19 Impact on Bus Franchising Report.
7. Agree to proceed with the Proposed Franchising Scheme by undertaking a public consultation, which would commence on 2 December 2020 and end on 29 January 2021.
8. Approve the Proposed Franchising Scheme as proposed to be modified following the consultation that ended in January 2020 and in accordance with this report and attached at Appendix 3, for the purpose of the recommended consultation.
9. Instruct TfGM to carry out all tasks necessary to carry out that consultation on behalf of the GMCA.

10. Note that a further report will be made to the GMCA on the outcome of the consultation.
11. Note that this Report is exempt from call in under the provisions of Part 5, Rule 16 of the GMCA constitution.

Eamonn Boylan
Chief Executive, TfGM and GMCA