

Greater Manchester Combined Authority

Date: Friday 29 September 2023

Subject: Delivering the Bee Network: Acquisition of Bus Depots to support Bus Franchising

Report of: Andy Burnham, Mayor of Greater Manchester, Portfolio Lead for Transport and Eammon Boylan, Chief Executive Officer, GMCA & TfGM.

Purpose of Report

This report provides an update on the acquisition of Bus Depots to support Bus Franchising and seeks authorisation for procedural changes in the acquisition of the bus depots required to support Tranches 2 and 3 of the GM Bus Franchising Scheme.

Recommendations:

The GMCA is requested to:

1. Approve the procedural changes for depot acquisition for Tranches 2 and 3 in order to streamline the acquisition and leasing of depots.
2. Note the changes to the decisions and delegations from the September 2022 GMCA set out in the Appendix.
3. Delegate authority to the Chief Executive Officer, TfGM and GMCA to agree the final terms of leases of bus depots both in respect of interim leaseback arrangements to existing operators and the franchise depot leases to be granted to the franchise bus operators for Tranches 2 and 3.
4. Delegate to TfGM the authority to manage, maintain and insure all of the bus depots on behalf of GMCA in accordance with the terms of an agreed Protocol between GMCA and TfGM referred to in earlier reports to the GMCA.
5. Delegate authority to the GMCA Treasurer to agree the terms of any agreement between the GMCA and TfGM to bring Tranche 1 leases in line with Tranches 2 and 3.

Contact Officers

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Equalities Impact, Carbon and Sustainability Assessment:

N/A

Risk Management

The revised acquisition strategy will mitigate challenges as set out within the report.

Legal Considerations

As set out within the body of the report.

Financial Consequences – Revenue

None

Financial Consequences – Capital

None

Number of attachments to the report: None

Comments/recommendations from Overview & Scrutiny Committee

N/A

Background Papers

- GMCA Report – The Greater Manchester Franchising Scheme for Buses 2021 - Implementation and Operation – Friday 28th May 2021.
- GMCA Report – Bus Franchising – Land Acquisition – Friday 25th June 2021
- GMCA Report – Delivering the Bee Network: Bus Fares, Zero Emission Buses, Bus Depots and CRSTS - Friday 29th July 2023
- GMCA Report – Delivering the Bee Network: Bus Network Stabilisation, Bus Fares, Our Pass, Franchising and Depots – Friday 30th September 2022

Tracking/ Process

Does this report relate to a major strategic decision, as set out in the GMCA Constitution?

No.

Exemption from call in

Are there any aspects in this report which means it should be considered to be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?

No.

Bee Network Committee

N/A

1. Background

- 1.1. Greater Manchester's move to bus franchising provides the mechanism to deliver transformational change in bus service delivery. This all builds towards delivering the Bee Network, an integrated 'London-style', high patronage, low fare, transport system, which will transform the way people travel across the city region.
- 1.2. This report seeks to change the existing delegations (attached as an Appendix) for the acquisition of the existing GM Bus Depots in respect of Tranches 2 and 3 of the GM Bus Franchising Scheme.

2. Proposals

- 2.1. At a meeting of the GMCA in September 2022 a decision was made in respect of the process for acquiring the existing Greater Manchester bus depots for the purpose of the GM Bus Franchising Scheme. As Franchise Authority pursuant to the Transport Act 2000 (as amended by the Bus Services Act 2017), GMCA would acquire the depots and enter into a full repairing and insuring lease of 150 years at a nominal (£1) annual rent with TfGM, as GMCA's executive body. TfGM would sublease the depots to each individual franchise operator as required by the respective franchise agreement. Delegations were authorised by GMCA to reflect these depot leasing arrangements.
- 2.2. Tranche 1 depots in Wigan and Bolton have been acquired under this leasing structure and a number of complications have come to light during the process, namely:
 - 2.2.1. Some of the existing depots are leasehold, rather than freehold as envisaged and the leases under which the depots are held have restrictions on subleasing which has caused difficulty, as approval from the superior landlord is required and they require a market rent to be charged rather than the agreed nominal rent. Charging a market rent to TfGM results in stamp duty land tax being payable on both transactions;

- 2.2.2. The operators who sell the depots require an interim leaseback to enable them to continue to operate commercially from the depot until the commencement of bus franchising for that area. They want to obtain sale and leaseback tax relief which can only apply where the seller and purchaser are the same party for both transactions. Therefore, TfGM cannot grant the interim leaseback as it is not the acquiring party. GMCA must grant the interim leaseback and only then grant the longer lease to TfGM to effectively make TfGM the operator's direct landlord making the transaction more complex and expensive to undertake;
 - 2.2.3. TfGM require a land interest in the depots in order to allow them to reclaim Value Added tax on their operational costs; and
 - 2.2.4. GMCA are subjected to additional accounting duties that are purely administrative in nature and potentially increase risk to the organisation for no apparent gain.
- 2.3. The above is inefficient both in terms of tax and administration. The administration is doubled requiring a larger number of legal documents. The pressures and complexities of the Bus Franchising programme, alongside broader operational interdependencies to each Tranche start date, such as fleet and electrification works, are such that an agile and streamlined process by which to expedite transactions and management is crucial.
- 2.4. The day-to-day operation of Bus Franchising by TfGM will be governed by an agreed Protocol as approved by the GMCA and this once drafted will include reference to depots.
- 2.5. It is therefore recommended that for Tranches 2 and 3, TfGM use their operational powers to acquire the depots for the purpose of operating Bus Franchising, directly from the operators subject to the approval of the terms by the Chief Executive Officer GMCA and TfGM. Future use or disposal of the depots should they become surplus to requirements for Bus Franchising would be referred back to the GMCA for decision.
- 2.6. The change would have no effect on the operation of Bus Franchising or the connected Depot Strategy nor the level of influence that the GMCA would have with regard to decisions relating to Bus Franchising or future use of depots.

Appendix – Existing Delegations

Friday 29th July 2022

Subject: Delivering the Bee Network: Bus Fares, Zero Emission Buses, Bus Depots and CRSTS – Part B Report

Report of: Andy Burnham, Mayor of Greater Manchester, Portfolio Lead for Transport and Eamonn Boylan, Chief Executive Officer, GMCA & TfGM.

Purpose of Report: To provide members with further details regarding the costs and financial and commercial agreements for the Zero Emission Bus Programme and the acquisition of bus depots for Bus Franchising.

Recommendations: The GMCA is requested to:

1. Approve the reallocation of £8m of funds, previously allocated, in accordance with the agreed Franchising Depot Strategy for the purchase of the existing Stockport Bus Depot, to fund the design and construction of a new Stockport Bus depot;
2. Delegate authority to the Chief Executive Officer, GMCA & TfGM, in consultation with the Mayor of Greater Manchester and the Chief Executive of Stockport MBC, to put in place the necessary arrangements, in accordance with the DfT ZEBRA funding to design and construct a new bus depot in Stockport;
3. Delegate authority to the Chief Executive Officer, GMCA & TfGM, in consultation with the Mayor of Greater Manchester to procure an initial, 50 Zero Emission Buses for deployment within Tranche 1 of bus franchising, funded by up to £30 million from GMCA's City Regional Sustainable Transport Settlement, via a direct award to Alexander Dennis Limited (ADL) using the Crown Commercial Services national framework RM6060;
4. Delegate authority to the Chief Executive Officer GMCA and TfGM, in consultation with the GM Mayor, to negotiate with Rotala, Stagecoach, Arriva, Go North West and First Group to acquire their depots for Tranche 1 - and for future tranches - of bus franchising within overall agreed budgets for bus franchising;
5. Delegate to TfGM the authority to agree the best commercial terms in consultation with the GMCA Treasurer;

6. Delegate authority to the Chief Executive Officer GMCA and TfGM to agree the final terms of all necessary agreements for the purchase of the depots; and
7. Delegate authority to the GMCA Monitoring Officer to complete and execute all necessary legal agreements

Friday 30th September 2022

Subject: Delivering the Bee Network: Bus Network Stabilisation, Bus Fares, Our Pass, Franchising and Depots

Report of: Andy Burnham, Mayor of Greater Manchester, Portfolio Lead for Transport and Eamonn Boylan, Chief Executive Officer, GMCA & TfGM.

Purpose of Report This report provides an update to GMCA on progress to deliver a number of key elements of the Bee Network including bus fares, fleet and depots. The report also requests a number of delegations to officers to agree bus depot leasing arrangements in support of bus franchising, and delegation to TfGM to manage, maintain and insure those bus depots on behalf of GMCA.

Recommendations: The GMCA is requested to:

1. Note the progress made towards delivering the Bee Network.
2. Delegate authority to the Chief Executive Officer, TfGM and GMCA to agree the final terms of leases of bus depots to be granted to TfGM and the terms of all subleases of the depots both in respect of interim leaseback arrangements to existing operators and the franchise depot subleases to be granted to the franchise bus operators.
3. Delegate authority to the GMCA Monitoring Officer to complete and execute all leases of bus depots to be granted to TfGM.
4. Delegate to Chief Executive Officer, TfGM and GMCA, the authority to manage, maintain and insure the bus depots on behalf of GMCA by way of lease of the bus depots granted by GMCA to TfGM.