

Date: 28 June 2019

Subject: Bus Reform

Report of: Eamonn Boylan, Chief Executive, TfGM and GMCA

PURPOSE OF REPORT

This report sets out a summary of the work on bus reform to date and makes a recommendation to proceed with the consideration of a proposed franchising scheme. The proposed recommendations and associated next steps in accordance with the Transport Act 2000 (as amended by Bus Services Act 2017) (“the Act”) are set out in this report.

RECOMMENDATIONS:

Members are recommended to:

- i. Note the completion of the assessment of a proposed bus franchising scheme
- ii. Delegate authority to TfGM to carry out final minor amendments to the assessment, which has been shared with members in the accompanying Part B report; and
- iii. Agree to proceed to instruct an independent auditor to provide a report in accordance with section 123D of the Act and to instruct TfGM to carry out all tasks necessary to obtain that report on its behalf.

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RISK/ FINANCIAL/ LEGAL CONSEQUENCES/DETAILS

Risk Management – n/a

Legal Considerations – as set out in the Part B report

Financial Consequences – Revenue – as set out in the Part B report

Financial Consequences – Capital - as set out in the Part B report

BACKGROUND PAPERS:

- Report titled Bus Services Act 2017 dated 30 June 2017.
- Bus Reform Objectives Report 25 May 2018
- Report titled Bus Reform dated 27 July 2018.

1. INTRODUCTION

- 1.1 On 27 June 2017 the Bus Services Act 2017 came into effect and amended the Transport Act. This gave mayoral combined authorities, such as the Greater Manchester Combined Authority (“GMCA”) new powers to reform their local bus market.
- 1.2 On the 30 June 2017, the GMCA agreed to use these new powers to prepare an assessment of a proposed franchising scheme and delegated authority to the Chief Executive of TfGM for the assessment to be prepared on the GMCA’s behalf.
- 1.3 This report confirms that the assessment has now been completed and recommends proceeding with the proposed scheme by obtaining a report from an independent auditor as required by section 123D of the Act.

2. CONTEXT

- 2.1 Members will recall endorsing the bus reform objectives as set out in a report to the GMCA in May 2018. In brief that report confirmed the long term objectives for the bus network in GM within the GMCA’s vision of a stronger, better integrated transport system which aligns with the GMCA’s social and economic policies of a thriving and productive economy; world class connectivity that keeps Greater Manchester (“GM”) moving; creating a green city region with a high quality culture and leisure offer for all.
- 2.2 In addition that report set out the updated and overarching objectives of improving the network to achieve integration with a simplified and integrated ticketing system covering all buses and journeys using more than one mode of transport within GM; confirming that the bus network should be as easy to use as possible for passengers and potential passengers, be easy to navigate and deliver optimal value for money for the inputs available including fares and national and local subsidies. It is within the context of these endorsed objectives that the assessment has been completed.

3. BACKGROUND

- 3.1 The Act sets out a number of legislative steps that must be undertaken by an authority before a decision can be made as to whether or not to introduce any proposed bus franchising scheme. This first substantive step is to prepare an assessment of the proposed franchising scheme.
- 3.2 On 30 June 2017, the GMCA agreed to use the new powers set out in the Act to:
 - Prepare an assessment of a proposed franchising scheme in accordance with section 123B of the Act;

- Publish a notice confirming the GMCA's intention to prepare an assessment of a proposed bus franchising scheme in accordance with section 123C(4) of the Act; and
- Delegate authority to the Chief Executive of TfGM for the assessment of a proposed franchising scheme to be prepared.

4. TFGM'S ASSESSMENT OF A PROPOSED FRANCHISING SCHEME

4.1 The Act and the relevant statutory guidance set out the matters that must be considered and included in the assessment. In particular, sections 123B(2) and (3) of the Act states that the assessment must:

- describe the effects that the proposed scheme is likely to produce;
- compare making the proposed scheme to one or more other courses of action;
- consider whether the proposed scheme would contribute to the local transport plans and other policies of both the GMCA and other neighbouring relevant local authorities;
- describe how the GMCA would make and operate the proposed scheme;
- consider whether the GMCA would be able to afford to make and operate the proposed scheme and whether the proposed scheme would represent value for money; and
- consider how the GMCA would be likely to secure the provision of bus services under local service contracts with bus operators.

4.2 In addition to the above TfGM has engaged with operators, including discussions on the other courses of action proposed by operators. This has led to the consideration within the assessment of various options, including the development of a voluntary partnership agreement. This work is ongoing.

4.3 Following on from this work, the outputs and conclusion of the assessment proposes the introduction of a proposed franchising scheme and recommends the implementation of that franchising scheme for the entire area of Greater Manchester. This conclusion is reached after having prepared a detailed assessment based upon the HMT five case model, which includes comparing franchising against both the objectives of the GMCA and other realistic alternative options.

4.4 Subject to undertaking a final review of the assessment and carrying out any minor amendments that may be needed, TfGM has now completed its assessment of a proposed franchising scheme.

5. NEXT STEPS

- 5.1 The Act sets out the other legislative steps that must be undertaken by an authority once an assessment has been prepared. Should the GMCA wish to proceed with the proposed scheme, the next step would be for the GMCA to have the assessment independently audited in accordance with section 123D of the Act. This assurance report would be undertaken by an independent third party auditor and result in a report which would outline whether:
- the information relied on in the assessment in producing the economic (value for money) and financial (affordability) cases is of sufficient quality;
 - the analysis of that information is of sufficient quality; and
 - the GMCA has had due regard to any guidance issued by the Secretary of State when preparing its assessment.
- 5.2 Whilst the Act specifically calls this report an “audit” report, the purpose of the report is not to undertake what may be considered to be a traditional financial audit but instead to provide - using the terminology of the statutory guidance - an "assurance report" of the assessment by considering whether the correct processes have been followed, as well as the accuracy and robustness of the information relied upon.
- 5.3 On 27 July 2018 the GMCA instructed TfGM to secure the conditional availability and preliminary briefing of a suitably qualified independent audit organisation so that subject to the assessment being completed, that organisation may then be instructed to prepare an audit report. Having undertaken a competitive procurement exercise and subject to the recommendations set out at the front of this report, TfGM has secured the conditional availability and preliminary briefing of an audit organisation to prepare the report.
- 5.4 Members are requested to confirm that they wish to proceed with the proposed scheme by instructing that audit organisation to prepare a report on the assessment.
- 5.5 Subject to the outcome of the audit, the next step would be for the GMCA to consider undertaking a public consultation in accordance with section 123E of the Act, for which the assessment of a proposed bus franchising scheme and the completed audit report will be made publicly available for consultation purposes.

6. RECOMMENDATIONS

Members are recommended to endorse the recommendations set out in this report.

Eamonn Boylan

Chief Executive, TfGM and GMCA