

Subject:	Bus Franchising Feasibility Study		
Date of Meeting:	Environment, Transport & Sustainability Committee		
Report of:	Executive Director, Economy, Environment & Culture		
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Ward(s) affected:	All		

FOR GENERAL RELEASE**1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 The government's National Bus Strategy announced in March 2021 aims to improve bus services across the country and grow passenger numbers. This is in response to low usage and poor services in some parts of the country. The strategy includes aspirations to increase service frequencies, simplify ticketing, improve bus journey times and reliability, and reduce fares.
- 1.2 As a key part of the strategy, the Department for Transport (DfT) has asked all authorities to pursue Enhanced Partnerships with local bus operators in the first instance and for these to be in place by April 2022. However, the National Bus Strategy has indicated that it will open up franchising powers to authorities that request it and where Enhanced Partnerships fail to deliver the improvements councils would like to see. The extension of franchising powers is subject to legislation and Secretary of State approval.
- 1.3 As agreed by ETS Committee on 22 June 2021, an independent study has been commissioned to review the advantages and disadvantages of franchising and whether it would be feasible to introduce it in Brighton & Hove. This report presents the outcomes of that study which is attached as Appendix 1.

2. RECOMMENDATIONS:

- 2.1 That the committee notes the conclusions and recommendations of the independent consultant's report on franchising.
- 2.2 That the Committee agrees not to pursue franchising further at this stage but recognises that franchising may prove valuable in the future should circumstances change and commits to review this position at least annually coinciding with the monitoring of the Bus Service Improvement Plan.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 The DfT has stated that Local Transport Authorities must form an Enhanced Partnership with bus operators and produce a Bus Service Improvement Plan if they are to continue to receive both bus and non-bus transport funding from

government. This includes the support being provided to bus operators following the fall in bus passenger numbers as a result of the pandemic.

- 3.2 The ETS Committee agreed to begin the process of forming an Enhanced Partnership in June 2021. A draft Bus Service Improvement Plan was subsequently approved by ETS committee in September 2021 and submitted to the DfT at the end of October 2021.
- 3.3 The Enhanced Partnership will essentially build on the current partnership arrangements and replace the Quality Bus Partnership which is in place between the Council and operators. The main difference is the current arrangements are voluntary whereas the Enhanced Partnership will be a formal legal agreement with targets and actions for the Council and operators.
- 3.4 Franchising is an alternative option where Local Transport Authorities issue tenders for bus companies to operate in their area. This can follow a model where authorities specify route and service standards, as in London, or could be on an area basis with operators having more influence over service design.
- 3.5 The National Bus Strategy (p.10) states that it “will support any LTA which wishes to access franchising powers, and which has the capability and intention to use them at pace to deliver improvements for passengers”. However, Bus Service Improvement Plan guidance to local authorities and bus operators states that authorities will need to develop a case for franchising and demonstrate that it will deliver improvements for bus passengers. Given the time required to secure franchising powers, all Local Transport Authorities not already pursuing franchising have been asked to follow the Enhanced Partnership process in the meantime.
- 3.6 This does not preclude applying for franchising powers in future. However, currently legislation is only available to Mayoral Combined Authorities. Brighton & Hove, as an authority that is not a Mayoral Combined Authority, would need to apply to the Secretary of State to progress a route towards franchising and demonstrate a compelling case for change.
- 3.7 Members have asked officers to look at options for franchising of the local bus network and whether that could address issues of concern raised by some bus users and other stakeholders, such as the level of bus fares, profits generated by private operators and the routing of services. An independent study has therefore been commissioned from public transport specialists at Mott MacDonald.
- 3.8 The study identifies a number of costs associated with franchising including in developing the case for franchising, implementation and ongoing management. Further detail is provided in the financial implications below. In addition, were the Council to specify services that run on different routes, have lower fares or operate with zero emissions buses, it is likely to need to provide a significant financial subsidy which it does not at present. This could in theory be offset in part by operators bidding for contracts and reducing their profit margins. However, this relies on having sufficient competition for the contracts. The study notes that most operators do not currently have the depot space or infrastructure in the city to significantly expand their operation.

3.9 The consultant's report (p.50) concludes that:

“Based on the available evidence, it is recommended that adoption of franchising in Brighton & Hove would be detrimental to bus users and risky for BHCC as the sponsoring authority which would incur high potential costs to set up and monitor the franchise arrangements with no guarantee that all its objectives would be addressed.”

3.10 For this reason, it is the recommendation of officers that franchising is not pursued further at this point in time. However, as there is an aspiration to reduce bus fares, it is also recommended that this be reviewed as part of annual progress reports on the Bus Service Improvement Plan. If sufficient progress is not being made, franchising could be considered further as a means to achieve the desired outcomes, subject to funding being identified. This would be in line with DfT guidance which asks authorities to pursue Enhanced Partnerships in the first instance. It will also allow more time to consider lessons from Mayoral Combined Authorities which are pursuing franchising, such as Greater Manchester.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 An alternative strategy would be for the Council to pursue franchising with immediate effect but that would not be possible since separate government legislation is required to authorise this. Local authorities need first to set up an Enhanced Partnership and demonstrate that the Enhanced Partnership is not able to deliver the required improvements in service.

4.2 Another option could be to rule out franchising completely at this stage. However, this would rely on improvements being delivered through the Enhanced Partnership. It is hoped the Bus Service Improvement Plan and Enhanced Partnership will deliver the changes required but considered prudent to retain the option of franchising should it fail to do so.

4.3 The Council is not currently able to set up a bus operator under the Bus Services Act 2017 but could purchase an operator. The government has indicated that “this part of the legislation is ripe for review” (National Bus Strategy, p.50). However, there are likely to be substantial costs associated with either option and it is not recommended that it be considered further at this stage.

5. COMMUNITY ENGAGEMENT & CONSULTATION

5.1 The purpose of the Feasibility Study is to provide an independent assessment. As such, engagement has not been undertaken at this stage; however, the consultants have considered requests for franchising and the arguments for doing so.

5.2 Engagement with stakeholders, including politicians, bus operators, bus user representatives, disabled groups and businesses representatives was undertaken as part of the Bus Service Improvement Plan development, as recommended by the DfT. Further consultation or engagement will take place as Enhanced Partnership schemes are developed which will be dependent on the nature of each scheme.

6. CONCLUSION

- 6.1 Brighton & Hove would need to apply to the Secretary of State to progress a route towards franchising and demonstrate the case for change. The consultants highlight that this could be very difficult for Brighton & Hove given its extensive record of successful partnership over many years in promoting bus use and generating growth in the number of users. The DfT explicitly cites Brighton & Hove as an exemplar of effective partnership working (see National Bus Strategy, p.23).
- 6.2 Local Transport Authorities are required at first to establish an Enhanced Partnership. It is therefore essential that this is set up and progress monitored in accordance with DfT reporting procedures before a review is undertaken as to whether to pursue franchising as the next step to achieve the objectives within the Bus Service Improvement Plan, if the Enhanced Partnership does not prove to be the effective vehicle for doing so.
- 6.3 At this time, the costs of franchising are also expected to be prohibitive without necessarily delivering the benefits that some would like to see in terms of fares and routes. Such improvements would continue to be reliant on public subsidy as they would be now.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 The recommendation not to pursue franchising further at this stage would result in no direct financial implications of this report.
- 7.2 The study (p.43) notes “a franchise option would incur considerably more start-up and ongoing funding commitments” compared to the existing situation. Calculations in the study are approximate but, based on forecasts of resources and work to develop franchising in Greater Manchester, it is estimated the costs of transitioning to franchising and managing it for five years could be at least £13 million in Brighton & Hove. This excludes the cost of the bus services themselves.
- 7.3 The cost of the services could be covered by fare revenue where services are operated on a commercially viable basis. However, these costs will be higher if decisions are taken to subsidise fares or were the Council to set requirements which are commercially less attractive, for example, through route or vehicle requirements. It is also challenging to reliably predict future use which will impact on the viability of services and costs to the Council. The study also identifies that franchising could limit private investment by operators.
- 7.4 Further work to establish costs would need to be undertaken as part of a Business Case were it to be decided to investigate franchising further. This work would itself incur costs for resourcing and procurement of specialist advice.

Finance Officer Consulted: John Lack

Date: 28/10/21

Legal Implications:

- 7.5 As noted in Section 3 above, current legislation (Bus Services Act 2017) only permits Mayoral Combined Authorities to pursue franchising. As Brighton & Hove is not a Mayoral Combined Authority, it would require secondary legislation to be extended to other Local Transport Authorities and approval from the Secretary of State.

Lawyer Consulted: David Fairfield

Date: 20/10/2021

Equalities Implications:

- 7.6 It is intended that benefits for groups with protected characteristics, through improvements to fares, ticketing and bus accessibility, will be achieved through the Bus Service Improvement Plan and Enhanced Partnership. The recommendations in this report on franchising will not lead to a change in these aspirations and therefore no equalities implications have been identified at this stage.
- 7.7 Were the Council to pursue franchising in future, an Equalities Impact Assessment would be completed. This would need to be considered in developing the franchising specification.

Sustainability Implications:

- 7.8 Returning the proportion of trips undertaken by bus to pre-pandemic levels and growing this further will be important in helping the Council to meet its targets around climate change, including commitment to a carbon neutral city by 2030. The aspirations of the Bus Service Improvement Plan are consistent with these aims and is not impacted by the recommendations of this report.

Brexit Implications:

- 7.9 None identified.

Any Other Significant Implications:

- 7.10 None identified.

Crime & Disorder Implications:

- 7.11 None identified.

Risk and Opportunity Management Implications:

- 7.12 The risks of franchising identified at this stage are covered by the financial implications above. These risks would not materialise if the recommendation (2.2) not to pursue franchising at this stage is agreed.
- 7.13 It is possible that, by not pursuing franchising, an opportunity for the Council to gain greater influence over bus services is missed with potential implications for growing passenger numbers and achieving the Council's aspirations for

sustainable travel. However, the consultant's report recommends that continued partnership working is the best way of achieving positive outcomes with the same benefits possible through the Enhanced Partnership. However, if the Enhanced Partnership fails to achieve what it sets out, the option of franchising remains open in future.

Public Health Implications:

- 7.14 Reducing the number of trips made by private car has benefits for air quality whilst bus use has the potential to encourage active travel through walking to bus stops and reducing the need for car ownership.
- 7.15 Complying with the National Bus Strategy requirements will mean the Council continues to be eligible for future DfT funding for cleaner vehicles and the opportunities this brings to improve air quality.

Corporate / Citywide Implications:

- 7.16 Improving bus services can contribute to a number of the Council Plan outcomes, including around supporting the economy and helping residents to live healthier lives but, in particular, it will help with the outcome to be 'a sustainable city'. In terms of buses, the plan seeks to:
- Protect vital bus services, including those the Council supports in outlying areas.
 - Increase bus use by supporting multi-operator fare payment technology.
 - Improve air quality through clean, efficient buses and seek further investment in zero emissions buses.
- 7.17 Achieving these aims is not dependent on franchising and the recommendation of this report is to seek to achieve these through the Enhanced Partnership in the first instance.

SUPPORTING DOCUMENTATION

Appendices:

1. Bus Franchising Feasibility Study (Mott MacDonald, November 2021)

Background Documents

1. National Bus Strategy – Bus Back Better (March, 2021):
<https://www.gov.uk/government/publications/bus-back-better>
2. National Bus Strategy – Bus Service Improvement Plans: Guidance to local authorities and bus operators (May, 2021):
<https://www.gov.uk/government/publications/bus-service-improvement-plan>