

## Future bus service provision in Leicestershire

### Purpose

In response to the publication of the National Bus Strategy, this report considers the future planning and delivery of local bus services in Leicestershire.

### Background

Government published the **Bus Back Better: National Bus Strategy** in March 2021, setting out an ambitious vision to improve bus services across England by addressing the barriers of limited co-operation, lack of evening services, complex ticketing arrangements and poor integration. It set out how local transport authorities and bus operators should work together with their communities to develop the bus network and create a virtuous cycle of growth and improvement. The Strategy sets out goals to make services:

- **More frequent**, with turn-up-and-go services on major routes and feeder or demand-responsive services to lower-density places.
- **Faster and more reliable**, with bus priority wherever necessary and where there is room.
- **Cheaper**, with more low, flat fares in towns and cities, lower point-to-point fares elsewhere, and more daily price capping everywhere.
- **More comprehensive**, with overprovision on a few corridors reduced to boost provision elsewhere and better services in the evenings and weekends, not necessarily with conventional buses.
- **Easier to understand**, with simpler routes, common numbering, co-ordinated timetable change dates, good publicity, and comprehensive information online.
- **Easier to use**, with common tickets, passes and daily capping across all operators, simpler fares, contactless payment and protection of bus stations.
- **Better integrated** with other modes and each other, including more bus-rail interchange and integration and inter-bus transfers.

Government will provide £3bn of funding (capital and revenue) to support the delivery of these improvements. However, to be eligible to receive any of this funding, and to continue benefitting from Covid-19 Bus Service Support Grant (CBBSG), which has maintained bus services during the pandemic while patronage and fares revenue have been significantly reduced, local transport authorities and operators must agree to work together and meet 3 requirements:

- Issue a statutory notice of intent to develop an Enhanced Partnership (or undertake an assessment of bus franchising) by the end of June 2021.
- Prepare and publish a Bus Service Improvement Plan (BSIP) by the end of October 2021.
- Have established and be implementing an Enhanced Partnership by the end of March 2022.

### Options

In response to the National Bus Strategy, three options exist for local transport authorities as follows:

#### *Continue as present*

- Deregulated bus market, with bus operators determining which services are commercially viable to provide. Operators determine routes, service levels and fares.

- Authority decides the extent it wishes to intervene by seeking tenders from operators to fill gaps in the network or to supplement commercial services.

No action would be necessary to take this line of action.

### ***Enhanced Partnership***

- Authority enters into a formal partnership arrangement with bus operators to agree a programme of improvements to bus services. The authority agrees to provide facilities (such as infrastructure) and operators agree to meet defined levels of services (such as vehicle emission standards, evenly spread timetables, multi-operator ticketing).
- Commitments are legally binding, with sanctions for non-delivery on the part of any of the partners.
- Commercial operators continue to provide the services within a deregulated market, but with more input from the authority.

An Enhanced Partnership would require the authority to issue a statutory notice of intent and then to work with operators and other interested parties to develop an Enhanced Partnership Plan (the BSIP – with the overall vision and ambition) and associated Enhanced Partnership Scheme(s) detailing the mechanisms for delivery. The process for establishing an EP is set out in guidance under the terms of the Bus Services Act 2017.

### ***Franchising***

- Local Transport Authority controls, plans and funds all aspects of the bus network, taking responsibility for designing services, timetabling and setting fares (as happens in London currently).
- Authority specifies services and procures the operation of these through contracts for individual services or networks of services.
- Different models of franchising exist. In London, Transport for London controls all aspects, including setting fares and taking responsibility (and the risk) for revenue collection. In the Netherlands, franchising models vary, including where the authority and contracted operators jointly plan services and share the risk on revenue, which incentivises operators to grow patronage.

The ability to franchise bus services is included in the powers for Mayoral Combined Authorities. Other authorities may seek to have the powers from Government, but this requires secondary legislation and approval from the Secretary of State, based on satisfactory demonstration of the case that franchising is needed and that the authority has the capability and resources to implement it. Again guidance under the terms of the Bus Services Act 2017 sets out a specific process for the assessment of the case for franchising, including demonstrating a strong case for change and production of an Outline Business Case where franchising is compared with alternative models of delivery. The whole process is likely to take 2+ years to complete. Therefore, where an authority expresses a desire for franchising, it will still be required to establish an Enhanced Partnership for the interim.

### **Assessment of options**

The advantages and disadvantages of each option from the authority's perspective are as follows:

<b>Continue as present</b>	
<b>Advantages</b>	<b>Disadvantages</b>
<ul style="list-style-type: none"> <li>• No action required by authority.</li> <li>• Operators continue to be responsible for most aspects of service provision.</li> </ul>	<ul style="list-style-type: none"> <li>• Authority has little control over bus services.</li> <li>• Provision of services can be fragmented and unstable.</li> <li>• Government funding to support services as they recover post-Covid is withdrawn, with the likely consequence of services being reduced or cut.</li> <li>• Authority forfeits the opportunity for Government funding, both formula based and specific funding for larger projects.</li> <li>• Operators lose any funding that replaces Bus Service Operator Grant, which will further undermine the viability of all commercial services, putting more at risk of being reduced or cut.</li> <li>• Operators challenge the authority on its inaction and highlight their concerns to DfT.</li> <li>• Increased pressure on authority's own financial resources to support services that were previously commercial. To illustrate, replacement of service equivalent to the operation of 30 buses across the county, would require new funding of £5.4m.</li> <li>• If funding was not available to replace services, levels of accessibility would decrease and significant public concerns would be raised.</li> </ul>

<b>Enhanced Partnership</b>	
<b>Advantages</b>	<b>Disadvantages</b>
<ul style="list-style-type: none"> <li>• Authority gains some influence over bus service design and quality.</li> <li>• Engenders collaborative working with operators and a focus on jointly improving bus services.</li> <li>• Ensures access to government funding for buses, both in respect of formula based and for specific large projects, reducing potential burden on authority's finances</li> <li>• Provides the flexibility to devise sustainable and affordable service improvements in response to local needs and requirements, with a range of different potential interventions.</li> </ul>	<ul style="list-style-type: none"> <li>• Requires the development of a strategic plan for bus services and establishment of a formal partnership group, with implications for resourcing these additional activities. Funding from government will be based on the quality and ambition of the plan.</li> <li>• Additional staffing resource for maintaining and monitoring the Bus Service Improvement Plan and servicing the Enhanced Partnership (2 staff and associated costs – possibly £75k p.a.)</li> <li>• Further delivery costs of improvements contained in the BSIP will fall on the authority, but will be dependent on the level of ambition and the amounts of Government funding attracted.</li> <li>• Potential government funding mechanisms and levels are yet unknown and will be the subject of further guidance over the summer.</li> </ul>

<b>Franchising</b>	
<b>Advantages</b>	<b>Disadvantages</b>
<ul style="list-style-type: none"> <li>• Authority has control over the design, planning and provision of bus services across its area.</li> <li>• Uniform and comprehensive system for fares and ticketing can be applied across the network.</li> <li>• Ensures access to government funding for buses, both in respect of formula based and for specific large projects.</li> <li>• Provides the flexibility to devise service improvements in response to local needs and requirements, with a range of different potential interventions.</li> </ul>	<ul style="list-style-type: none"> <li>• Significant additional technical and administrative resources will be required to oversee the planning and management of the network, including procurement and legal expertise. Also, resources associated with monitoring, customer contact, publicity, marketing and branding. This might require additional staff of 15, representing annual costs of £500k+.</li> <li>• Further delivery costs of improvements contained in the BSIP will fall on the authority, but will be dependent on the level of ambition and the amounts of Government funding attracted.</li> <li>• TUPE issues may arise for staff transferring between operators and from operators to the authority.</li> <li>• May require authority to make depots available for operators, to help create a level playing field for new entrants into the local area.</li> <li>• May require authority to intervene in the provision of buses, to broker their availability to new entrants.</li> <li>• Significant upheaval and potential disruption to service provision during transition to franchising.</li> <li>• Greater financial responsibilities on authority, along with associated risks.</li> <li>• Authority needs to maintain strong engagement with the supplier market to ensure continued competition for contracts.</li> <li>• Potential loss of goodwill from operators who stand to lose some or all of their existing business.</li> <li>• Potential for legal challenge to franchising, as currently occurring in Greater Manchester, where franchising has been announced by the Mayor as the preferred option.</li> <li>• Potential government funding mechanisms and levels are yet unknown and will be the subject of further guidance over the summer.</li> </ul>

## Recommendation

Based on the assessment of the options, it is recommended that an Enhanced Partnership approach be adopted. This will ensure that the authority and its operators continue to have access to any Government funding for bus services. This will also be in line with the approach that Government wants authorities and operators to take, and provides a practical and appropriate approach to the

future provision of bus services, drawing on the successful collaboration between authorities and operators during the pandemic.

The Enhanced Partnership approach avoids the authority having to take on significant additional responsibilities and risks. It offers a route that is less onerous than making the case and undertaking an assessment for franchising and mitigates the immediate risk of loss of significant support for the local bus market service provision.

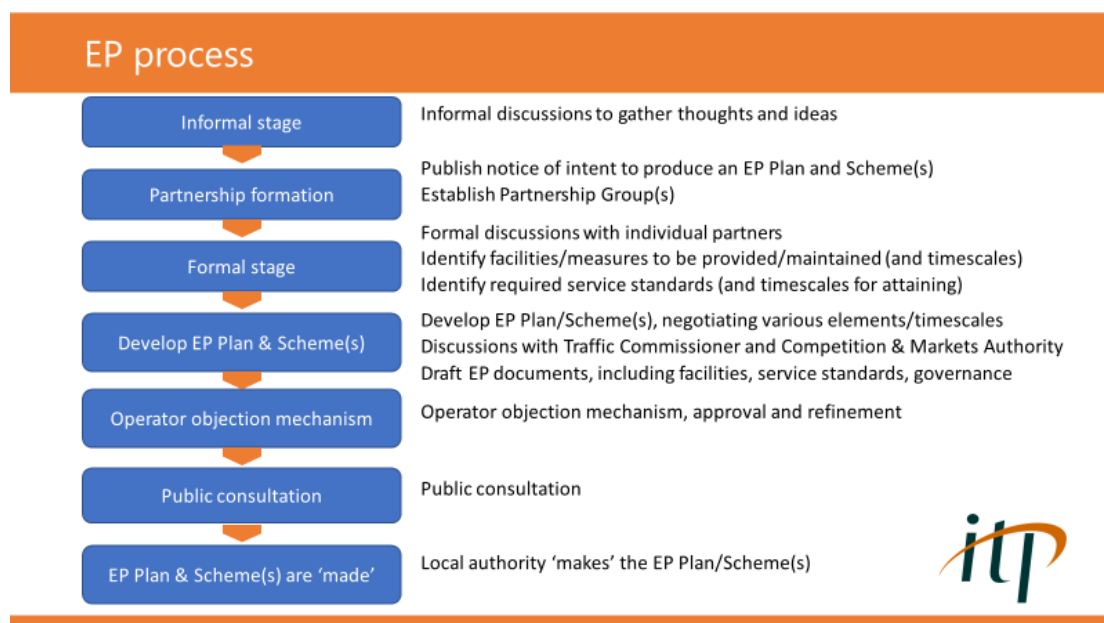
## Next steps

If the recommendation is accepted the next steps will be as follows:

- Discuss with operators and other interested parties what they would like to achieve in terms of bus network development and improvements through an Enhanced Partnership.
- Seek operators' support for establishing an Enhanced Partnership.
- Publish a statutory notice of intent to develop an Enhanced Partnership before the end of June 2021 and confirm this to the DfT.
- Establish a formal Partnership Group or Forum to meet regularly to oversee the formulation of a Bus Service Improvement Plan - BSIP - (which will form the Enhanced Partnership Plan) and associated Enhanced Partnership Scheme(s).
- Develop the BSIP using the template provided by DfT, setting out the ambition, vision and implementation plan for improvements to the local bus network.

It should be noted that Government recognises the additional work it requires authorities to undertake. It has made £100k available to each authority to help meet the cost of resourcing the work. This should cover the direct costs of formulating the BSIP and Enhanced Partnership; it would not meet the costs of developing the case for franchising. The DfT is also in the process of establishing a Centre of Excellence, to provide a centralised resource for technical advice and support for local authorities.

Based on current guidance (although revised guidance will be produced in June), the process for developing an Enhanced Partnership is set out here.



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