



FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

CABINET

17 June 2021

Report of the Executive Director - Place

Impact of the National Bus Strategy on the Future Development of Bus Services in Derbyshire

(Highways, Asset and Transport)

1. Divisions Affected

1.1 County-wide.

2. Key Decision

2.1 This is a key decision because it is likely to result in the Council incurring expenditure which is significant (in excess of £500,000), having regard to the budget for the service or function concerned and it is likely to be significant in terms of its effect on communities living or working in an area comprising two or more electoral areas in the County.

3. Purpose

3.1 To update Cabinet on the implications of the Government's recently announced National Bus Strategy which sets out the future shape and ambitions for local bus service provision and the options available to local transport authorities.

- 3.2 To consider the viability of the options and agree the creation of an Enhanced Partnership for Derbyshire supported by a Bus Service Improvement Plan, within the timescales set out in the Strategy.

4. Information and Analysis

4.1 Background

On 15 March 2021, Government published the first National Bus Strategy for England. The main objective of the Strategy is to reverse the long-term decline in bus use nationally which has been exacerbated by the impact of the COVID-19 pandemic. It aims to achieve this by making bus services more frequent, reliable, better co-ordinated and cheaper. To enable this, Government wants to see major improvements in a variety of areas including bus priority measures, vehicle emission standards, the provision of service information, simplified ticketing arrangements and the joint marketing of services. Government has committed to provide £3bn of new transformation funding nationally to help drive forward these improvements.

- 4.2 Central to these changes, the Strategy expects all local transport authorities (LTAs) in England to play a much bigger role than they do currently in the way bus services are operated in their area. Under the existing deregulated model of bus provision which has been in place since the 1986, most services are provided on a commercial basis. This means it is the bus companies themselves who decide the route of the service, the timetable, fares, types of vehicle used, etc, based on what they think makes the best commercial proposition. It is only when bus companies feel there is not a commercial case to operate a route in a particular area, or time of day, that LTAs can become involved by specifying and funding additional services to fill gaps in commercial provision. Prior to the pandemic, approximately 80% of bus passenger journeys in Derbyshire were made on commercially operated services, with the remainder 20% of journeys taken routes financially supported by the Council.

- 4.3 The Strategy expects all LTAs in England to replace this deregulated model in their area with one of two options:

- 4.4 **Franchising** – Under a franchising model, LTAs determine which bus services should be provided, with bus operators bidding for the right to run them on a contractual basis. Although the franchising model gives LTAs full control of where and when buses operate, the fares charged, etc, it also means the LTA is required to meet the overall cost of providing all the services in their area that are not met by passenger fares and other income. As a result, any requirement by the LTA to

make financial savings in its bus service budget would mean routes having to be scaled back or withdrawn altogether as there would be no commercial network to fall back on. There are also a variety of other costs associated with franchising, such as the need to establish large scale bus planning, procurement and monitoring teams within the LTA to manage and develop the whole network over time. Other costs, such as buying depot sites for franchise service operators to garage their buses, may also be required. As the specifier of the bus network, it would be the LTA which would also become directly responsible for any problems linked to the services which may, in turn, result in the need for additional political involvement in the day to day operation of the network.

- 4.5 Under current legislation, only Mayoral Combined Authorities (MCAs) have an automatic right to use franchising powers. For franchising to be introduced in Derbyshire, the County Council would need to develop a full business case setting out the reasons why it wanted this arrangement and then apply to the Secretary of State for Transport for permission to receive these powers. To date, no non-MCA has decided to pursue this model and the franchising system is only operational in London. Greater Manchester is, however, actively pursuing plans to introduce franchising, but it has taken nearly four years of work by Transport for Greater Manchester (TfGM) to reach the point where the final decision to commit to the franchise model has now been taken. It is anticipated that the first franchised services will start operating in Manchester in 2023 with the process being completed by 2025. TfGM anticipate the cost of introducing franchising in its area will be £135m.
- 4.6 **Enhanced Partnerships** - Enhanced Partnerships (EPs) are a new type of partnership arrangement between LTAs and bus operators. The purpose of the EP is to create a formal, collaborative agreement between LTAs and bus operators to deliver bus improvement objectives. As part of an EP, the LTA and operators can set service standards, including the timing or frequency of services along specific routes, the type of vehicle to be used and the availability of ticket products and payment methods. EPs also allow for integration between different modes, such as bus and rail, with more joint ticketing arrangements and better timetabling to allow interchange. An EP would therefore bring many of the benefits of a franchise in terms of providing a more joined up bus network, but would be cheaper to introduce for LTAs as the financial risk for running commercial services would still remain with the bus operators. In this way, it would also support more effective and sustainable place making as part of the County's green recovery ambitions, allowing due consideration to be given to existing and future travel to learn, travel to work and leisure patterns and

encouraging modal shift in line with 'good growth' principles. EPs would, however, still place significant obligations on the LTAs, with the National Bus Strategy making it clear they would need to invest in significant bus priority measures, as well as upgrades to bus stop infrastructure. Other elements of EPs, such as establishing integrated ticketing arrangements, joint marketing of the network and improvements to information provision would also inevitably result in addition costs to the LTA.

- 4.7 To date, only one EP has been introduced in England which covers the whole of the Hertfordshire County Council area. The Partnership's objectives include prioritising bus services in traffic, closer integration of the different bus companies' networks, upgrading roadside infrastructure and improving the image of bus travel generally. As the EP was only launched in April 2020, it is too soon to comment on its impact. However, Hertfordshire has, in the past, been involved in a number of different bus partnership arrangements which have been successful at increasing passenger numbers.
- 4.8 The National Bus Strategy makes it clear that adoption of either franchising or EPs is essential if LTAs are to receive future funding from the Department for Transport (DfT), not only for bus related activities but for transport projects more generally, such as new roads or cycle schemes. Future Government funding to bus operators is also likely to be dependent on them taking part in these arrangements. It is therefore in the best interest of bus passengers, the Council and bus operators to fully commit to the process proposed.
- 4.9 The DfT anticipates that most LTAs will choose to pursue EPs rather than franchising, and this is the recommended approach for Derbyshire. Implementation of franchising would be significantly more complex and costly and would bring additional financial risk for the Council which, given the significant impact of Covid-19 on bus use, is difficult to quantify. This is not to say franchising could not be introduced at a later stage if an EP approach does not prove to be a success. However, in the short to medium term, EPs would seem to offer the best option to achieve improvements, whilst at the same giving the Council an opportunity to get a better understanding of how the new franchise arrangements in places such as Greater Manchester, work in practice.
- 4.10 **Implementation process and progress to date**
A very challenging timetable is set out in the Strategy to introduce these changes:

- 4.11 By 30 June 2021, the Council and bus operators will need to commit in principle to establishing EPs across Derbyshire. From initial discussions with the local bus operators in Derbyshire, it is pleasing to note that all have expressed a willingness to take part in the process.
- 4.12 By 31 October 2021, the Council must publish a Bus Service Improvement Plan. This will be developed by the County Council in collaboration with bus operators, local businesses, district and borough councils and passenger groups and it will focus on what needs to be done to deliver the bus network that the LTAs wants to see. The Bus Service Improvement Plan (BSIP) will also be used by the DfT to judge how much of the £3bn Transformation Fund each LTA will be allocated for future bus projects and support.
- 4.13 From 1 April 2022, an EP will need to be in place covering all of Derbyshire.
- 4.14 The Bus Service Improvement Plan (BSIP) is central to achieving the objectives set out in the National Bus Strategy. The DfT has therefore set out a very detailed list of the contents it wants to see specified in the plans. These include:
- Setting bus journey time and reliability improvement targets for services across the County as a whole, and in each of the largest towns.
 - Identifying where bus priority measures are needed and how traffic management can be improved to benefit buses.
 - Setting targets for passenger growth and customer satisfaction which will need to be reported publicly every six months.
 - A fares policy to make bus travel cheaper including integrated and multi-modal ticketing schemes and discounted youth fare options.
 - Improving roadside bus infrastructure.
 - Considering how a coherent and integrated bus network should serve schools, health, social care, employment and other key locations across the County.
 - Creating a strong network identity across all bus services in the area.
 - Measures to improve connectivity between different bus services and between bus and other modes such as rail.
 - Improvements to bus service information.
 - Committing to establish a Bus Passenger Charter that sets out what passengers can expect from bus operators providing services across the EP area.
 - Details of the level of funding provided by the Council for supported bus services.

- 4.15 The BSIP will also need to set out how these changes will be delivered by the EPs along with the associated investment plans of the Council and the bus operators to achieve this. BSIPs will need to be updated annually and be reflected in the Council's Local Transport Plan and other local transport strategies, such as those for cycling and walking. In the Strategy, the DfT particularly highlights the East Midlands as a region where it wants to see ambitious BSIPs with higher frequency services and lower fare proposals to create "superbus" networks.
- 4.16 After the BSIP is submitted at the end of October 2021, it is anticipated there will be a period of extended negotiation with the bus operators to finalise the details of the EP. At the same time, detailed consultation will be undertaken with passenger groups, the Derby, Derbyshire, Nottingham and Nottinghamshire Local Enterprise Partnership (D2N2 LEP), businesses, borough and district councils and other stakeholders to ensure their views and aspirations are included in the final partnership document.
- 4.17 As most staffing resources within the Public Transport Unit are already committed with ongoing operational issues and service recovery, following the ending of Covid restrictions, external consultants from Systra have been appointed to help develop the draft EP documentation and the BSIP. This work has been supported by initial capacity building money from DfT. Currently, officers are also working with neighbouring LTAs to see if a joint EP covering a number of areas would be appropriate. Bus routes and their passengers take little account of council boundaries and it is therefore considered there is potential merit to having a joined-up set of standards across neighbouring authorities. However, this would not preclude each LTA setting out their own BSIP covering the specific improvements they would like to see in their area. Following the preliminary meetings with bus operators to ensure they were willing to commit in principle to an EP, more detailed discussions are now taking place.

5. Consultation

- 5.1 Initial informal consultation with the various companies who provide bus services in Derbyshire has already taken place and all of them have confirmed they would be willing to take part in an EP. Further detailed consultation will take place over the coming months as the terms of the EP are developed in detail, along with the BSIP. Informal consultation has also taken place with neighbouring LTAs to explore the potential for joint EP arrangements.

- 5.2 During the development of the EP and BSIP, it is expected that further consultation will be undertaken with a variety of other stakeholders including bus users groups, D2N2, businesses, and borough and district councils to ascertain views and commitment to the partnership.

6. Alternative Options Considered

- 6.1 The following alternative options have been considered:

6.2 **Do nothing and continue with current arrangement** – The National Strategy makes it clear that unless an LTA agrees to introduce an EP or franchising in their area by the 30 June 2021, they will not receive future discretionary funding from the DfT, for bus related activities or for transport projects more generally. Doing nothing is therefore not considered a practical option.

6.3 **Introduce franchising rather than an enhanced partnership** – Franchising would bring with it considerable financial risks for the County Council as it would be responsible for meeting the overall cost of providing all the services in Derbyshire not covered by passenger fares and other income. Currently, estimating this cost would be very difficult due to the significant impact of the pandemic on bus passenger numbers over the last year. Also, the County Council does not have the automatic right to introduce franchising as, under the existing legislation, only MCAs have these powers. To gain this authority from the Secretary of State for Transport and start the process by the end of June is not considered a practical option.

7. Implications

- 7.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

8. Background Papers

- 8.1 Bus Back Better, the National Bus Strategy for England
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/980227/DfT-Bus-Back-Better-national-bus-strategy-for-England.pdf

9. Appendices

- 9.1 Appendix 1- Implications.

10. Recommendation(s)

That Cabinet:

- a) Notes the new National Bus Strategy and the increased responsibilities this places on the Council in relation to bus services.
- b) Approves entering into an Enhanced Partnership arrangement and the associated relevant notice of intent process with all of the bus operators who provide local bus services in Derbyshire, other relevant stakeholders in Derbyshire, and potentially with other local transport authorities if a joint area Partnership is found to be mutually beneficial.
- c) Notes the requirement for an increased commitment to revenue and capital funding for public transport to support the Enhanced Partnership over the medium term.
- d) Agrees to receive a further report later in the year which will set out in more details the terms of the Enhanced Partnership proposed and the measures in the Bus Service improvement Plan.

11. Reasons for Recommendation(s)

- 11.1 The new National Bus Strategy sets out the long-term policy direction for bus services in England and Cabinet needs to be aware of the increased role this places on local transport authorities.
- 11.2 For the reasons set out in the report, enhanced partnerships are considered to be the more appropriate of the two options proposed in the Strategy and the County Council will need to enter into such an agreement with other stakeholders to meet the Department for Transport's requirements.
- 11.3 Enhanced partnership arrangements will require the County Council to consider future budget implications, the planning of which needs to commence at the earliest opportunity as part of the Medium Term Financial Strategy.
- 11.4 To ensure Cabinet is fully apprised of the details of the Enhanced Partnership and content/ implications of the Bus Service Improvement Plan once these have been developed.

12. Is it necessary to waive the call in period?

- 12.1 No.

Report Author: Chris Hegarty

Contact details: 36721

Implications

Financial

- 1.1 The Council has a total of around £35m committed revenue expenditure per annum across all transport services, including statutory Home to School (HTS), Special Educational Needs or Disabilities (SEND), and Adult Social Care Transport. This includes around £10m of concessionary fare payments which is a statutory duty. In 2021/22, the Council is also committing £1.2m from its capital programme on public transport infrastructure schemes. At the moment, it is difficult to anticipate what changes are needed to Council funding arising from the creation of an EP as this will depend on the measures introduced, the funding received from Government to support the BSIP and the spending commitments of the various bus operators. Government has already committed to provide an initial funding of £100,000 to support the development of the EP process and to continue to pay other discretionary funding to the Council, including Covid Bus Service Support Grant (CBSSG) until such times as it is no longer needed (NB: provided the Council and operators agree to commit to the EP process by the end of June 2021). It is, however, clear there will need to be an ongoing revenue and capital funding commitment from the Council to support the process over the life of the initial EP agreement which is anticipated to be 5-10 years. The EP is however a lower cost solution than the alternative of introducing Franchising, or not pursuing either, which would result in all discretionary funding from Government ending.

Legal

- 2.1 Section 63(1) of the Transport Act 1985 places a duty on Derbyshire County Council to secure the provision of '*such passenger transport services as the Council considers appropriate to meet any public transport requirement within Derbyshire which would not, in its view, be met, apart from any action taken by them for that purpose*'.

As part of the Strategy the government is proposing to issue further guidance to expand the definition of this duty to include services which are "socially or economically necessary".

Human Resources

- 3.1 Whilst much of the initial work on the process to date has been undertaken by the Passenger Transport Unit and their consultants, there will be a requirement for staff from the rest of the Place

Directorate to become more fully engaged in the development of the EP and BSIP. For example, it is essential the new Local Transport Plan currently being developed by the Transport Strategy Team reflects the objectives for bus services in the EP. The development of bus priority infrastructure will also require the active involvement of the highways teams to design and implement schemes. Other Council departments such as the communications team may also need to be involved in the process of marketing the EP. More generally, the Council will also need to ensure that none of the other schemes being developed by the authority create a significantly adverse effect on bus services.

Information Technology

4.1 There are no direct information technology implications to this report.

Equalities Impact

5.1 Bus services are particularly important to a variety of disadvantaged groups such as young people, older people, women, and those from economically deprived communities, all of which make a higher proportion of journeys by bus than the population as a whole. The introduction of an EP and the measures associated with the BSIP will not only enhance the quality of bus services available but will support our wider levelling up agenda across all communities and ambitions for driving 'good growth'. Particularly, it, will improve the opportunity for these people to access a variety of key opportunities such as education, employment and health care provision.

Corporate objectives and priorities for change

6.1 This proposal is helping deliver the following Council Plan priorities: Resilient, Healthy and Safe Communities; High Performing, Value for Money and Resident-Focused Services; A Prosperous and Green Derbyshire. Specifically, creation of an Enhanced Partnership will also enable the delivery of Place Directorate priorities around sustainable transport and travel. and

6.2 The following issues have also been considered: environmental sustainability and property.

Other (for example, Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 None arising directly from this report. Individual projects may involve the acquisition of property as they progress.