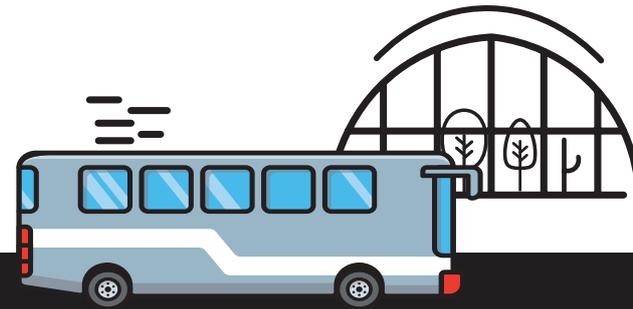
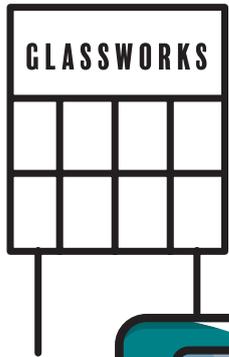


**HAVE
YOUR SAY
ON TAKING
BACK CONTROL
OF OUR
BUSES**



SYMCA Bus Franchising Consultation

Take part at southyorkshire-ca.gov.uk/bus-reform

The deadline for responses is 11.59pm on 15 January 2025.

Scan for
survey



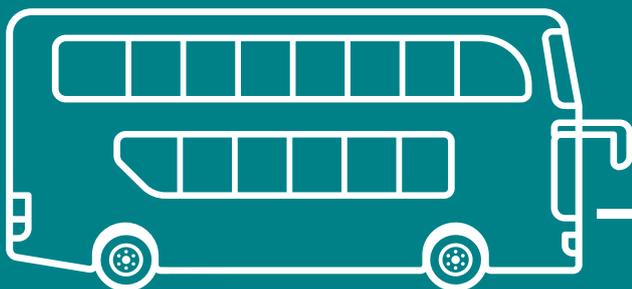
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2 — Executive Summary



2 Executive Summary

2.1 Why are we consulting?

The South Yorkshire Mayoral Combined Authority (“the MCA”) is made up of the Mayor of South Yorkshire (“the Mayor”) and the four South Yorkshire local authorities of Barnsley, Doncaster, Rotherham and Sheffield. It is responsible for economic development, transport and regeneration in South Yorkshire.

The Mayor and the MCA recognise the importance of bus services to everyday life. A Bus Service Improvement Plan (BSIP) was developed in 2021 for South Yorkshire and the MCA has set out its strategic objectives to improve the way bus services are run including:

- increasing the coverage and connectivity of the bus network across the region;
- improving the punctuality and reliability;
- drive environmental sustainability;
- ensuring value for money and affordability; and
- supporting the most vulnerable

Bus services have been in decline across South Yorkshire. Some of the indicators of this are:

- the size of the bus network in South Yorkshire has declined from 43 million miles in 2006/7 to 20 million miles in 2024/25;
- only around 80-85% of buses arrive on time; and
- over 60% of people were dissatisfied or very dissatisfied with bus reliability across South Yorkshire.

There is no easy solution to delivering better bus services, but the Mayor and the MCA wish to see bus services improve over time. The MCA commissioned an assessment of the bus operating options against the strategic objectives and that assessment concluded that bus Franchising is the model that would best deliver against those objectives. Under bus Franchising, the MCA would take control of how buses are run; owning the depots and bus fleets. It will give them the power to decide bus routes, timetables, quality standards, ticket options, cost of fares, how to improve the reliability of the bus network, and how buses, trams and trains can connect with each other. The MCA therefore wish to proceed to implement the Proposed Bus Franchising Scheme set out in this consultation and now wants to hear your views on that proposal.

The MCA would like to hear views on the proposals from people, organisations and businesses across the region. The questions we are asking in the consultation are summarised in **Appendix A**.

The consultation runs from 09:00 on Wednesday 23 October 2024 to Wednesday 15 January 2025 and all consultation responses must be received by 23:59 on 15 January 2025.

2.2 What does this consultation cover?

The MCA has been considering whether there are better ways of delivering bus services in South Yorkshire (“Bus Reform”). Presently, bus services are mostly designed, planned and delivered by private sector bus operators including the routes, timetables, fares and tickets. The MCA is allowed to consider alternative ways to provide these services, one of which is by Franchising bus services (“Bus Franchising”). This is where the MCA designs and plans

bus services including the routes, timetables, fares and tickets. The delivery of bus services is then contracted out to the private sector.

The MCA has developed a Bus Franchising proposal (“Proposed Bus Franchising Scheme”) and has had that proposal assessed and independently reviewed/audited. The consultation document provides:

- **Section 2: An Executive Summary** – including the background to Bus Reform and the different options.
- **Section 3: An overview of the Proposed Bus Franchising Scheme** which incorporates the bus routes and services that are included (with a full list provided in **Appendix B**).
- **Section 4: A summary of the assessment of the Proposed Bus Franchising Scheme (“the Assessment”)** and alternative options of Enhanced Partnership (“EP”) and Enhanced Partnership Plus (“EP Plus”). This outlines why the Proposed Bus Franchising Scheme was chosen as the preferred option for the MCA to deliver its objectives to improve bus services in the region.

2.3 How to participate in the consultation

2.3.1 Who can take part?

The consultation is open to all members of the public, businesses and organisations. You do not need to live in South Yorkshire to take part.

All responses from members of the public will remain anonymous. Responses from organisations may be published. Please read the privacy notice at www.djsresearch.co.uk/dataprotection

2.3.2 How to respond to the consultation

You can respond in the following ways:

- Our preferred option: Complete and submit a questionnaire at: www.southyorkshire-ca.gov.uk/bus-reform
- Email a completed questionnaire to: southyorkshirebusconsultation@djsresearch.com
- Post a completed questionnaire to: **FREEPOST SOUTH YORKSHIRE BUS CONSULTATION**

2.3.3 Consultation questionnaire

There are two forms of the questionnaire:

- **A short questionnaire:** this contains the key questions that we want your views on and is suitable for most members of the public and organisations. To answer these questions only Section 2, the Executive Summary, needs to be read (though you are also welcome to read the entire document if you wish to understand more detail).
- **A long questionnaire:** this contains additional detailed questions and is aimed at individuals or organisations that have a significant interest and knowledge in how the bus market operates.

Please note that:

- You are not required to answer all questions in the questionnaire.
- You can provide your response in an alternative format if that is more suitable for you.

2.4 Summary of consultation events

The MCA will host a series of public information drop-in events about the consultation across the four districts of South Yorkshire in locations which are accessible. For up-to-date information on these events please consult the following link:

www.southyorkshire-ca.gov.uk/bus-reform

2.5 Next steps

The MCA has appointed DJS Research Limited (“DJS”) who is an external independent organisation with expertise in analysing consultation responses. DJS will independently review the consultation responses as part of the consultation process.

The Mayor, on behalf of the MCA, will then consider these consultation responses when making a decision on whether to proceed with the Proposed Franchising Scheme.

The Transport Act 2000 (“the Act”) allows the Proposed Franchising Scheme to be amended following the consultation in light of changes to the bus network or to reflect the consultation responses.

2.6 Background to the Consultation and Bus Reform

Since 1986, bus services in South Yorkshire have been deregulated. This means that private sector bus operators are responsible for setting routes, timetables, service standards, fares and tickets. Bus services are mostly run on a commercial basis with operators seeking to make a profit. Under this model, some services are funded by the MCA including evening and weekend services that would not be commercially viable without additional funding.

The MCA has considered options for reforming the way that bus services are run in the region and is now consulting on whether to implement a new model of Bus Franchising across South Yorkshire. Under **Bus Franchising**, the MCA would gain control over the bus network - owning depots and the bus fleet, and specifying the routes, timetables, service standards, fares and tickets. The actual running of the bus services is then contracted out to private companies through a competitive bidding process. The public sector would pay the private sector operators for the provision of these services and would retain the revenue generated from bus fares. This means that any surplus from running bus services could be reinvested back into improving bus services, the transport network in general or wider public services. Equally, the MCA would be taking the on-going risk on revenue should the services not generate a surplus and require additional funding to continue to operate. The MCA would decide how to manage this situation. At present decisions about unprofitable routes are taken by the private bus operators.

Other options for Bus Reform have also been considered. An **Enhanced Partnership (EP)** is a statutory partnership between the Local Transport Authority (which in South Yorkshire is the MCA) and local bus operators. It sets out how they will work together to achieve the outcomes in the MCA’s Bus Service Improvement Plan (BSIP). A key feature of EPs is that any changes or improvements must be jointly agreed by both the MCA and local bus operators – with operators continuing to run the bus network on a commercial basis. The MCA along with the councils in South Yorkshire signed an EP Scheme for Buses with local bus operators in April 2022. This option is the present-day operating model in South Yorkshire. This option is also referred to as the **Do Nothing or Reference**

Case option in this document. It is this option that the Bus Franchising options and the Enhanced Partnership Plus option (see below) are compared to in the Assessment.

A further, hypothetical, alternative option of **Enhanced Partnership Plus (EP Plus)** has been developed for the purposes of the Assessment. This option would deliver a greater package of improvements to the bus network, fleet and ticketing compared to the current EP scheme. The roles and the responsibilities of the MCA and local bus operators remain the same as the existing EP Scheme. This option has been developed for analytical purposes and does not reflect any actual agreement with local bus operators.

To assess these options and work towards implementing Bus Reform in South Yorkshire, the MCA has followed the steps required by the Act. This requires a detailed assessment of the Proposed Franchising Scheme to be conducted which sets out what sort of Franchising Scheme the MCA will deliver, confirm that it is affordable and deliverable and allow a decision to be taken on whether or not it is the best way to proceed. The MCA has conducted the Assessment and a high-level summary of the Assessment is provided in Section 2.8 with further detail in Section 4. The full Assessment is available at the following link:

www.southyorkshire-ca.gov.uk/bus-reform

A summary of how this consultation document complies with the legal requirements of the Act is provided in Table 1 below.

Table 1 Legal requirements for the consultation document

| Legal Requirement | Consultation Document Section Reference |
|---|---|
| A summary of the assessment of the Proposed Franchising Scheme | See Section 2.1 of the Executive Summary and Section 4 |
| The area within which the Franchising Scheme would operate, and any sub-areas within it | See Section 2.8 of the Executive Summary and Section 3.1 and Appendix B |
| A description of the franchised services that the authority proposes to provide | See Section 2.8 of the Executive Summary, Section 3.2 and Appendix B |
| A description of any services, or types of service, that the authority proposes to exempt from regulation arising because of the Franchising Scheme – including any routes or services that will continue to be provided by the commercial sector under service permits | See Section 2.8 of the Executive Summary, Section 3.2 and Appendix B |
| The date on which the authority proposes to make the Franchising Scheme, together with the first date or dates by which the authority proposes to enter into contracts with operators to provide franchised services | See Section 2.8 of the Executive Summary and Section 3.3 |
| The periods that must expire between the authority entering into a contract, and services starting to be operated under that contract | See Section 2.8 of the Executive Summary and Section 3.3 |
| A description of the authority's or authorities' plans for ongoing engagement throughout the life of the Franchising Scheme to seek views on how well the scheme is working | See Section 3.4 |
| A description of how the authority's or authorities' plans to facilitate involvement of small and medium sized operators through the procurement process | See Section 2.9.4 of the Executive Summary and Section 4.4 |
| The date by which responses to the consultation must be received | See Section 2.1 above |

2.7 Overview of the Bus Reform process so far

The MCA has gone through the detailed process that is required under the Act to assess and implement Bus Franchising. This is set out in Table 2 along with the next steps.

Table 2 Overview of the MCA's process for implementing Bus Reform

| Date | Milestone |
|-----------------|---|
| 4 March 2022 | The MCA publishes a Notice to undertake an assessment of a Franchising Scheme |
| 27 October 2022 | The MCA Board approve the Case for Change for Bus Reform |
| February 2024 | The Assessment of Bus Franchising is submitted to the MCA Board |
| 12 March 2024 | The MCA Board decide to proceed to the audit stage |
| 31 August 2024 | Independent Auditor's review is concluded |
| 8 October 2024 | The MCA Board consider the Independent Auditor's review and agree to begin a statutory consultation |
| 23 October 2024 | Start of statutory consultation |
| 15 January 2025 | Statutory consultation concluded |
| Spring 2025 | MCA to decide whether or not to proceed to implementation of Bus Franchising |

2.8 Description of the Proposed Franchising Scheme

The Proposed Franchising Scheme is a draft of the legal scheme which is required to be made in accordance with the Act to implement Bus Franchising across South Yorkshire. It sets out the geographical area that Franchising would cover, the bus services that are intended to be franchised and the key dates on which Franchising would come into operation.

The Proposed Franchising Scheme covers the whole area of South Yorkshire and matches with the boundaries of the MCA including the local authorities of Barnsley, Doncaster, Rotherham and Sheffield. A map is provided in **Section 3.0** below.

The Proposed Franchising Scheme would apply to all bus services in South Yorkshire (other than those which are specifically excluded from the Proposed Franchising Scheme or where a Service Permit Scheme would apply). The services are listed in **Appendix B** and reflect those included within the Assessment.

The key dates for the Proposed Franchising Scheme include:

- The date on which the Proposed Franchising Scheme is expected to be made: 1 May 2025
- The first date on which the MCA proposes to enter into contracts with operators to provide franchised services: 1 April 2027
- The proposed mobilisation period for a franchise contract (the time between a contract start date and buses being on the road) is 6 months with the Scheme expected to come into operation on 1 October 2027.

2.9 Summary of the Assessment

The Assessment is a form of business case which includes:

- The **Strategic Case**, which sets out the Case for Change, the MCA's objectives for bus services and an assessment of whether Bus Franchising and other Bus Reform options achieve these objectives.
- The **Economic Case**, which provides an assessment of whether Bus Franchising and other Bus Reform options provide value for money.
- The **Commercial Case**, which outlines commercial and procurement considerations for Bus Franchising and other Bus Reform options.
- The **Financial Case**, which provides an assessment of whether Bus Franchising and other Bus Reform options are affordable.
- The **Management Case**, which details the proposed approach to management and delivery of Bus Franchising and other Bus Reform options.
- The **Assessment Conclusion**, which provides an overview of the overall conclusions of the Assessment based on the evidence in the five cases.

2.9.1 Options for Bus Reform

The Assessment considers variations of the Bus Franchising, EP and EP Plus Bus Reform options. A long-list of six options were explored and evaluated. These options are outlined below.

The options differ in terms of whether the MCA or the bus operators would own the bus depots and/or the vehicles and who would be responsible for the risk associated with the uncertainty in income (known as revenue risk).

The Strategic and Commercial Cases provide an assessment of the long-list of all six options and reach the view that **Franchising Option B (where the MCA owns the depots and fleet) is the preferred Franchising Option. Franchising Option B is therefore referred to as the "Proposed Franchising Scheme".**

Based on this assessment, the **Economic, Financial and Management Cases only consider a short-list of options including EP, EP Plus and Franchising Option B ("the Proposed Franchising Scheme").**

Long-list of options considered in the Strategic and Commercial Cases:

Table 3 Long-list of options considered in the Strategic and Commercial Cases

| | EP (Do Nothing option / Reference Case) | EP Plus | Franchising Option A | Franchising Option B Proposed Franchising Scheme | Franchising Option C | Franchising Option D |
|---------------|---|-------------------|-------------------------|--|-------------------------|-------------------------|
| Depots | Operator Owned | Operator Owned | Operator Owned | MCA Owned | Operator Owned | MCA Owned |
| Vehicles | Operator Owned | Operator Owned | Operator Owned | MCA Owned | MCA Owned | Operator Owned |
| Revenues Risk | Operators Risk | Operators Risk | MCA Risk | MCA Risk | MCA Risk | MCA Risk |

Short-list of options considered in the Economic, Financial and Management Cases:

Table 4 Short-list of options considered in the Economic, Financial and Management Cases

| | EP (Do Nothing option / Reference Case) | EP Plus | Franchising Option B Proposed Franchising Scheme |
|---------------|---|-------------------|--|
| Depots | Operator Owned | Operator Owned | MCA Owned |
| Vehicles | Operator Owned | Operator Owned | MCA Owned |
| Revenues Risk | Operators Risk | Operators Risk | MCA Risk |

2.9.2 Strategic Case

The Strategic Case assesses the Case for Change and potential of different ways that bus services in South Yorkshire could be reformed to achieve the MCA's objectives for the bus network. The Strategic Case considers all six options for Bus Reform set out in the Section above.

Buses play a key role in the South Yorkshire economy, helping people get to work, access education opportunities and visit friends and family. The importance of buses in delivering the MCA's aims to grow South Yorkshire's economy, reach the region's climate ambitions and tackle social exclusion is significant.

The trend in bus use across England has shown a steady decline in the numbers of people travelling by bus between 2010 and 2019. South Yorkshire has experienced a faster decline than similar areas and is on track to continue to decline.

2.9.2.1 Objectives for Bus Reform

Eleven objectives for the bus network have been developed by the MCA to assess the different options for Bus Reform. These include:

- **Objective 1 – Affordability:** The delivery model must be affordable to the MCA.
- **Objective 2 – Value for Money:** The delivery model must achieve value for money to the MCA.
- **Objective 3 – Passenger Demand:** The delivery model should drive increases in passenger demand.

- **Objective 4 – Coverage and Connectivity:** The delivery model should increase in coverage and connectivity across the region.
- **Objective 5 – Punctuality and Reliability:** The delivery model should increase the punctuality and reliability of bus services.
- **Objective 6 – Market Conditions:** The delivery model should increase the presence of operators in the bus network.
- **Objective 7 – Environmental Sustainability:** The delivery model should drive an environmentally sustainable bus network.
- **Objective 8 – Societal Responsiveness:** The delivery model should drive improved responsiveness to societal needs through connectivity.
- **Objective 9 – Supporting the Most Vulnerable:** The delivery model will support a network that aids society's most vulnerable.
- **Objective 10 – Equity in Customer Experience:** The delivery model will drive equity in experience for customers.
- **Objective 11 – Deliverability:** The delivery model must be deliverable

2.9.2.2 The Case for Change

Despite the long-term trend of decline in bus use, buses remain the most used mode of public transport in South Yorkshire. The South Yorkshire Bus Review was carried out in June 2020 and included consultation with over 5900 residents. The review identified the issues and challenges that bus users faced that prevent buses from fully playing their role in achieving the region's aims. These challenges include:

- **Poor punctuality** – only around 80-85% of buses arrive on time in South Yorkshire.
- **Poor reliability** – over 60% of respondents to a survey were either dissatisfied or very dissatisfied with bus reliability across South Yorkshire.
- **Inconsistent standards and accessibility** – the standard of bus network, information provision and vehicles is variable, with the customer offer differing greatly across South Yorkshire.
- **Regular large scale service changes** – in 2006/7 the bus network in South Yorkshire operated 43 million miles, by 2024/25 it is anticipated to have shrunk to 20 million miles.
- **Variable service frequencies** – service frequency is poor in some areas due to services being focused on peak demand periods.
- **Poor connectivity** – there is poor connectivity for those using more than one bus to make a journey.
- **Complex fares and ticketing** – the fares structure is complex with over 100 types of ticket available which can be confusing to passengers.

Under the current system bus operators, local authorities and relevant stakeholders have different incentives and aims regarding the planning and operation of the bus network. For example, local authorities can realise benefits from a bus service such as increased town centre footfall, whereas a private bus operator has to generate a financial return from the selling of tickets against the cost of running services.

This lack of coordination can reduce the incentive for public sector investment in measures to support the bus network, as local authorities have limited control over timetables and fares and so cannot ensure the benefits associated with investment will materialise.

Alongside this, the private sector operators may choose not to invest in the bus network as declining bus use can discourage investment in new services or new buses.

Without a change in incentives, the objectives for the bus network will carry on being misaligned with the region's wider strategies and ambitions.

2.9.2.3 Assessment of Options against Objectives

The assessment of the Bus Reform options against the objectives indicates:

- The EP Plus and all the Franchising Options would offer benefits above the existing Enhanced Partnership option.
- The majority of the benefits associated with the EP Plus option are dependent on reaching agreements with operators which is highly uncertain, and EP Plus is less affordable than the Franchising Options.
- All Franchising Options would allow the MCA to control the services, fares and fleet standards to improve outcomes for passengers and maintain quality and consistency throughout the network - They would therefore provide a greater certainty of benefits to the MCA.
- Franchising Option B (which involves the MCA owning the depots and the fleet) would provide the most control to the MCA, would facilitate greater competition and be more affordable than the other Franchising Options.

2.9.2.4 Conclusions of the Strategic Case

The Strategic Case shows that there is a strong Case for Change given the challenges for the existing bus network, the lack of coordination and misaligned incentives. It concludes that, based on an assessment of the options against the objectives, Franchising Option B (where the MCA owns depots and fleet) is the preferred Franchising Option as it is affordable, demonstrates value for money, is deliverable and better meets the MCA's objectives when compared to other options. Franchising Option B also provides greater certainty that the benefits will be delivered compared to EP Plus as it is not dependent on agreement with local bus operators. Franchising Option B is, therefore, referred to as the Proposed Franchising Scheme.

2.9.3 Economic Case

The purpose of the Economic Case is to analyse the value for money (VfM) of the options. Only the Franchising Option B, EP and EP Plus options are taken forward for consideration in the Economic Case due to the conclusions of the Strategic and Commercial Cases. The value for money (VfM) is assessed by conducting cost benefit analysis on each option which considers the benefits and costs of these options to society as whole, as opposed to primarily financial analysis of the revenues and costs.

2.9.3.1 Economic Appraisal Assumptions

Economic appraisal is a systematic process that compares the benefits and the costs of different options. The key economic appraisal assumptions include:

- **Network:**
 - EP: Services are based on the network at the end of October 2023 with a modest decline in March 2025 to match the reduction in funding for bus services during this period.
 - EP Plus and the Proposed Franchising Scheme: Services are based on the network at the end of October 2023 with an initial modest decline, with services then restored when EP Plus or Franchising are implemented. This same network has been assessed for the EP Plus and Franchising Options.
- **Demand:** the underlying demand for bus travel would fall in line with the decline in bus patronage seen in recent years and in line with a continued decline in patronage throughout the 30-year appraisal period (as

per Department for Transport national forecasts).

2.9.3.2 Benefits

A number of benefits of the EP Plus and Proposed Franchising Scheme have been assessed relative to the EP. There are two broad categories of benefits: user benefits, which accrue to existing and new bus passengers, and non-user benefits, which accrue to wider society including people who never travel by bus. Examples of the types of benefits included are:

- The overall benefits to bus users of the improvements to bus services, such as changes to reliability and journey time benefits.
- Benefits associated with fewer car trips being undertaken and more trips being undertaken by bus. This considers reduction in congestion and improvements to traffic-related noise and air quality.
- Changes in bus revenue associated with increases in bus use.
- The increase in the zero emission bus (ZEB) fleet and the associated environmental benefits.

2.9.3.3 Costs

Capital and operating costs have been estimated for each of the EP, EP Plus options and the Proposed Franchising Scheme. The capital costs include the costs of the assets including buses and depots while the operating costs include the cost of running bus services including driving staff, maintenance staff and fuel. A detailed assessment of costs was undertaken to understand the changes in net costs, which is the difference between the cost and revenue that the MCA is expected to receive under Franchising and EP Plus option. The costs considered include:

- Changes in bus operating costs, including maintenance of vehicles and employee costs.
- Changes to employee and management costs borne by the MCA due to the setting up and administration of the Proposed Franchising Scheme.
- Costs associated with the investment in the bus fleet and depots, including the need to consider transitioning the bus fleet to zero emissions with the associated infrastructure work required at depots.

2.9.3.4 Economic Case results

The results of the economic appraisal for the Assessment are set out in Table 5 below.

The monetary value of the impacts of the options were calculated and totalled over a 30-year appraisal period. The values for future years have been adjusted to account for inflation and the declining value of future costs and benefits. This process is to ensure that costs and benefits are compared on a like for like basis, with both expressed as a '2010 present value', referred to as the Net Present Value (NPV). The NPV presents the difference between the present value of benefits and the present value of costs over a period of time (30 years in this case) and is used to show the overall benefit of the options. This is reported alongside the benefit cost ratio (BCR), which compares the present value of benefits with the costs and investments of a project or investment.

Table 5 Results of Economic Appraisal

| Benefits | £'000s, 2010 prices | |
|--|-----------------------------|-----------------------------|
| | EP Plus | Proposed Franchising Scheme |
| Time Savings - Network changes and reliability improvement | 97,079 | 97,079 |
| Congestion | 1,596 | 2,074 |
| Infrastructure | 8 | 10 |
| Accident | 173 | 225 |
| Local Air Quality | 10 | 13 |
| Noise | 12 | 16 |
| Greenhouse Gases | 148 | 193 |
| Indirect Taxation | -1,250 | -1,536 |
| ZEB Benefits | 31,505 | 31,505 |
| Profit Margin | 158,185 | 78,162 |
| Disbenefit - Private Sector | -106,925 | 0 |
| Benefits | Proposed Franchising Scheme | |
| Present Value of Benefits (PVB) | 180,543 | 207,741 |
| Present Value of Costs (PVC) | 102,019 | 97,367 |
| Net Present Value (NPV) | 78,523 | 110,374 |
| BCR | 1.77 | 2.13 |

The results show that, based on the current analysis and current network scenario, the EP Plus and Proposed Franchising Scheme would achieve a positive Net Present Value (NPV) – meaning the benefits of the options exceed the costs. The Proposed Franchising Scheme has a higher NPV and BCR than the EP Plus option. The Proposed Franchising Scheme therefore provides 'High' value for money whereas the EP Plus option would achieve 'Medium' value for money.

2.9.3.5 Economic Case Scenarios and Sensitivities

To address uncertainty in the analysis, several scenarios have been developed to appraise the performance of the EP Plus and Proposed Franchising Scheme against different future forecasts for revenues, costs, demand and other factors. Table 6 shows the impact on the results if revenue is at different levels. For example, if revenue is 10% higher than forecast, then the BCR for Franchising increases significantly to 8.45, whilst if revenue is 10% lower than forecast then the BCR worsens to 1.22.

Table 6 Revenue sensitivity test

| Benefits | £'000s, 2010 prices | | |
|---------------------------------|-----------------------------|----------------------------------|----------------------------------|
| | Proposed Franchising Scheme | Scenario: Revenue Increase (10%) | Scenario: Revenue Decrease (10%) |
| Present Value of Benefits (PVB) | 207,741 | 207,741 | 207,741 |
| Present Value of Costs (PVC) | 97,367 | 24,579 | 170,154 |
| Net Present Value (NPV) | 110,374 | 183,161 | 37,586 |
| BCR | 2.13 | 8.45 | 1.22 |

2.9.3.6 Economic Case Conclusion

The results show that, based on the analysis and current network, both EP Plus and the Proposed Franchising Scheme would generate more benefits and revenue than the cost required to implement and operate them, with both achieving a positive NPV. The analysis does show that the Proposed Franchising Scheme has a higher NPV than the EP Plus option and would provide greater value for money (VfM).

2.9.4 Commercial Case

The Commercial Case sets out the commercial arrangements for delivery of the different options for Bus Reform in South Yorkshire. It considers how the MCA can structure the commercial arrangements of options to best secure the high-quality bus services that the MCA seeks. It considers the full long-list of six options including EP, EP Plus and Franchising Options A, B, C and D which are summarised in Section 2.7.1.1 with Franchising Option B being the Proposed Franchising Scheme.

2.9.4.1 Overview of current commercial arrangements

Commercial bus services in South Yorkshire are currently operated by 23 different bus companies. The three largest operators - First South Yorkshire, Stagecoach Yorkshire, and TM Travel - provide over 90% of the miles operated by buses each year and carry 98% of passenger journeys. Non-commercial, socially necessary bus services are delivered by bus operators acting under contract with the MCA. These are known as 'tendered services'.

2.9.4.2 Commercial Approach to EP Plus

Under the EP and the EP Plus option, both strategic and operational control of the bus network in South Yorkshire sits with commercial bus operators. Whilst the EP option reflects the current agreement between the MCA and local bus operators, the EP Plus option is theoretical and in practice would require negotiation and agreement between the MCA and bus operators.

2.9.4.3 Commercial Franchise models

Under the Franchising option, strategic control would be held by the MCA, while operational control would remain with bus operators.

2.9.4.4 Overview of financial risk allocation

The two financial risks that are the most relevant in considering the commercial structure of franchised bus operations are cost risk and revenue risk. Cost risk relates to the risks that the costs of running bus services are different from those anticipated; revenue risk relates to the risk that revenue received from bus fares and other income is different from that anticipated.

From detailed analysis and market engagement, the Assessment concludes that (i) **cost risk with franchised bus operators**, and (ii) **revenue risk with the MCA** are the appropriate approach for Franchising.

2.9.4.5 Assets under Franchising

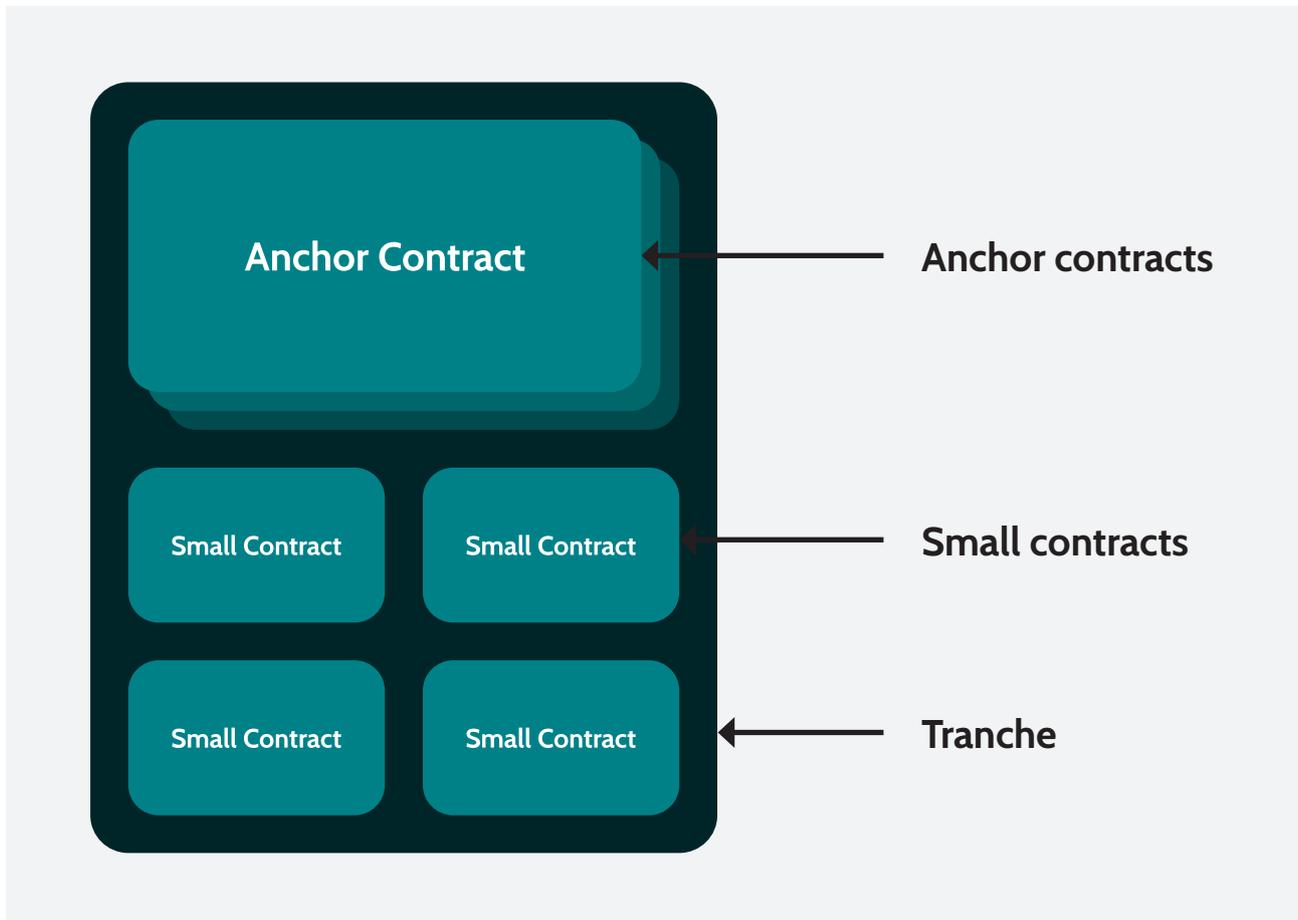
The main assets to consider for Franchising are bus depots and bus fleets.

Where the MCA would own depots, the MCA would need to enter into commercial negotiations with the present owners to acquire existing depots. These negotiations may not be successful in allowing the MCA to acquire depots at market value. Alternatively, the MCA may need to seek other depot locations.

Where the MCA would own fleet, a number of responsibilities would be likely to lie with the MCA in respect of its ownership of those vehicles. These responsibilities include vehicle specification, including interface with those designing customer experience and vehicle procurement, including both initial procurement and an ongoing renewal programme.

2.9.4.6 Lotting and Procurement of Franchises

'Lotting' refers to how the bus network is divided into separate packages, each of which can be tendered in separate competitions. The assumed approach for South Yorkshire is shown in the diagram below.



It is assumed that three tranches would be let, each one of which would have anchor contract(s) for services that are currently operated from one of seven strategic depots. Smaller contracts may not be aligned to a strategic depot and would potentially be attractive to Small and Medium Operators (SMOs).

It may be appropriate to limit the number of franchise contracts that a single entity can hold as this may support the diversification of the market for bus service providers.

In order to develop assumptions for the Assessment, several different orderings were considered. The MCA's working assumption is that the ordering of the tranches will be as follows.

- Tranche 1: services currently operated from Ledger Way and Olive Grove depots
- Tranche 2: services currently operated from Barnsley and Rawmarsh depots
- Tranche 3: services currently operated from Holbrook, Ecclesfield and Halfway depots

2.9.4.7 Competition

Under Franchising, the MCA would contract private bus operators to run services in line with the MCA's specification. The MCA would use competitive tendering to decide which bus operators to award contracts to and to establish the fees that operators will be paid. In these competitions, the MCA is likely to look both at the quality of different operators' bids and the prices that they offer.

Competition is expected to secure:

- optimal pricing for contracts, by using competitive tension in the market for bus services to incentivise operators to identify and deliver operational efficiencies and reductions in profit margins
- innovation, by rewarding through evaluation creative proposals from bus operators that may increase the benefits expected from each contract.

Based on structured engagement with incumbent and potential future bus operators, the following assessments have been made:

- Franchising Option A (franchised operator provides both depot facilities and vehicles), and Franchising Option C (franchised operator provides depots and is provided with a fleet by the MCA) both place high barriers to entry for operators that do not own or have access to depots. These options are assessed as **not being capable** of supporting robust competition for franchise contracts.
- Franchising Option D (franchised operator provides vehicles; the MCA provides depot facilities), is assessed as being capable of supporting robust competition. While fleet provision represents a meaningful barrier to entry, market engagement indicated that sufficient mobilisation time can address this obstacle.
- Franchising Option B, under which the MCA provides franchised operators with both vehicles and depot facilities, is assessed as being capable of supporting robust competition for franchise contracts, as the barriers to entry involved are the lowest of any of the four Franchising Options.

2.9.4.8 Conclusions of the Commercial Case

The following conclusions have been drawn regarding the four Franchising Options under consideration:

- All four of the Franchising Options are commercially complex, and will require appropriate MCA resourcing and programme management, as described in the Management Case.
- Franchising Options A and C are **not capable of supporting robust competition** and would lead to poor value for money for the MCA and **are therefore commercially unviable**.
- From this assessment, Franchising Option B is identified as its preferred Franchising Option, noting that it reduces barriers to entry by providing fleet and depots to operators, thereby supporting increased

competition for franchise contracts. **Therefore, Franchising Option B is the preferred Franchising Option, referred to as the Proposed Franchising Scheme.**

From a commercial perspective EP Plus is less complex and does not require the MCA to take on direct financial risk. However, it is not possible to be certain at this stage that the assumptions made regarding the outcomes through EP Plus are accurate as they would be subject to agreement with operators, and there are therefore significant risks in relation to securing those outcomes.

2.9.5 Financial Case

The Financial Case examines the detailed cost, income and net financial position of EP, EP Plus and the Proposed Franchising Scheme, and considers whether they are affordable. This includes consideration of the revenue and capital cost requirements over the 30-year appraisal period.

2.9.5.1 Total capital expenditure requirement

The Assessment has been developed on the basis that **comparable outcomes can be achieved under both EP Plus and the Proposed Franchising Scheme.** As a result, EP Plus and Franchising are assumed to deliver the same network and same level of investment. As a result, they will share the same costs across these areas.

The cost of renewing and upgrading the depots and fleet has been assumed to take place over two renewal cycles during the 30-year appraisal period:

- There is an initial acquisition and renewal period between 2027/28 to 2031/32. Approximately £350 million of capital expenditure is required during this period. It is assumed that grant funding would be the main source of funding for this.
- The second renewal cycle occurs when the original buses purchased begin to life expire and depots require renewal. This starts in the early 2040s. It is assumed that this renewal cycle would be financed by borrowing.

2.9.5.2 EP Plus Financial Overview

There are a number of specific assumptions that have been made for EP Plus given the role of the private sector and the way in which finances are managed:

- The interest rate is assumed to be 7% for any borrowing required from the private sector (for example for capital expenditure).
- There are transition costs to EP Plus including employee costs which would amount to approximately £5.5 million between 2024/25 and 2027/28, with a recurring increase in employee costs.
- There are additional costs to support unified ticketing.

There are further assumptions in relation to the funding:

- The Transport Levy available for bus services expenditure is assumed to rise by 2% per year up to 2029/30 under this scenario. The Transport Levy is funding provided by local authorities of Barnsley, Doncaster, Rotherham and Sheffield to the MCA and is scaled based on the population of those authorities.
- From 2030/31 onwards, the Transport Levy available for bus services expenditure can then rise at Retail Price Index (RPI)+1% which is in line with the funding scenario also made for Franchising.
- To fund capital expenditure it is assumed that between 2027/28 to 2031/32, £350 million of capital can be found either from the private sector or via third-party grant funding. Beyond 2031/32, it is assumed that the

private sector borrows to fund fleet renewal.

The results of the assessment show that EP Plus is **not affordable** over a 30-year period. This is because of the significant annual deficits emerging due to borrowing to finance fleet renewal during the second renewal cycle. This analysis indicates that if the EP Plus option seeks to deliver the same outcomes as those secured under Franchising, then the industry is unlikely to be financially sustainable long-term.

2.9.5.3 Franchising

Under the Proposed Franchising Scheme, the MCA would be in control of specifying the key features of the bus network and with bus services operated by the private sector under contract. This would mean that:

- The MCA would now receive income from fares from passengers using bus services:
 - The MCA can then use revenue from profitable commercial services to cross-subsidise socially important services that are not commercially viable.
 - The MCA would be more exposed to risk as revenue is based on demand for bus services which can be volatile.
- The MCA would make franchise payments to bus operators to cover the costs of running services plus a margin. The private sector would be responsible for operating services within this cost envelope and be at risk for additional costs if they rise beyond the agreed amount.

There are a number of specific assumptions that have been made for Franchising which include:

- The interest rate is assumed to be 5% for any borrowing required for the public sector (for example on capital expenditure)
- There are transition costs to Franchising including staffing which would amount to approximately £20.8 million between 2024/25 and 2029/30 and a recurring increase in staffing costs.
- Under Franchising, depots would need to be acquired from private sector operators in line with the Lotting Strategy set out in the Commercial Case. The estimated capital cost of this has been accounted for in the Assessment. This is an additional cost for upgrading depots (which is also a cost under EP Plus).
- There are other relatively modest capital costs to support interventions such as unified ticketing and IT costs.

Furthermore, in terms of funding assumptions:

- The Transport Levy available for bus services expenditure is assumed to rise by 2% per year up to 2029/30 under this scenario.
- From 2030/31 onwards, the Transport Levy available for bus services expenditure can then rise at Retail Price Index (RPI)+1% which is in line with the funding scenario also made for Franchising.
- To fund capital expenditure, it is assumed that between 2027/28 to 2031/32, £350 million of South Yorkshire's second City Region Sustainable Transport Settlement (CRSTS2) can be utilised. Beyond 2031/32, it is assumed that the MCA borrows to fund depot and fleet renewal.

Based on these assumptions, Franchising is shown to be affordable over the full appraisal period as a result of capital expenditure being funded by CRSTS2 and the reinvestment of financial surpluses in the early years to cover later deficits that emerge.

2.9.5.4 Franchising Financial Risks and Sensitivities

There are a number of risks which if seen could impact the affordability of the Proposed Franchising Scheme:

- The MCA would be taking on revenue risk under Franchising and would therefore be more exposed to changes in demand due to factors such as economic downturns or demographic changes.
- There is a risk that costs will be higher than anticipated as a result of inflation or other uncertainties relating to the cost of purchasing buses and depots.
- There are risks to the future availability of revenue or capital funding as funding over a long-time frame is uncertain, including in relation to CRSTS2 and the Transport Levy increases required to sustain Bus Franchising.

A range of sensitivities have been conducted which show that the affordability of EP Plus or Franchising is improved or adversely impacted. For example, if operating costs are 10% higher or revenue is 10% lower than anticipated then Franchising is no longer affordable over a 30-year period. Conversely, if operating costs are 10% lower or revenue is 10% higher than this will make all options more affordable. There are similar risks for EP Plus.

2.9.5.5 Conclusions of the Financial Case

The conclusions of the Financial Case show that:

- The EP Plus and the Proposed Franchising Scheme have been developed on a comparable basis with the same assumed interventions on the network, fleet enhancement and depot upgrades.
- **EP Plus is not affordable over the assessed 30-year period** on the basis that the financial position deteriorates rapidly during the second renewal cycle once capital expenditure is no longer grant funded and is instead financed by borrowing at a higher rate than that assumed under Franchising.
- **The Proposed Franchising Scheme is affordable over the assessed 30-year period** with the assumed interventions due to the availability of CRSTS2 funding up to 2031/32 to fund capital expenditure and a lower borrowing rate for the public sector to fund subsequent capital expenditure.
- There are further risks that could impact the affordability of all the options and that these would need to be carefully managed.

2.9.6 Management Case

The Management Case considers how the MCA would manage and deliver the Proposed Franchising Scheme or EP Plus, relative to EP.

2.9.6.1 Managing the Proposed Franchising Scheme

The Proposed Franchising Scheme would mean a significant expansion of the MCA's accountabilities including:

- **Network planning** for the whole bus network including routes, frequency of service and timing of service across the day. Bus network planning would be integrated with other transport modes such as active travel, rail and tram to give customers access to a greater range of destinations.
- **Network review and consultation** to update the network on an ongoing basis. Using customer consultation, feedback from Local Authority partners and commercial data, the network would be reviewed to meet the needs of local communities.
- **Procurement and contract management** as the MCA would be accountable for tendering, contracting and performance managing bus service contracts.

- **Fares and ticketing** to set the fare structure, ticketing types and pricing levels.
- **Fleet and vehicle purchase and management** to a set fleet standard including vehicle size, fuel type and facilities onboard such as Wi-Fi and phone charging. For new vehicles, the MCA would specify the fleet and procure from a bus manufacturer.
- **Depot management** including the acquisition of depots, setting operating and maintenance standards, and installing charging infrastructure.
- **Service permit scheme** for routes not included in franchise contracts such as cross-boundary services.

An additional 13 permanent roles are thought to be required in a new bus directorate to manage these additional accountabilities.

Moving from an EP to the Proposed Franchising Scheme would be a significant business change. Following the Mayoral decision to proceed there would be a transition phase. The programme of delivery is thought to require an additional 28 temporary roles to implement this programme. The activities in the transition Phase include Organisation Design, Network Planning, Fleet Specification, Commercial Activity Design, Depot Acquisition, Fleet Procurement, Procurement of Franchise Lots and Operational Readiness.

2.9.6.2 *Managing the Proposed EP Plus Scheme*

Under EP Plus, the main accountabilities would not change from the current setup. However, the MCA would have greater involvement in the various areas detailed in the Strategic Case, such as fares and ticketing and branding.

For EP Plus there would be a requirement to enhance the existing bus team within the MCA. A future organisational model would include dedicated roles for the following processes as opposed to individuals that are simultaneously responsible for all processes:

- **Network planning** involves closer collaboration with bus operators on the network to meet customer and strategic requirements more completely and to procure more routes than it does currently. This is because under EP Plus, the same network is being proposed as is being proposed for a Franchising Scheme, as outlined in the Strategic and Economic Cases. Additionally, there could be scope for the MCA to influence the bus network so that it is more efficient from a holistic perspective and connects better with the wider transport network.
- **Procurement and contract management** involves continuation of tendering socially necessary routes to operators and ensuring contractual obligations are fulfilled by accessing and analysing bus performance data. The MCA would perform more advanced performance and contract management arrangements in EP Plus.
- **Fares and ticketing** arrangements give the ability to set fares on tendered routes. The MCA would work in closer collaboration with operators to provide customers with a simplified fare structure.

To fulfil the additional processes, EP Plus would require a change in MCA capabilities and resourcing. An additional 13 permanent roles are required to manage these additional accountabilities.

EP Plus would require an implementation programme across 2 phases - Design and Transition. This programme would be shorter and require less staff for implementation than the Proposed Franchising Scheme, but the MCA would still need up to 17 roles to deliver the change.

2.9.6.3 *Management Case Conclusions*

The Management Case concludes that both the Proposed Franchising Scheme and the EP Plus would be deliverable from a resourcing perspective by the MCA. These changes would be possible within the existing corporate structures and strategies. Both options, to varying degrees, would require changes to the MCA's processes

and capabilities and both would require additional staff.

Table 7 Summary of resource requirements – full time equivalent roles required

| | | EP Reference Case | Franchising | EP Plus |
|----------------------------|-----------------------------|-------------------|-------------|----------|
| Transition Resource | | N/A | Up to 28 | Up to 17 |
| Business as usual resource | Bus Functions | 9 | 22 | 20 |
| | Organisation-wide Functions | N/A | 12 | 13 |

2.9.7 Overall Assessment Conclusions

There is a clear case for reforming bus services in South Yorkshire, given the existing challenges faced by bus users including poor reliability, connectivity and inconsistent standards. The bus network is not currently being coordinated effectively and without change, incentives for the bus network will carry on being misaligned with the region's wider strategies and ambitions.

The Proposed Franchising Scheme (Franchising Option B, where the MCA owns depots and fleet) is the preferred Franchising Option as it better meets the MCA's objectives when compared to other Franchising Options. Franchising Option B is considered to be more commercially deliverable as it maximises competition for franchise contracts when compared to other Franchising Options.

The Proposed Franchising Scheme also better meets the MCA's objectives when compared to the EP options. Franchising provides the MCA with greater control when compared to EP and EP Plus, and therefore provides greater levels of confidence in the delivery of required outcomes. The delivery of these outcomes under EP Plus relies on reaching agreement with operators, which is a significant risk.

The Proposed Franchising Scheme is therefore considered to be the preferred option as it is affordable, demonstrates value for money, is deliverable and better meets the MCA's objectives when compared to other options.

2.9.8 Short Questionnaire

Q1

(a) Overall, to what extent do you support or oppose the introduction of the Proposed Franchising Scheme?

- Strongly support
- Support in part
- Neither support nor oppose
- Oppose in part
- Strongly oppose
- Don't know

(b) Why do you say this?

Q2

The Proposed Franchising Scheme will cover the whole area of South Yorkshire. This includes the four district authorities of Barnsley, Doncaster, Rotherham and Sheffield. It would apply to all services across South Yorkshire (other than some services excepted from the Proposed Franchising Scheme and services to which the Service Permit Scheme would apply).

Do you have any comments on this?

See Section 2.9.2 of the Executive Summary (or 3.1 of the consultation document) for information to support answering this question.

Q3

The Strategic Case summarises the South Yorkshire bus network's day to day challenges and concludes that it is not performing as well as it should be.

Do you have any comments on this?

See Section 2.8 of the Executive Summary (or 4.2.4.2 of the consultation document) for information to support answering this question.

Q4

The Strategic Case concludes that a Proposed Franchising Scheme is the best option for South Yorkshire Mayoral Combined Authority (when compared to EP and EP Plus) to deliver its aims and strategic objectives for buses in the region.

Do you have any comments on this?

See Section 2.9.2 of the Executive Summary (or 4.2 of the consultation document) for information to support answering this question.

Q5

(a) To what extent do you agree or disagree that the introduction of the Proposed Franchising Scheme will improve bus services in the South Yorkshire region?

- Strongly agree
- Tend to agree
- Neither agree nor disagree
- Tend to disagree
- Strongly disagree
- Don't know

(b) Why do you say this?

Q6

The Economic Case concludes that, of all the Bus Reform options considered, the Proposed Franchising Scheme would offer the best value for money for the South Yorkshire Mayoral Combined Authority.

Do you have any comments on this?

See Section 2.9.3 of the Executive Summary (or 4.3 of the consultation document) for information to support answering this question.

Q7

The Commercial Case concludes that the Proposed Franchising Scheme reduces barriers to entry by providing fleet and depots to operators, thereby supporting increased competition for franchise contracts.

Do you have any comments on this?

See Section 2.9.4 of the Executive Summary (or 4.4 of the consultation document) for information to support answering this question.

Q8

The Financial Case concludes that the Proposed Franchising Scheme would be affordable for the South Yorkshire Mayoral Combined Authority, but that there are further risks which would need to be carefully managed.

Do you have any comments on this?

See Section 2.9.5 of the Executive Summary (or 4.5 of the consultation document) for information to support answering this question.

Q9

The Management Case concludes that the Proposed Franchising Scheme is deliverable and sets out how South Yorkshire Mayoral Combined Authority would implement and manage it.

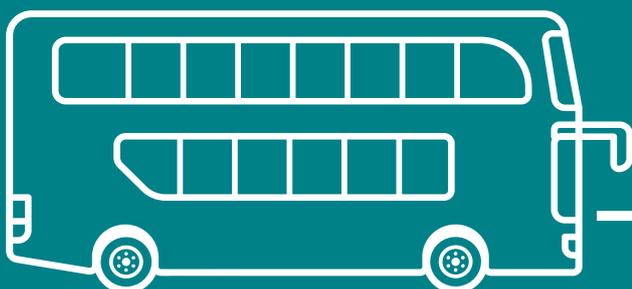
Do you have any comments on this?

See Section 2.9.6 of the Executive Summary (or 4.6 of the consultation document) for information to support answering this question.

Q10

Do you have any further comments?

3 — Description of the Franchising Scheme



3 Description of the Franchising Scheme

This Section summarises the Proposed Franchising Scheme which is set out in detail in Appendix B. The Proposed Franchising Scheme is the draft of the legal scheme which is required to be made in accordance with the Transport Act 2000 as amended by the Bus Services Act 2017 (“the Act”) to implement Bus Franchising across South Yorkshire.

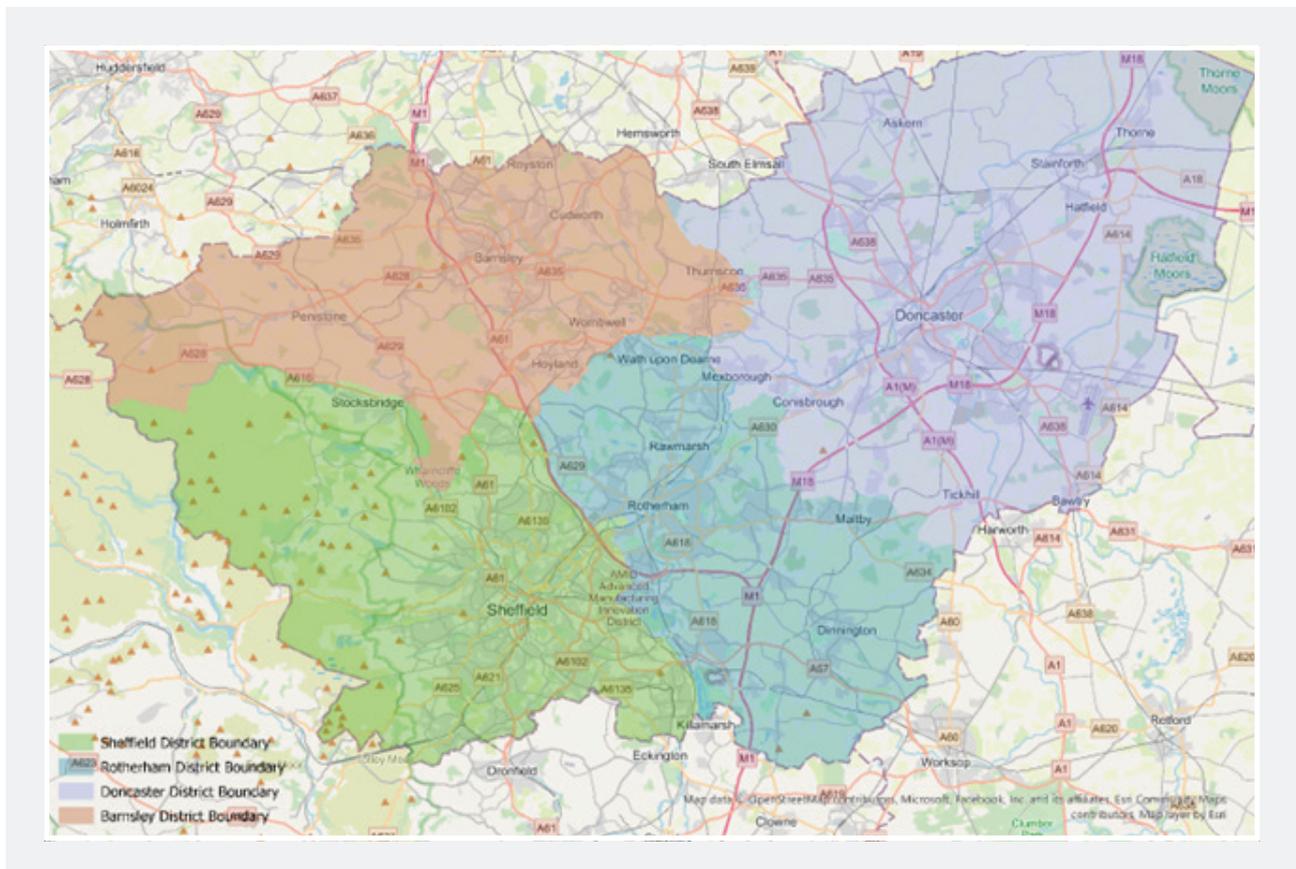
The Section summarises what the Proposed Franchising Scheme is, the area that the Proposed Franchising Scheme would operate, a description of the franchised services the MCA proposes to provide, the date in which the authority proposes to make the Franchising Scheme and a description of the MCA’s plans for ongoing engagement throughout the life of the Franchising Scheme.

3.1 Map of Franchised Service Area

The Proposed Franchising Scheme will cover the whole area of South Yorkshire shown in the map below. The whole area will become part of the scheme at the same time. The actual services will be tendered out as Franchise contracts in tranches based on the Lotting Strategy set out in the Commercial Case.

Figure 1 provides a map of the franchised service area. The area matches with the boundaries of the MCA and includes the four district authorities of Barnsley, Doncaster, Rotherham and Sheffield.

Figure 1 Map of Franchised Serviced Area



3.2 Services to be Franchised

The Proposed Franchising Scheme would apply to all services across South Yorkshire (other than services excepted from the Proposed Franchising Scheme and services to which the service permit scheme would apply).

The services listed in Appendix B Annex 1 reflect those included within the modelling for the Assessment. This ensures that the list of services reflects those which were included in the network considered for the Assessment. These lists may need to be updated after the conclusion of this consultation and prior to the Proposed Franchising Scheme being implemented to reflect changes to the bus network in the interim.

There are also local services that are excepted from the Proposed Franchising Scheme which are listed in Appendix B Annex 2. This includes, for example, rail or light rail replacement bus services, shuttle/feeder services in the event of road closures or scheduled long distance coach services.

There are also services that are outside the scope of the Proposed Franchising Scheme that will require a service permit to continue operating within South Yorkshire. Examples of these services include cross-boundary services. In line with statutory requirements, the MCA will consult on a Service Permit Scheme separately.

3.3 Dates of Franchising Scheme

The key dates for the Proposed Franchising Scheme include:

- The date on which the Proposed Franchising Scheme is expected to be made: 1 May 2025
- The first date on which the MCA proposes to enter into contracts with operators to provide franchised services: 1 April 2027
- The proposed mobilisation period for a franchise contract (the time between a contract start date and buses being on the road) is 6 months with the Scheme expected to come into operation on the 1 October 2027.

3.4 Plans for Ongoing Engagement

The Act and the Bus Franchising Guidance sets out the key stakeholders that the MCA must consult on the Proposed Franchising Scheme including:

- local bus operators
- representatives of employees of such operators
- organisations representing local passengers
- local authorities who would be affected by the Proposed Franchising Scheme, including National Parks Authorities where relevant; and
- a traffic commissioner, chief officers of police for areas to which the proposed scheme relates, Transport Focus (the Passengers' Council), and the Competition and Markets Authority

All these statutory stakeholders are being consulted as part of this consultation process.

The Bus Franchising Guidance also requires the MCA to set out its plans for ongoing engagement during the life of the Franchising Scheme and to seek views on how well the scheme is working. Appendix B Section 8 provides an outline of the plan for consulting on the operation of the scheme. It indicates that the MCA will consult

organisations that are representative of the users of local bus services. This will include seeking views of users on how well the scheme is working. The MCA will make public its response to any consultation carried out.

3.4.1 Long Questionnaire on the Proposed Franchising Scheme

Q1

(a) Overall, to what extent do you support or oppose the introduction of the Proposed Franchising Scheme?

- Strongly support
- Support in part
- Neither support nor oppose
- Oppose in part
- Strongly oppose
- Don't know

(b) Why do you say this?

Q2

Do you have any further comments?

Q3

The Proposed Franchising Scheme would cover the whole area of South Yorkshire. This includes the four district authorities of Barnsley, Doncaster, Rotherham and Sheffield. It would apply to all services across South Yorkshire (other than some services excepted from the Proposed Franchising Scheme and services to which the Service Permit Scheme would apply).

Do you have any comments on this?

Q4

Appendix B Annexes 1 and 2 of the Proposed Franchising Scheme list the local services which are proposed to be included and exempt.

Do you have any comments on these?

See Appendix B, Annexes 1 and 2 of the Proposed Franchising Scheme for a list of services included and exempt.

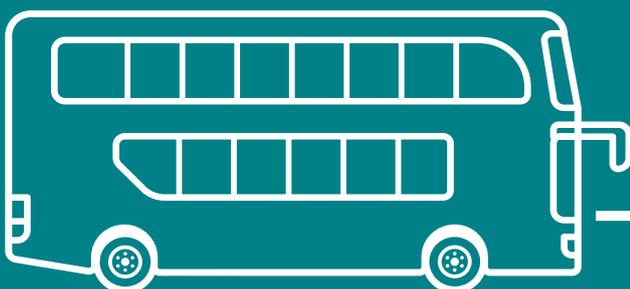
Q5

The Proposed Franchising Scheme outlines the key dates on which franchising would come into operation.

Do you have any comments on this?

See Section 3.3 of the consultation document for information to support answering this question.

4 — Introduction to South Yorkshire's Assessment of the Proposed Franchising Scheme



4 Introduction to South Yorkshire's Assessment of the Proposed Franchising Scheme

The Assessment comprises the five-case assessment of the Proposed Franchising Scheme and alternative options, as required by the Act and the Department for Transport's Bus Franchising Guidance. The Assessment has been undertaken in accordance with the Bus Franchising Guidance, as well as HM Treasury's Green Book Guidance and Transport Appraisal Guidance.

The Assessment is structured as follows:

- The **Strategic Case** sets out the rationale for regulatory change, the MCA's objectives for bus services and the Enhanced Partnership (EP) and different Franchising Options to be assessed. The full Strategic Case includes an assessment of the options and the preferred option recommendation;
- The **Economic Case** provides the value for money assessment of the options.
- The **Commercial Case** outlines commercial and procurement considerations for each of the options.
- The **Financial Case** includes the costs, funding options and affordability assessment for the options.
- The **Management Case** details the proposed approach to management and delivery of the options.

4.1 Options for Bus Reform

The Assessment considers variations of Bus Franchising, EP and EP Plus Bus Reform options. A long-list of six options was explored and evaluated. These options are outlined below. The options differ in terms of whether the MCA or the bus operators would own the bus depots and/or the vehicles and who would be responsible for the risk associated with the uncertainty in income (known as revenue risk).

The Strategic and Commercial Cases provide an assessment of the long-list of all six options and reach the view that **Franchising Option B (where the MCA owns the depots and fleet) is the preferred Franchising Option and therefore referred to as the Proposed Franchising Scheme**.

Based on this assessment, the **Economic, Financial and Management Cases only consider a short-list of options including EP, EP Plus and Franchising Option B ("the Proposed Franchising Scheme")**.

Long-list of options considered in the Strategic and Commercial Cases:

Table 8 Long-list of options considered in the Strategic and Commercial Cases

| | EP (Do Nothing option / Reference Case) | EP Plus | Franchising Option A | Franchising Option B Proposed Franchising Scheme | Franchising Option C | Franchising Option D |
|---------------|---|-------------------|-------------------------|--|-------------------------|-------------------------|
| Depots | Operator Owned | Operator Owned | Operator Owned | MCA Owned | Operator Owned | MCA Owned |
| Vehicles | Operator Owned | Operator Owned | Operator Owned | MCA Owned | MCA Owned | Operator Owned |
| Revenues Risk | Operators Risk | Operators Risk | MCA Risk | MCA Risk | MCA Risk | MCA Risk |

Short-list of options considered in the Economic, Financial and Management Cases:

Table 9 Short-list of options considered in the Economic, Financial and Management Cases

| | EP (Do Nothing option / Reference Case) | EP Plus | Franchising Option B Proposed Franchising Scheme |
|---------------|---|-------------------|--|
| Depots | Operator Owned | Operator Owned | MCA Owned |
| Vehicles | Operator Owned | Operator Owned | MCA Owned |
| Revenues Risk | Operators Risk | Operators Risk | MCA Risk |

4.2 Strategic Case

4.2.1 Introduction

The Strategic Case assesses the Case for Change and the potential ways the operating model of bus services in South Yorkshire could be reformed to achieve the region's objectives for the bus network.

Six options are assessed in the Strategic Case, four variations of Bus Franchising and an Enhanced Partnership Plus option are assessed against the existing Enhanced Partnership bus operating model.

This Strategic Case forms a part of the five-case Assessment of the Franchising Scheme, as required by the Act.

4.2.2 The Role of Buses in South Yorkshire

Buses are the most used form of public transport in South Yorkshire, but the current bus system has seen a long-term decline in usage as poor performance has pushed those relying on the bus to seek other modes.

Buses play a key role in the South Yorkshire economy, helping people get to work, improving access to education opportunities and allowing friends and families to meet. The importance of buses in delivering the MCA's aims to grow South Yorkshire's economy, reach the region's climate ambitions and tackle social exclusion is significant.

The MCA and Mayor recognise the importance of buses in delivering against wider objectives for the region. The MCA's Transport Strategy, Strategic Economic Plan and the Mayor's election manifesto all draw on the importance of public transport and in particular buses in delivering improved outcomes for the region. The Mayor's election manifesto includes the strategic goal of:

“Fixing South Yorkshire’s buses so public transport is the efficient, effective public service it used to be.”

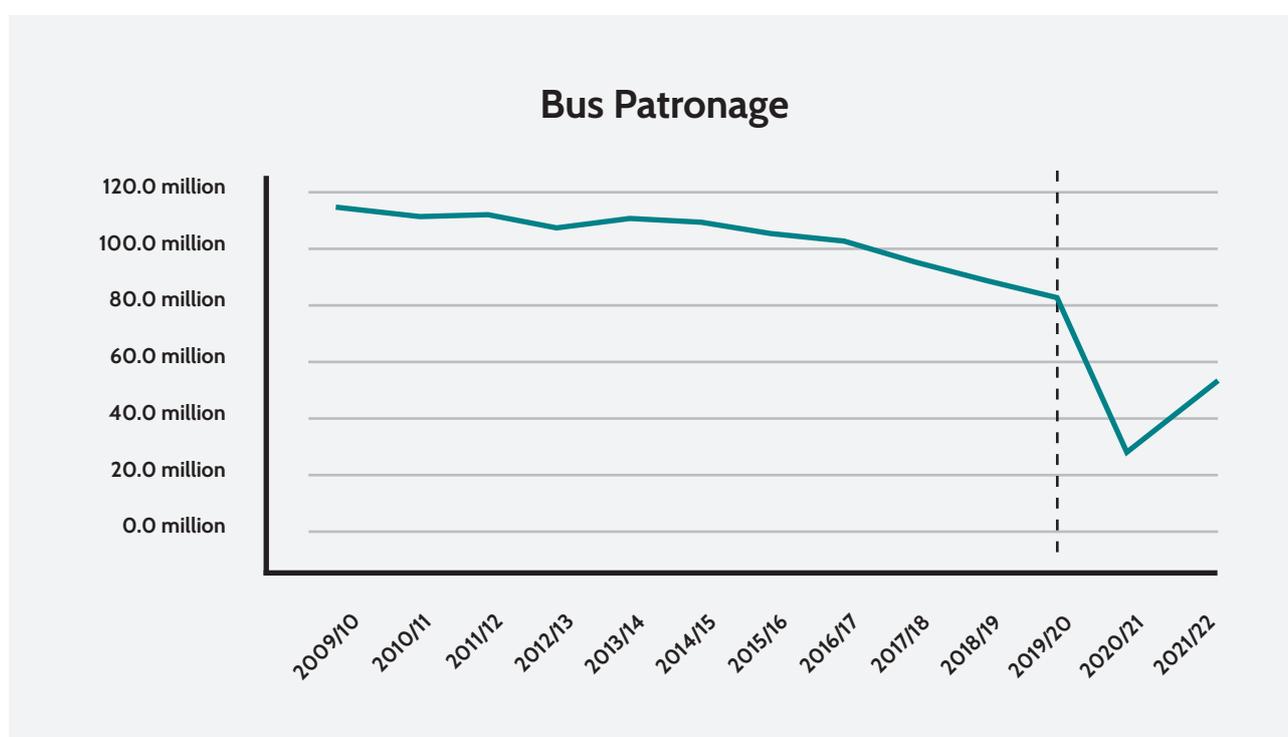
The South Yorkshire Bus Service Improvement Plan (BSIP) outlines how the MCA will work closely with bus operators in the region and sets out a vision for jointly delivering improvements to bus services. The Bus Service

Improvement Plan (BSIP) is an important document, outlining the existing Enhanced Partnership operation of bus services in South Yorkshire.

Bus usage trends demonstrated a steady decline between 2010 and 2019. This decline has been seen across England however South Yorkshire has experienced a faster decline than comparable city regions and is on track to continue to decline. This decline is shown in Figure 2.

In line with national trends, bus usage in South Yorkshire decreased sharply during the COVID-19 pandemic when trips decreased by over 50% compared with the previous year. While some of this decline has been reversed (bus demand was roughly 70% of pre-COVID levels in 2021/22, the most recent year for which data is available), current data and future projections suggest that a shortfall in demand of at least 10%, when compared to pre-COVID demand, is likely to remain.

Figure 2 Bus patronage in South Yorkshire



This decline in patronage and issues with network performance have resulted in a major strategic problem for the bus network. This can be characterised as an unattractive network for many users leading to further decline in usage and undermined long-term viability, harming the bus network's ability to play its necessary role in supporting the region's strategic goals.

4.2.3 Objectives for the Bus Network

The objectives for the bus network have been developed to assess the different options for Bus Reform. The objectives are closely tied to the Case for Change and take into account the wider ambitions for the South Yorkshire region, the findings of the Bus Review, the ambitions of the Bus Service Improvement Plan (BSIP) and the important role that South Yorkshire's buses play in the region.

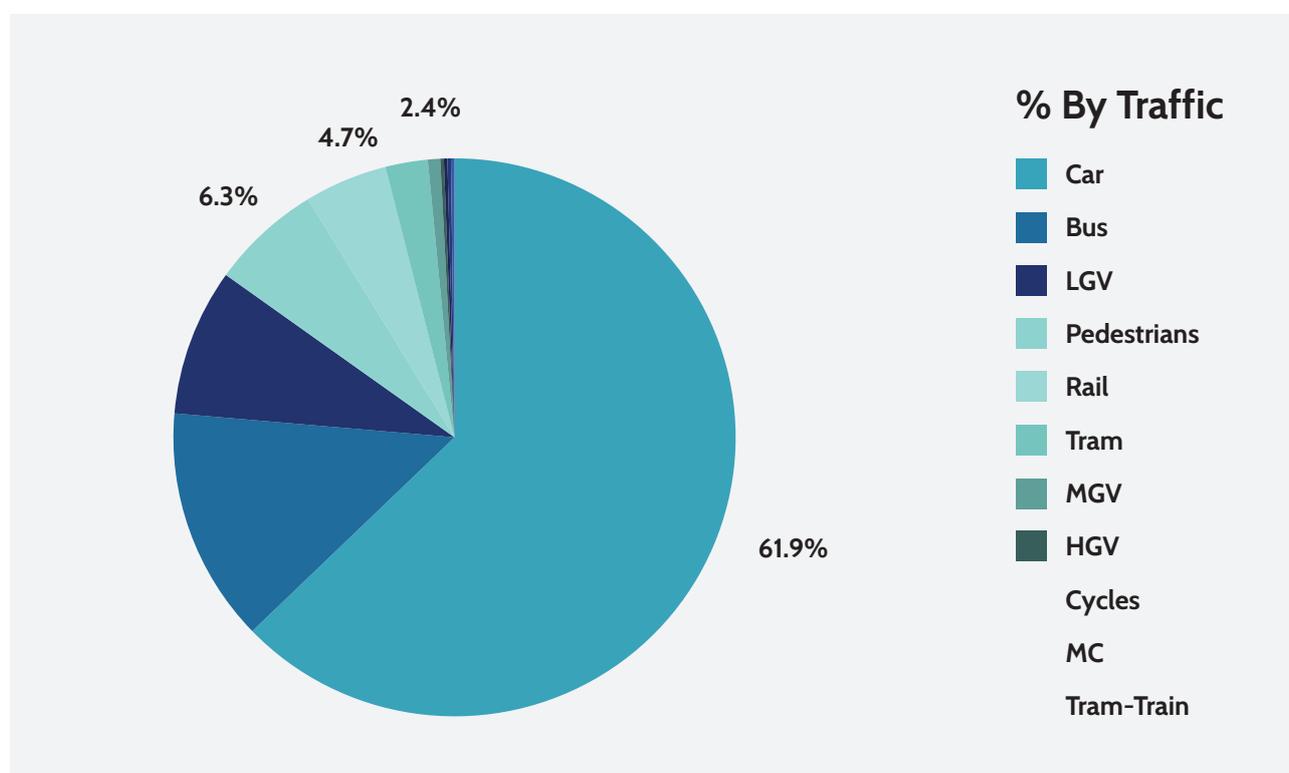
- **Objective 1 – Affordability:** The delivery model must be affordable to the MCA.

- **Objective 2 – Value for Money:** The delivery model must achieve value for money to the MCA.
- **Objective 3 – Passenger Demand:** The delivery model should drive increases in passenger demand.
- **Objective 4 – Coverage and Connectivity:** The delivery model should increase in coverage and connectivity across the region.
- **Objective 5 – Punctuality and Reliability:** The delivery model should increase the punctuality and reliability of bus services.
- **Objective 6 – Market Conditions:** The delivery model should increase the presence of operators in the bus network.
- **Objective 7 – Environmental Sustainability:** The delivery model should drive an environmentally sustainable bus network.
- **Objective 8 – Societal Responsiveness:** The delivery model should drive improved responsiveness to societal needs through connectivity.
- **Objective 9 – Supporting the Most Vulnerable:** The delivery model will support a network that supports society's most vulnerable.
- **Objective 10 – Equity in Customer Experience:** The delivery model will drive equity in experience for customers.
- **Objective 11 – Deliverability:** The delivery model must be deliverable

4.2.4 The Case for Change

Travel by private car is the dominant way of travelling around South Yorkshire. As shown in Figure 3, around 60% of all trips in the region were reported to be undertaken by car in 2019, the most recent year with representative data available.

Figure 3 Travel by mode in South Yorkshire



Buses are the most used mode of public transport in South Yorkshire though bus use has experienced a long-term decline. The impacts of the pandemic on travel patterns are expected to contribute to a 10% shortfall in demand when compared to pre-pandemic levels.

As reduced demand has contributed to additional financial pressure on the network, services have been cut and curtailed. As this happens, to maintain the bus network against these cuts, increased use of public funds is required to run tendered services.

4.2.4.1 How Transport Contributes to the Region's Priorities

A well-functioning transport network is needed to successfully achieve the priorities and aims of the region. This is recognised across the economic and energy strategies for South Yorkshire as well as in the Mayor's election manifesto.

To achieve South Yorkshire's economic growth ambitions and to make the economy more resilient, the drag on growth that traffic congestion causes needs to be overcome. An efficient public transport system improves the strength and resilience of the local economy, whilst reducing traffic congestion.

South Yorkshire's aim to place people at the heart of the economy, with a decent quality of life, is directly supported by creating a fair, affordable and integrated transport system. Public transport plays an important role in supporting people from marginalised groups and areas of deprivation access opportunities, where car ownership tends to be low. A successful public transport system supports a more inclusive wellbeing-based economy.

Shifting trips away from private vehicles to more sustainable transport options is key to achieving a low carbon economy. All modes of transport will need to transition towards low and zero emission technologies with public transport playing a key role in achieving a lower overall environmental impact.

4.2.4.2 Challenges Facing the Bus Network

At the onset of the COVID-19 pandemic in June 2020, the South Yorkshire Bus Review identified the bus network's day-to-day challenges that prevent it from fully playing its role in achieving the region's aims. The review included a consultation with over 5,900 responses received from residents. Table 10 summarises the key findings from this review.

Table 10 Challenges facing the bus network in South Yorkshire



Poor Punctuality

Punctuality in South Yorkshire is typically between 80-85% (this increased to 88% during the COVID-19 pandemic as congestion and passenger numbers reduced). This is below the Senior Traffic Commissioner's guidance which states 95% of services should arrive on time. Poor punctuality is in part due to congestion on the network and misuse of bus lanes



Poor Reliability

Over 60% of respondents were either dissatisfied or very dissatisfied with bus reliability across South Yorkshire. The key causes include driver recruitment issues, lack of operator enforcement and fleet condition (the average age of the fleet being currently approximately 11.5 years, compared to the national average of approximately 8 years).



Inconsistent standards and accessibility

The standard of bus network and information provision is variable, with the passenger offer (including fleet) differing greatly across South Yorkshire. Therefore, the experience varies significantly for passengers. For example, the MCA can't currently set pram or wheelchair capacity levels above national minimum regulations.



Regular, large-scale service changes

In 2006/07 the bus network in South Yorkshire operated 43 million miles, by 2024/25 it is anticipated to have shrunk to 20 million miles. The current system restricts major service changes to two set dates per year, but these can be large in scale and reduce customer confidence in the long-term stability of the network.



Variable service frequencies

Service frequency is poor in some areas due to services being focused on peak demand periods, congestion slowing bus journey times and a downward spiral of demand. For example, the 2024/2025 Bradway-Sheffield city centre-Woodhouse service operates every 10 minutes between Sheffield and Woodhouse Monday-Friday daytimes but reduces to two per hour after 20:30. In the evenings there are gaps of up to 51 minutes



Poor connectivity

More than 30% of trips taken by bus in South Yorkshire include making a transfer to use more than one bus service. There is poor connectivity between services for those making these trips and this most significantly affects low-income users in rural and suburban areas. This is driven by timetables not being joined up and has been made worse by the overall coverage of the bus network significantly declining.



Complex fares and ticketing

There are at least 100 types of period tickets available (with single tickets in addition to these) across South Yorkshire. Ticketing options, both within bus and for multi-modal tickets, are varied and confusing for passengers, and it is difficult to link prices to wider societal goals.



Personal security

Passengers, especially vulnerable user groups including women, the elderly and those with disabilities, may feel unsafe while using the bus network. This is partly caused by poor quality of bus stops, which are controlled by the MCA. The MCA has committed to measures under the current EP to provide up to 1,500 new or replacement bus shelters and 1,250 additional real-time information displays at bus stops.

Additional information on the challenges facing the bus network can be found in Section 1.3.2 in the Strategic Case of the main Assessment document.

4.2.4.3 The Social Impacts of an Underperforming Bus Network

An underperforming bus network impacts a wide range of economic and social factors in the region. While the level of bus services is not the only cause of these issues, buses are the most-used form of public transport and so could play a greater role in tackling them if the service were improved above what is offered currently.

The most vulnerable people across South Yorkshire are the most likely to experience transport poverty, meaning they struggle to access essential services and employment and education opportunities due to limited access to transport services or the high cost of accessing services relative to income. It is estimated there are 146,000 people across the region in this position.

Analysis and commentary on the relationship between bus usage, income and access to a car is explored in Section 1.3.1.1 in the Strategic Case of the Assessment.

Access to employment and education opportunities across South Yorkshire is also limited due to poor public transport connectivity and this has contributed to the higher-than-average economic deprivation seen in the region. Reliance on private car trips and associated congestion in the region also results in negative impacts on economic growth. This limited connectivity impacts the ability of the region's economy to act in a whole joined-up way.

Around 5.5% of all adult deaths in South Yorkshire can be attributed to poor air quality. This costs the NHS hundreds of millions of pounds a year annually and traffic is a key source of poor air quality in South Yorkshire. Additionally, 36% of South Yorkshire's carbon emissions are attributed to road transport. Shifting people from private car trips to bus trips reduces the number of cars on the road.

4.2.4.4 The Impact of Doing Nothing

Under the current bus system arrangement bus operators, local authorities and relevant private sector stakeholders have different incentives and aims on the planning and operation of the bus network. For example, local authorities can realise benefits from wider areas of society that benefit from a bus service, such as increased town centre footfall, more so than a private operator who has to rely more on financial return on investment from the selling of tickets against the cost of running services.

This lack of coordination disincentivises public sector investment in measures to support the network as local authorities have limited control over timetables and fares and so cannot ensure the benefits associated with investment in bus supporting measures will materialise.

Alongside this there is a lack of commercial case for the private sector to invest in the bus network as declining patronage discourages reinvestment as there is a perceived uncertainty in the continuing size of their business. Poor alignment of stakeholder incentives, a lack of return on political investment and a lack of a single body of accountability has created significant barriers to a thriving bus network under the current arrangement.

Additional information on the existing barriers to a successful bus network in South Yorkshire are explored in greater detail in Section 1.3.4 in the Strategic Case of the Assessment.

4.2.4.5 Summarised Case for Change

A well-functioning public transport network, as a real alternative to the dominance of the private car, is critical to achieving the MCA's priorities for South Yorkshire. A well-performing bus network contributes to local economic growth, supports the regional transition towards net-zero and an inclusive well-being based economy.

Currently bus services in the region face challenges in respect to poor punctuality, variable service frequencies, large-scale service changes and complex fares and ticketing. This results in social problems and without intervention will continue contributing to the 146,000 people in the region estimated to be living in transport poverty.

Without making a change to the current operating model, incentives for the bus network will carry on being misaligned with the region's wider strategies and ambitions. Additionally, the MCA will continue to see a lack of return on investment in buses and the lack of a single body of accountability may leave customers with a lack of trust in taking the bus.

4.2.5 Neighbouring Strategies

South Yorkshire borders West Yorkshire, North Yorkshire, the East Riding of Yorkshire, Derbyshire, North Lincolnshire and Nottinghamshire. West Yorkshire Combined Authority has recently developed a Bus Franchising assessment for West Yorkshire.

Flows of people across the region's borders are important for employment, education and leisure purposes. There are a number of bus routes that cross the boundary of South Yorkshire either for a short distance or to connect urban centres across regions with large sections within both South Yorkshire and another region.

Whether assessing options for Franchising or operating under an Enhanced Partnership, many of the goals and ambitions of the local authorities neighbouring South Yorkshire are similar to those in the region: economic growth, sustainability, reduced social exclusion and improved connectivity for all.

Reform to the bus operating model in South Yorkshire will need to be undertaken alongside engagement with neighbouring local authorities, as has been undertaken throughout the development of the Assessment, to ensure no unintended negative outcomes.

The Assessment indicates that the MCA's aims to improve the bus network are aligned with neighbouring authorities. Cross-boundary services would be operated under a Service Permit Scheme that supports existing and future cross-boundary services.

4.2.6 Options for Bus Reform

Six options for Bus Reform are explored and evaluated in the Strategic Case, four relating to variations of Bus Franchising, the existing Enhanced Partnership and Enhance Partnership Plus (the existing operation under additional investment and conditions closer to the franchised network).

The options differ in terms of whether the MCA or the bus operators would own the bus depots and/or the vehicles and who would be responsible for the risk associated with the uncertainty in income (known as revenue risk). This is outlined in Table 11.

Table 11 Bus Reform options

| | EP (Do Nothing option / Reference Case) | EP Plus | Franchising Option A | Franchising Option B Proposed Franchising Scheme | Franchising Option C | Franchising Option D |
|---------------|---|-------------------|-------------------------|--|-------------------------|-------------------------|
| Depots | Operator Owned | Operator Owned | Operator Owned | MCA Owned | Operator Owned | MCA Owned |
| Vehicles | Operator Owned | Operator Owned | Operator Owned | MCA Owned | MCA Owned | Operator Owned |
| Revenues Risk | Operators Risk | Operators Risk | MCA Risk | MCA Risk | MCA Risk | MCA Risk |

To compare the difference in the options for Bus Reform, a number of categories have been identified as the most important elements to a successful bus network in respect to attractiveness and passenger demand (informed by the South Yorkshire Bus Review 2019) and the region's climate goals.

These categories are:

- Network and Timetable Planning
- Bus Priority Infrastructure
- Fares and Ticketing
- Branding and Marketing
- Travel Information
- Performance Management

For each of these categories, the roles and responsibilities under the different options are described in Table 12.

Table 12 Roles and responsibilities under Bus Reform options

| | | | |
|--------------------------------|--|---|--|
| Network and Timetable Planning | The bus network is designed by operators on a commercial basis. MCA fills in the gaps of socially necessary services that aren't being provided for, where funding is available. Changes to the design of the bus network can only be done twice a year. | MCA and the bus operators would work closer together to better design the network, such as more equally spreading buses across the region. If funding is available, MCA will fill more gaps into the commercial network. | Network and timetable planned under one process with all services planned together and decisions based on the costs and benefits to people rather than focused on income. If funding is available, MCA will provide more services than today. |
| Bus Priority Infrastructure | Operators are consulted on bus priority infrastructure and provide information such as delay hot spots but are not directly responsible for improvements. Therefore, Bus operator and MCA's roles are divided. | MCA and bus operators would work closer together to ensure coordination between priority infrastructure and the bus services using the infrastructure. If funding is available, the delivery of bus priority measures would be accelerated and increased. | Bus priority infrastructure and network planning are undertaken by the same organisation. The same organisation that delivers the infrastructure receives benefit through income from tickets. If funding is available, the delivery of bus priority measures would be accelerated and increased. |
| Fares and Ticketing | MCA subsidises fares, with the operator's agreement, such as the £2 fare cap and concession schemes. The use of tickets that are specific to one operator and the current premium paid for a multi-operator ticket is being reviewed. | The premium for multi-operator tickets would be removed and a ticketing system that works across operators in a tap-and-cap style would be introduced. If funding is available, ticket prices could be reduced through MCA funding. | MCA would have full control over fares, the structure of tickets and where tickets are sold. If funding is available, ticket prices could be reduced through MCA funding. Changes to whole-network fares and ticket sales would be simplified under a Franchising scheme as these would not require negotiations with operators. |

| | | | |
|-------------------------------------|---|---|---|
| Branding and Marketing | Plans for a single brand for South Yorkshire, potentially including a single livery. However, bus operators are likely to retain elements of their own branding such as brand names or logos on vehicles. | If funding is available, closer working between MCA and bus operators to ensure a coordinated marketing campaign to increase bus use. | Bus livery, marketing and branding to be controlled by the MCA unless Franchising contracts state otherwise. |
| Travel Information | MCA operates a travel information hub, but operators offer individual apps, customer services, journey planners and real-time information products. MCA website provides travel information. | If funding and resource is available, MCA aim to provide a single integrated source of information with the Travel SY app. Operators own apps are likely to continue to exist alongside this. | If funding and resource is available, the Travel SY app is to be developed into a single, comprehensive, source of information. |
| Transition to a Zero Emission Fleet | A commitment to review bus fleet replacement and retrofit to achieve a zero emission fleet. Currently, UK government ZEBRA fund has delivered zero emission electric buses across three routes. A transition to zero emission buses on commercial services depends on operators' priorities and fleet strategy. Historically some operators have moved older diesel vehicles into use in South Yorkshire after running in other areas of the country. | If funding is available, an increased pace of transition to a zero emission fleet would be implemented. MCA to support bus operators in accessing any national and regional funding schemes relevant to this. Bus operators would fund the base cost of replacing a diesel vehicle with national government or MCA covering the additional cost associated for a zero emission bus. Zero emission buses could be made mandatory on tendered services. | If funding is available, an increased pace of transition to a zero emission fleet with zero emission buses is to be mandatory on all franchised contracts from a suitable date. MCA would have full control of the pace and transition to zero emission buses as they would either choose when to purchase them or when to require operators to do so, depending on the vehicle ownership model chosen. |
| Performance Management | Internal team within MCA monitor performance to ensure contractual obligations are met on tendered services. Full use of powers and ability to sanction and fine operators are used in a limited capacity. MCA discuss poor performance with operators but cannot legally sanction operators for performance on commercial services. | If funding is available, a more stringent performance management process is to be used for tendered services. This may lead to increased prices charged by operators to MCA for these services. Additionally, MCA could cancel commercial services however this is unlikely due to the risk of this causing gaps in the network and worse experience for customers as well as damaging bus operator and MCA relations. | Franchised contracts would include realistic minimum performance standards and targets. Penalties and rewards to be used based on operator performance. MCA could change operators of services at contract renewal and exclude poorly performing operators from bidding for other contracts. |

4.2.7 Assessment of Options against Objectives

The Strategic Case has highlighted why South Yorkshire's bus network is not fully aligned with achieving the MCA's aims for the region, and the connection between this and the current EP operating model. To address this, six options for the future operating model of the bus network (continuing with the EP, EP Plus or adopting a Franchising Scheme under four different depot/fleet ownership Franchising Options A to D) have been proposed and assessed against the MCA's objectives for the future bus network

4.2.7.1 Affordability

The Franchising Options vary in terms of affordability. Franchising Option B is defined as the most affordable as a large portion of the costs associated with fleet and depot ownership would be funded through grants. EP Plus is not affordable as higher costs arise from private sector borrowing.

4.2.7.2 Value for Money

EP Plus and Franchising Option B demonstrate more benefits and revenue than costs relative to the existing EP. All Bus Reform options would generate value for money for the MCA.

4.2.7.3 *Wider Strategic Objectives*

Analysis shows that the Franchising Options more readily facilitate the remaining MCA's strategic objectives. This includes an improved responsiveness to societal needs, a network that supports society's most vulnerable and providing equity in experience for customers. Additionally, the Franchising Options more readily drive increases in passenger demand, improvements in reliability and improving connectivity across the region. This is as the MCA can design the network, service provision and performance standards to increase connectivity, reliability and punctuality. Franchising Options B and D also support the objective to increase the presence of operators in the bus network through supporting greater competition in franchise contracts, with Franchising Option B (where both depot and fleets are provided by the MCA) better meeting this objective than Franchising Option D.

4.2.7.4 *Deliverability*

The EP, EP Plus and Franchising Options vary in terms of deliverability, ability to increase the presence of operators in the network and driving an environmentally sustainable bus network. For the options with operator ownership of fleet there is reduced control over a move to zero emission buses (ZEB) as the MCA does not own the buses.

For Franchising Options (A and C) with operator ownership of depots, whilst there are no changes to ownership from the existing EP it is likely to be extremely difficult to run a competitive commercial tendering process as the existing operators are favoured due to their ownership of strategically located depots. To enter the market would require a new operator to buy or construct a depot, representing a high barrier to entry potentially reducing the presence of operators in the network. For these reasons, Franchising Options A and C are not considered deliverable. Conversely, Franchising Options B and D (where the MCA owns the depots) are assessed as being commercially viable as they would facilitate competition for franchise contracts, although it is noted that there are risks and challenges with the MCA securing the remaining strategic depots in the region.

4.2.7.5 *Preferred Option*

Franchising Option B is therefore the preferred option as it is considered deliverable, affordable, maximises competition for franchise contracts, provides the MCA greater control to deliver against the MCA's objectives and demonstrates value for money.

Greater detail of the assessment of options against objectives alongside a visual multi-criteria assessment table can be found in Section 1.6 in the Strategic Case of the Assessment.

4.2.8 **Conclusion**

Enhanced Partnership Plus and the four Franchising Options are Bus Reform options that would deliver improved outcomes against the existing Enhanced Partnership operating model. The Strategic Case summarises that Franchising Option B (the MCA owning both the bus depots and the fleet of vehicles) would provide the greatest benefits and deliver the most impact against the region's aims and ambitions.

Working alongside operators to deliver an Enhanced Partnership Plus or Franchising option including operator ownership of assets would provide clear benefits. However, many interventions would rely on negotiation and agreement with the bus operators and therefore reduces the control the MCA has to deliver improved outcomes. These options would still require investment but deliver less certainty as agreements would need to be negotiated.

Many interventions and improved outcomes depend on additional funding, which does not differ between the Franchising Options and the Enhanced Partnership Plus. However the incentives to invest in the network, the

efficiencies made through more holistic planning and the assurance that investment will deliver against desired outcomes are significantly improved by Franchising Option B. As the preferred option, Franchising Option B is therefore referred to as the Proposed Franchising Scheme.

4.2.9 Long Questionnaire on the Strategic Case

Q6

The Strategic Case summarises the South Yorkshire bus network's day to day challenges and concludes that it is not performing as well as it should be

Do you have any comments on this?

See Section 4.2.4.2 of the consultation document for information to support answering this question.

Q7

The Strategic Case concludes that a Proposed Franchising Scheme is the best option for South Yorkshire Mayoral Combined Authority (when compared to EP and EP Plus) to deliver its aims and strategic objectives for buses in the region.

Do you have any comments on this?

See Section 4.2 of the consultation document for information to support answering this question.

Q8

(a) To what extent do you agree or disagree that the introduction of the Proposed Franchising Scheme?

- Strongly support
- Support in part
- Neither support nor oppose
- Oppose in part
- Strongly oppose
- Don't know

(b) Why do you say this?

Q9

The Strategic Case assesses six options for Bus Reform. These included four Franchising Options (including the Proposed Franchising Scheme), an EP Plus scheme and the existing EP.

Do you have any comments on these?

See Section 4.2.6 of the consultation document for information to support answering this question.

Q10

The Strategic Case assesses the potential impact of the Proposed Franchising Scheme in South Yorkshire on neighbouring local authority areas.

Do you have any comments on this?

See Section 4.2.5 of the consultation document for information to support answering this question.

Q11

The Strategic Case assesses the potential impacts of introducing a Proposed Franchising Scheme and its ability to contribute to delivering against South Yorkshire Mayoral Combined Authority's objectives for the bus network.

Do you have any comments on this?

See Section 4.2.7 of the consultation document for information to support answering this question.

4.3 Economic Case

4.3.1 Introduction

The purpose of the Economic Case of the Assessment is to analyse the differences between the performance of the options for Bus Reform for South Yorkshire. Only the short-list of options is taken forward for consideration due to the conclusions of the Strategic and Commercial Cases including the Proposed Franchising Scheme (Franchising Option B) and EP Plus options. It considers the benefits that could be achieved for each option and the Value for Money (VfM) of the options considered. The options are compared against the current EP option (referred to as the Do-Nothing option or the Reference Case), which would see buses continue to be run by bus operators as they do today, with key decisions on service level provided taken by the operators. The impacts and benefits of the Proposed Franchising Scheme and EP Plus option have been quantified, where possible. Wider economic impacts, which are not accounted for in direct impacts, have also been analysed, to consider any impacts and benefits that are not easily monetised.

The Economic Case complies with Section 123B of the Transport Act 2000 and has been undertaken in accordance with the HM Treasury Green Book guidance as well Transport Appraisal Guidance (TAG).

4.3.2 Impacts of the Options

The key differences between the impacts of the options are set out in this Section. This considers the impacts on passengers, the existing bus operators and the MCA.

Enhanced Partnership (Reference Case)

For passengers, under the current EP (also referred to as the Reference Case or Do Nothing option), it is expected that there would be a reduction in bus services in line with the current trends, with bus frequency reductions and/or wholesale removal of bus routes. Tendered and socially necessary services may be retained, but this will be limited by the ability of the MCA to provide additional funding. Fares and ticketing arrangements would remain the same with any changes to these or commitments to single fare and ticketing arrangement required to be agreed under the current EP. Current issues experienced by passengers on poor punctuality and reliability would continue.

For operators, with a continued decline in patronage in line with recent trends, the ability to continue to operate services on a commercial basis will lead to a reduction in services overtime, affecting the profitability of their companies in absolute terms. Operators would still be able to set their own fares and ticketing products (unless otherwise agreed through the EP) but changes to the network on a periodic basis (currently about twice a year) should be expected to continue. In some cases, as has been the case in South Yorkshire in relative recent history, operators may exit the market.

For the MCA, the current EP model exposes the MCA to revenue risk indirectly (through tendered services). The MCA spends its annual budget for bus services in a reactive manner and is exposed to the risk of declining passenger revenues in the South Yorkshire bus market, reacting to where services are no longer considered commercially viable by the operators. This cycle is expected to continue, increasing pressure on the MCA to support more services. Any changes to fares or ticketing structures are agreed through the EP.

EP Plus

For passengers, an EP Plus operating model provides an opportunity to simplify ticketing and address some current differences in fares across South Yorkshire. However, it is very unlikely that there would be a move to a full, multi-operator ticketing system under the EP Plus. There may also be opportunities for network enhancements; however, a continued decline in bus patronage and associated revenue would result in further changes (reductions) to the bus network. There may be scope to address some of the current issues experienced by passengers on poor punctuality and reliability through the EP, but standards and accountability would need to be agreed by the operators as part of the EP.

For operators, in an EP Plus there could be opportunities for them to develop routes in discussions with the MCA, with the potential impacts being increased operational hours for new or existing routes which will in turn increase operating costs for the operators. If the routes are commercially successful, this could increase the proportion of the network running without public sector financial support. However, if patronage expectations are not met, operators could still choose to cease operating routes. Fares and ticketing products would be negotiated, but operators would still have freedom to set fares and tickets for their own routes, unless it is agreed through the EP that this is not permitted.

For the MCA, there would be an ongoing cost under the EP Plus associated with maintaining tendered and socially necessary services. The MCA can seek to negotiate on fares and ticketing products, but would not be able to dictate on a single point of sales for tickets.

Franchising

For passengers, a Franchising Scheme would offer a more efficient service delivery operating a reduced operating margin, allowing a more coordinated and planned network design, and a greater requirement to drive better value for the public. It could provide, simple and integrated ticketing under one brand with a single sales channel, a consistent fare structure across the whole region, a single identity for bus services which is easy to understand, consistent standards of service and network coverage and one accountable body with integrated real time information acting as a single point of contact for customers.

For operators, a Franchising Scheme can provide a de-risked and stable operating environment with contractual incentives to ensure a focus on service delivery, reliability, customer care and contractually agreed standards. It could remove barriers to entry to the market and could encourage greater competition in the bus market in the region. The revenue risk passes to the MCA and there will be cost savings for operators who would no longer feel the cost burden of owning depots and investing in maintaining and renewing the bus fleet. For operators currently operating in South Yorkshire, their share of the market and associated profits may be impacted if they do not successfully win service contracts.

For the MCA, a Franchising Scheme would provide full autonomy over the network design and allow it to put in place more stringent performance measures and incentives than is possible under EP. It would provide for greater and more consistent levels of connectivity where more effective cross-subsidy allows for the development of a more comprehensive network. It would increase the ability to better integrate bus services with other transport models such as the tram heavy rail services and walking and cycling routes. It would place greater emphasis on reliability and ease of use, which may increase passenger numbers and allow better alignment of policies to support growing patronage and improving service.

4.3.3 Economic Appraisal Assumptions

Approach

Cost benefit analysis is an economic evaluation tool, based upon the principles of welfare economics, which is often applied to public sector projects. It is used to assess public spending in terms of the benefits and costs that will accrue to society, as opposed to those in the private sector which are concerned primarily with a financial analysis of revenues and profits for the organisation.

The various costs and benefits of a proposed infrastructure project are monetised and compared in order to help evaluate whether a project should proceed, whether it would be an efficient allocation of resources and the value of any benefits that would accrue as a result (i.e. net economic worth of a project).

The monetary value of the impacts of the options were calculated and totalled over a 30-year appraisal period. The values for future years have been adjusted to account for inflation and the declining value of future costs and benefits. This process is to ensure that costs and benefits are compared on a like for like basis, with both expressed as a '2010 present value', referred to as the net present value (NPV). The NPV presents the difference between the present value of benefits and the present value of costs over a period of time (30 years in this case) and is used to show the overall benefit of the options. This is reported alongside the benefit cost ratio (BCR), which compares the present value of benefits with the costs and investments of a project or investment.

Full details of the approach adopted for the Economic Case are set out in Sections 2.3 and 2.4 of the Economic Case.

Bus Network

The modelling and economic assessment considered the whole of South Yorkshire and includes all tendered and commercial bus services including Small and Medium Sized Operators (SMOs). Demand Responsive Transport (DRT) and Community Transport were not included. Services to schools which are supported with MCA funding are considered.

The assessment of the EP Plus option and the Franchising Options including the Economic Appraisal, has been undertaken on the basis of the following networks:

- The Reference Case (an EP operating model), which is based on the network as it operated from the end of October 2023 taking into account timetable changes implemented at the end of October, as well as a reduction in tendered services budget which would occur once the level of funding currently committed reduces in March 2025.
- The EP Plus and Franchising Scheme network, which considers the network as it operated from the end of October 2023 with the tendered services budget restored over the course of the transition period. This same network has been assessed for the EP Plus option and Franchising Options.

Further details of the networks assessed for the Reference Case, EP Plus and Franchising Options are provided in Section 2.4.4 of the Economic Case.

Demand

A key assumption taken is that the underlying demand for bus travel would fall in line with the decline in bus patronage seen in recent years, and in line with a continued decline in patronage throughout the appraisal period, as per DfT national forecasts.

The existing demand on the network was established using DfT national forecast base year data for 2023 for

commuting bus trips, business bus trips, and other bus trips on an average weekday. This data was evaluated for trips between areas within South Yorkshire (defined using Census output areas) and for relevant parts of the East Midlands (Derbyshire), West Yorkshire and the Humber Region (including North Lincolnshire) – areas where bus cross-boundary services operate to and from South Yorkshire. Demand was assessed for two modes, bus and car.

The demand analysis is set out in further detail in Section 2.5 of the Economic Case.

4.3.4 Benefits

A number of benefits of the EP Plus and Proposed Franchising Scheme have been assessed relative to the Reference Case. There are two broad categories of benefits: user benefits, which accrue to existing and new bus passengers, and non-user benefits, which accrue to wider society including people who never travel by bus. The benefits include:

- The overall benefits to bus users of the improvements to bus services, such as changes to reliability and journey time benefits.
- Non-bus user benefits such as those associated with fewer car trips being undertaken and more trips being undertaken by bus. This considers reduction in congestion and improvements to traffic-related noise and air quality.
- Changes in bus revenue associated with increases in bus patronage when compared with the Reference Case.
- Indirect taxation benefits (or disbenefits) which is the change in tax received by central government.
- Benefits to the private sector in the form of the profit margin received by the bus operators.
- The increase in the zero emission bus (ZEB) fleet and the associated environmental benefits.
- Disbenefits to the private sector where the cost of investment in fleet and depots is retained with the private sector (through the bus operators).

Wider economic impacts have also been analysed, to consider any impacts and benefits that are not easily monetised. These benefits consider impacts on productivity benefits associated with static agglomeration and labour supply impacts. These benefits are typically presented in an adjusted BCR. For this assessment, the key wider economic benefit is on agglomeration, which considers productivity benefits resulting from increased agglomeration which enables markets to function more efficiently, for instance enabling businesses to access a wider catchment of suppliers, customers and a larger labour pool.

The details of the calculations of the above benefits are provided in Section 2.9 of the Economic Case. This includes the wider economic benefits in Section 2.9.4.

4.3.5 Costs

Both capital and operating costs have been estimated for the EP, EP Plus option and the Proposed Franchising Scheme. The capital costs include the costs of the assets including buses and depots while the operating costs include the cost of running bus services including driving staff and fuel. A detailed assessment of costs was undertaken to understand the changes in net costs, which is the difference between the cost and revenue that the MCA is expected to receive under the Proposed Franchising Scheme and EP Plus. The costs considered include:

- Changes in bus operating costs, including maintenance of vehicles and staff costs.
- Changes to staffing and management costs borne by the MCA due to the setting up and administration of the Proposed Franchising Scheme.
- Costs associated with the investment in the bus fleet and depots, including the need to consider upgrading the fleet to zero emission buses (ZEB) with the associated work required at depots.

To compare the costs required to implement the Proposed Franchising Scheme or EP Plus as opposed to the Reference Case, the difference between the Proposed Franchising Scheme and the EP Plus option, and Reference Case net costs were calculated and inform the NPV calculations.

Details of the costs are described in Section 2.8 of the Economic Case, with full details provided in the Financial Case.

4.3.6 Results

The results of the economic appraisal for the core assessment are set out in Table 13 while Table 14 provides a summary of the overall results when the wider economic benefits are considered. Full details are provided in Section 2.12 of the Economic Case in the Assessment.

Table 13 Appraisal Results for the EP Plus and Franchising Option

| Benefits | £'000s, 2010 prices | |
|--|-----------------------------|-----------------------------|
| | EP Plus | Proposed Franchising Scheme |
| Time Savings - Network changes and reliability improvement | 97,079 | 97,079 |
| Congestion | 1,596 | 2,074 |
| Infrastructure | 8 | 10 |
| Accident | 173 | 225 |
| Local Air Quality | 10 | 13 |
| Noise | 12 | 16 |
| Greenhouse Gases | 148 | 193 |
| Indirect Taxation | -1,250 | -1,536 |
| ZEB Benefits | 31,505 | 31,505 |
| Profit Margin | 158,185 | 78,162 |
| Disbenefit - Private Sector | -106,925 | 0 |
| Benefits | Proposed Franchising Scheme | |
| Present Value of Benefits (PVB) | 180,543 | 207,741 |
| Present Value of Costs (PVC) | 102,019 | 97,367 |
| Net Present Value (NPV) | 78,523 | 110,374 |
| BCR | 1.77 | 2.13 |

Table 14 Appraisal Results for the EP Plus and Franchising Option including wider economic benefits

| | £'000s, 2010 prices | |
|---------------------------------|---------------------|-----------------------------|
| | EP Plus | Proposed Franchising Scheme |
| Present Value of Benefits (PVB) | 191,631 | 219,491 |
| Present Value of Costs (PVC) | 102,019 | 97,367 |
| Net Present Value (NPV) | 89,612 | 122,124 |
| BCR | 1.88 | 2.25 |

The results show that, based on the current analysis and current network scenario, the EP Plus and Proposed Franchising Scheme would achieve a positive Net Present Value (NPV – which is the difference between the present value of benefits and the present value of costs over a period of time). The Proposed Franchising Scheme has a higher NPV than the EP Plus option. The Benefit Cost Ratio (BCR - which compares the present value of benefits with the costs and investments of a project or investment) is also shown for both options. The Proposed Franchising Scheme would achieve 'High' VfM whereas the EP Plus option would achieve 'Medium' VfM.

The inclusion of the wider economic impacts as part of the adjusted values increases the NPV for the EP Plus option and the Proposed Franchising Scheme, with the Proposed Franchising Scheme continuing to provide better value for money than EP Plus.

4.3.7 Scenarios

There is limited availability of data to derive bus and car demand, particularly at an origin and destination level. As such, there is inherent uncertainty in the actual demand that is used in this analysis and a comprehensive demand forecasting exercise was not commissioned as part of this assessment. Rather, this analysis focuses on the relative costs and benefits of the Proposed Franchising Scheme or an EP plus option against a conservative Reference Case.

To address this uncertainty, a number of scenarios have been developed to appraise the performance of the EP Plus and Proposed Franchising Scheme against different future forecasts of demand, revenue and cost. This ensures that a range of potential future scenarios are considered, and how the appraisal may respond to changing forecasts moving forward.

The scenarios considered are as follows:

- A 10% increase in revenue
- A 10% decrease in revenue
- A 10% increase in operating costs
- A 10% decrease in operating costs
- Inflation increasing in line Retail Price Index (RPI) +1% (rather than just RPI)
- Inflation increasing in line with Consumer Prices Index (CPI) (rather than in line with RPI)
- A 10% increase in demand (with a corresponding 10% increase in fare-paying revenue)
- A 10% decrease in demand (with a corresponding 10% decrease in fare-paying revenue)

The results of these scenarios are summarised in Table 15 to Table 18. Full details and outputs are presented in Section 2.13 of the Economic Case.

Table 15 Appraisal Results for the EP Plus and Franchising Option – Revenue increase/decrease scenarios

| Benefits | £'000s, 2010 prices | | |
|---------------------------------|----------------------|----------------------------------|----------------------------------|
| | Franchising Option B | Scenario: Revenue Increase (10%) | Scenario: Revenue Decrease (10%) |
| Present Value of Benefits (PVB) | 207,741 | 207,741 | 207,741 |
| Present Value of Costs (PVC) | 97,367 | 24,579 | 170,154 |
| Net Present Value (NPV) | 110,374 | 183,161 | 37,586 |
| BCR | 2.13 | 8.45 | 1.22 |

In the scenario where the revenue increases by 10%, the PVC decreases (due to the increase in revenue) resulting in an increased NPV and BCR relative to the core assessment. The scheme would achieve very high VfM. In the sensitivity where the revenue decreases by 10%, the reverse occurs, and the scheme would achieve low VfM. Considering the wider economic benefits, the conclusions of this scenario would not change.

Table 16 Appraisal Results for the EP Plus and Franchising Option – costs increase/decrease scenarios

| Benefits | £'000s, 2010 prices | | |
|---------------------------------|----------------------|----------------------------------|----------------------------------|
| | Franchising Option B | Scenario: Revenue Increase (10%) | Scenario: Revenue Decrease (10%) |
| Present Value of Benefits (PVB) | 207,741 | 210,263 | 205,128 |
| Present Value of Costs (PVC) | 97,367 | 200,930 | -14,200 |
| Net Present Value (NPV) | 110,374 | 9,333 | 219,418 |
| BCR | 2.13 | 1.05 | -14.45 |

For the scenario where the operating costs increases, the annual surplus/deficit is lower compared to the core assessment which results in a higher PVC. This results in a lower BCR relative to the core assessment. The scheme would achieve low Value for Money.

For the scenario where the operating costs decrease, the reverse occurs, leading to a negative PVC (meaning the annual surplus/deficit would be better than the Reference Case), an increased NPV and a financially positive BCR relative to the core assessment. The scheme would achieve very high Value for Money.

Considering the wider economic benefits the conclusions would not change.

Table 17 Appraisal Results for the EP Plus and Franchising Option – RPI +1%/CPI scenarios

| Benefits | £'000s, 2010 prices | | |
|---------------------------------|----------------------|----------------------------------|----------------------------------|
| | Franchising Option B | Scenario: Revenue Increase (10%) | Scenario: Revenue Decrease (10%) |
| Present Value of Benefits (PVB) | 207,741 | 219,551 | 195,840 |
| Present Value of Costs (PVC) | 97,367 | 160,337 | 29,628 |
| Net Present Value (NPV) | 110,374 | 59,174 | 166,212 |
| BCR | 2.13 | 1.37 | 6.61 |

For the RPI +1% scenario, the increase in Retail Price Index (RPI) is applied to fare-paying ticket revenue and capital expenditure. This leads to an increase in profit margin and an overall decrease in total surplus/deficit resulting in a higher PVC. There is a decrease in NPV and decrease in BCR compared to the core assessment. The scheme would achieve low Value for Money.

In the Consumer Prices Index (CPI) scenario, there is a decrease in fare-paying ticket revenue and capital expenditure resulting in a decrease in profit margin and a lower PVC. The resultant BCR increases due to the larger impact of CPI on the PVC. The scheme would achieve very-high Value for Money.

Considering the wider economic benefits the conclusions would not change.

Table 18 Appraisal Results for the EP Plus and Franchising Option – demand increase/decrease scenarios

| Benefits | £'000s, 2010 prices | | |
|---------------------------------|----------------------|----------------------------------|----------------------------------|
| | Franchising Option B | Scenario: Revenue Increase (10%) | Scenario: Revenue Decrease (10%) |
| Present Value of Benefits (PVB) | 207,741 | 217,548 | 197,933 |
| Present Value of Costs (PVC) | 97,367 | 24,579 | 170,154 |
| Net Present Value (NPV) | 110,374 | 192,969 | 27,779 |
| BCR | 2.13 | 8.85 | 1.16 |

With a demand and revenue increase of 10%, the bus-user benefits increase with a corresponding decrease in the PVC due to the increase in revenue. This results in an increase in the NPV and BCR relative to the core assessment. This scenario would achieve very-high Value for Money.

Conversely, with a decrease in the demand and corresponding revenue, the bus-user benefits decrease with an increase in the PVC. This results in a decrease in the NPV and BCR relative to the core assessment. This scenario would achieve low Value for Money.

4.3.8 Economic Case Conclusion

The results show that, based on the current analysis and current network scenario, both options would generate more benefits and revenue than the cost required to implement and operate them with both achieving a positive NPV, meaning a higher level of overall monetised impact. The analysis does show that the Proposed Franchising Scheme has a higher NPV than the EP Plus option and would provide higher Value for Money. The inclusion of the wider economic impacts as part of the adjusted values increases the NPV for the EP Plus option and the Proposed Franchising Scheme, with the Proposed Franchising Scheme continuing to perform better than EP Plus.

The advantages of implementing a Franchising Scheme are primarily through the greater control the MCA would achieve over the operation of the bus network including network planning, ticketing and fare initiatives as well as the programme for increasing the proportion of ZEBs operating on the network. Therefore, the outcomes expected with a Franchising Scheme are therefore likely to be more deliverable than compared to the current EP, or an EP Plus option where agreement with the incumbent operators is required, and the Economic Case supports this conclusion.

4.3.9 Long Questionnaire on the Economic Case

Q12

The Economic Case outlines the projected impact of the Proposed Franchising Scheme on bus passengers.

Do you have any comments on this?

See Section 4.3.2 of the consultation document for information to support answering this question.

Q13

The Economic Case outlines the projected impact of the Proposed Franchising Scheme on bus operators.

Do you have any comments on this?

See Section 4.3.2 of the consultation document for information to support answering this question.

Q14

The Economic Case outlines the projected impact of the Proposed Franchising Scheme on South Yorkshire Mayoral Combined Authority.

Do you have any comments on this?

See Section 4.3.2 of the consultation document for information to support answering this question.

Q15

The Economic Case concludes that, of all the Bus Reform options considered, the Proposed Franchising Scheme would offer the best value for money for the South Yorkshire Mayoral Combined Authority.

Do you have any comments on this?

See Sections 4.3 of the consultation document for information to support answering this question.

4.4 Commercial Case

4.4.1 Introduction

The Commercial Case sets out the commercial arrangements for delivery of the different options for Bus Reform in South Yorkshire. It considers how the MCA can structure the commercial arrangements of options so as to best secure the high-quality bus services that the MCA seeks. It considers the full long-list of six options including EP, EP Plus and Franchising Options A, B, C and D which are summarised in Section 4.1.1.1 with Franchising Option B being the Proposed Franchising Scheme.

4.4.2 Overview of current commercial arrangements

As outlined in Section 2.5, since 1986, bus services in South Yorkshire have been deregulated. This means that responsibilities for the vehicles, routes, service frequencies and fares rests with private sector bus operators. Responsibility for on-street bus infrastructure such as bus stops sits with the MCA. The commercial bus services in South Yorkshire are currently operated by 23 different bus operators. The three largest operators First South Yorkshire, Stagecoach Yorkshire, and TM Travel, operate over 90% of the annual bus mileage and provide 98% of passenger journeys. Non-commercial, socially necessary services are delivered by bus operators acting under contract with the MCA. These are known as 'Tendered Services'.

The fleet of vehicles used to operate bus services is owned and maintained by commercial operators. Intelligent Transport Systems (ITS) such as Electronic Ticket Machines, Automatic Vehicle Location hardware and CCTV are also owned by commercial operators.

With the exception of Doncaster which is owned by the MCA and is leased to First South Yorkshire, the depots used by commercial operators to provide bus services in South Yorkshire are also owned and operated by those operators.

4.4.3 Commercial Approach to EP Plus

There is assumed to be no significant commercial difference between the Reference Case (EP) and EP Plus options that are under consideration in the Assessment, other than holding operators harmless for introducing unified ticketing under EP Plus. Any differences between those two options lies in the extent to which it is assumed to be possible to reach agreement through the EP Plus between the MCA and bus operators negotiating agreements to deliver improvements to the bus network.

4.4.4 Development of commercial Franchise models for bus operations

Unlike the EP Plus option, Franchising Options A to D represent significant changes in commercial approach to the current arrangements.

Under the EP and the EP Plus option, both strategic and operational control of the bus network in South Yorkshire sits with commercial bus operators, although under EP Plus, the MCA holds a degree of influence – but not control – over the network. Under the Franchising Options, strategic control would be held by the MCA, while operational control would remain with bus operators. These shifts in responsibilities are important in determining the appropriate commercial approach to take for the options.

4.4.5 Overview of financial risk allocation

The two financial risks that are the most relevant in considering the commercial structure of franchised bus operations are cost risk and farebox revenue risk. Cost risk relates to the risks that the costs of running bus services are different from those anticipated; farebox revenue risk relates to the risk that revenue received in respect of bus services is different from that anticipated.

From detailed analysis and market engagement, it is concluded that (i) **cost risk with franchised bus operators**, and (ii) **farebox revenue risk with the MCA** are the appropriate approach for Franchising.

4.4.6 Assets under Franchising Options

The principal assets relevant to consideration of the four Franchising Options are bus depots and bus fleets.

For Franchising Options that involve the MCA owning depots, the MCA will need to enter into commercial negotiations with the present owners to acquire existing depots. These negotiations may not be successful in allowing the MCA to acquire depots at market value. In this eventuality the MCA could seek to compulsorily purchase (CPO) the depots. Additionally, the MCA has also begun a detailed exercise exploring options for the development of alternative depots that could be used for franchised services.

For Franchising Options that involve the MCA owning fleet, a number of responsibilities would be likely to lie with the MCA in respect of its ownership of those vehicles. These responsibilities include vehicle specification, including interface with those designing customer experience; vehicle procurement, including both initial procurement and an ongoing renewal programme; monitoring of compliance with vehicle maintenance standards; pricing and management of leases to franchisees; ongoing relationship management with lessees; fleet condition monitoring; sale of redundant vehicles; management of transfer between franchisees at the end of franchise agreements; and financial management and forecasting. The nature of the leases of fleet to operators would need to be developed following a decision to pursue one of these two Franchising Options.

4.4.7 Summary of commercial proposition

Table 19 summarises the commercial approach for each of the options under consideration

Table 19 Summary of commercial approach

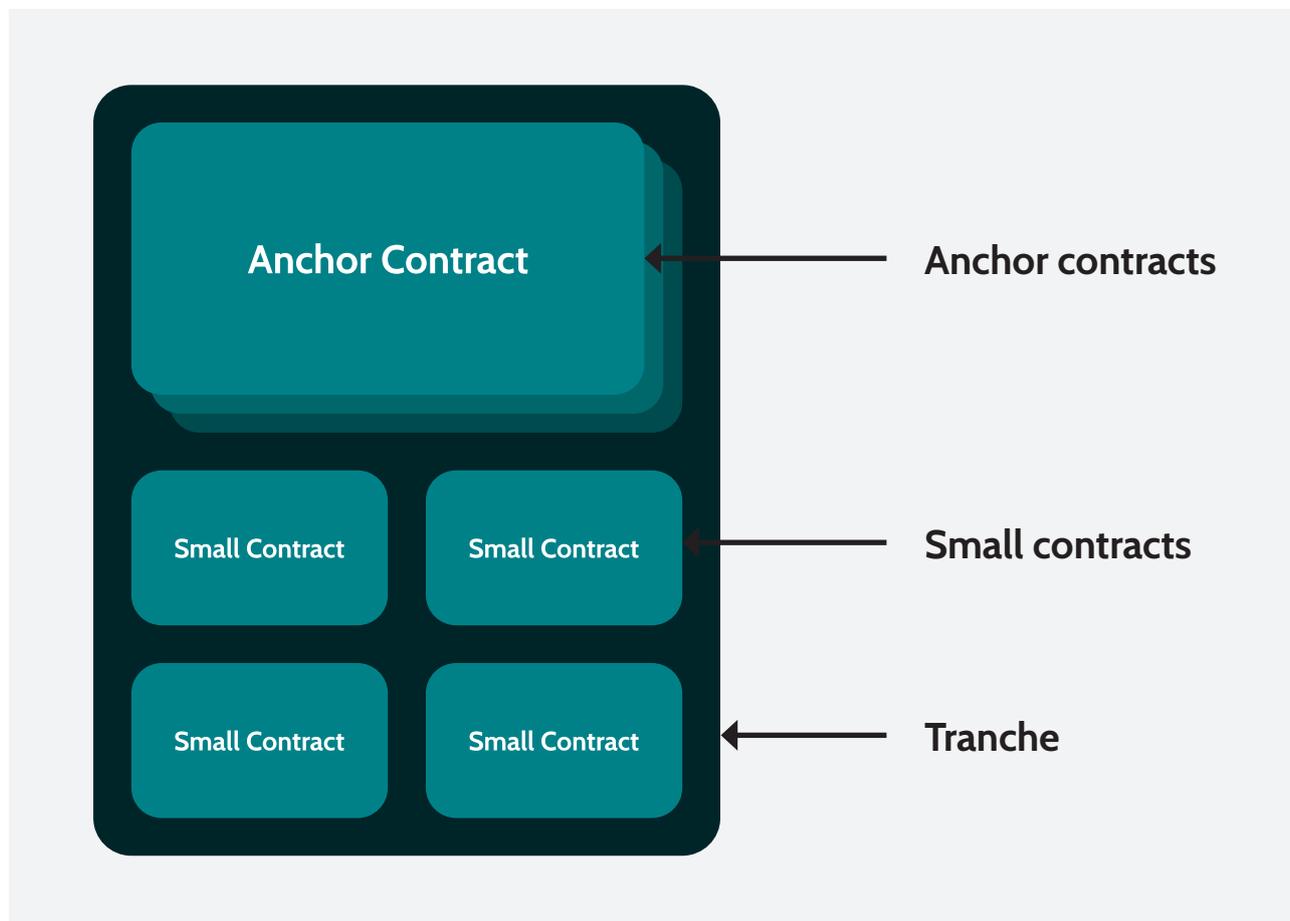
| | Reference Case (EP) | EP Plus | Franchising Options | | | |
|--|---|---|---|----------------------|----------------------|----------------------|
| | | | Franchising Option A | Franchising Option B | Franchising Option C | Franchising Option D |
| Cost risk | Can only sit with bus operators | Can only sit with bus operators | Transferred to bus operators Exceptions (e.g. for inflation) to be considered by the MCA at the point of contract design. | | | |
| Revenue risk | Can only sit with bus operators | Can only sit with bus operators | The MCA. Depending on design of the performance regime, operator may be incentivised to drive and capture revenue. | | | |
| Fares and ticketing | Operator, with multi-operator ticketing provided through TravelMaster | Unified ticketing. Operators would be compensated for loss of revenue associated with their own ticketing products. | The MCA Any tickets sold by bus operators or other third parties would be sold on behalf of the MCA | | | |
| Revenue protection | Operator | Operator | Operators provide 'first line of defence' through franchise agreement. MCA to oversee, monitor and assure operators' revenue protection activities | | | |
| Bus and depot staff employment | Operator | Operator | Operator | | | |
| Network design | Operator, in discussion with the MCA through Enhanced Partnership | Operator, in discussion with the MCA through Enhanced Partnership. It is assumed that there is no network shrinkage compared to April 2023. | MCA, drawing on local operator knowledge Efficient network design potential may be undermined if depots are not provided by the MCA | | | |
| Service specification and timetabling | Operator in discussion with members of Enhanced Partnership | Operator in discussion with members of Enhanced Partnership | The MCA Potential for minor adjustments to be made through negotiation as part of procurement process | | | |
| Performance monitoring and enforcement | Operator and the MCA | Operator and the MCA | The MCA Operators are responsible for delivery against contractually-mandated standards and are responsible for provision of performance data to the MCA | | | |

| | Reference Case (EP) | EP Plus | Franchising Options | | | |
|----------------------------------|--|--|--|--|--|--|
| | | | Franchising Option A | Franchising Option B | Franchising Option C | Franchising Option D |
| Marketing and branding | Operator, with scope for potential future integrated branding agreed | Buses fully rebranded. The MCA pays full costs for branding existing vehicles. Operators fund the branding of new fleet as part of their renewals programme. | The MCA to design and own the transport brand Operators to deliver brand standards such as livery and interior specification on behalf of the MCA There may be scope secondary operator branding on franchised buses | | | |
| Customer service | Operator, with the MCA contact centre | Operator, with the MCA contact centre | The MCA Potential for second-tier elements (e.g. lost property) to be provided by operators as specified in franchise agreements. | | | |
| Depot operation and maintenance | | | Operator | | | |
| Depot renewal and enhancement | Operator, with scope for the MCA to contribute to retrofitting | Operator, with scope for the MCA to contribute to retrofitting | Operator, with scope for the MCA to contribute to retrofitting | the MCA, in coordination with operator(s) | Operator, with scope for the MCA to contribute to retrofitting | the MCA, in coordination with operator(s) |
| Fleet operations and maintenance | | | Operator | | | |
| Fleet renewal | Operator, with scope for the MCA to contribute funding in respect of desirable specification | Renewal and upgrade of fleet assumed. Portion of fleet costs covered by the MCA and rest operators | Operator, with scope for the MCA to contribute funding in respect of desirable specification | The MCA, in coordination with operator(s) | The MCA, in coordination with operator(s) | Operator, with scope for the MCA to contribute funding in respect of desirable specification |
| ITS | Operator, with scope for the MCA to contribute funding in respect of desirable specification | Operator, with scope for the MCA to contribute funding in respect of desirable specification | Operator, with scope for the MCA to contribute funding in respect of desirable specification | The MCA, in coordination with operator(s) | The MCA, in coordination with operator(s) | Operator, with scope for the MCA to contribute funding in respect of desirable specification |
| Contract length | Not applicable | Not applicable | Ten years | Five-year core term 2-year possible extension on the basis of either strong performance or MCA discretion | Ten years | Five-year core term 2-year possible extension on the basis of either strong performance or MCA discretion |

4.4.8 Lotting and Procurement

'Lotting' refers to how the bus network is divided into separate packages, each of which can be tendered in separate competitions. The assumed approach is shown in Figure 4.

Figure 4 Approach to lotting



It is assumed that three tranches would be let, each one of which would have anchor contract(s) services that are currently operated from one of seven strategic depots. The smaller contracts would not be aligned to a strategic depot and would be designed to be attractive to Small and Medium Operators (SMOs).

It may be appropriate to limit the number of franchise contracts that a single entity can hold as this may support the diversification of the market for bus service providers.

In order to develop assumptions for the Assessment, several different orderings were considered. The MCA's working assumption is that the ordering of the tranches will be that shown in the list below.

- Tranche 1: services currently operated from Ledger Way and Olive Grove depots
- Tranche 2: services currently operated from Barnsley and Rawmarsh depots
- Tranche 3: services currently operated from Holbrook, Ecclesfield and Halfway depots

4.4.9 Transition

It is assumed that following the making of a Franchising Scheme, commercial services and present tendered services will continue to run through a Service Permit Scheme which will be established by the MCA in line with the relevant regulations, until they are replaced by franchised operations.

4.4.10 Competitions

Under Franchising, the MCA would contract private bus operators to run services in line with the MCA's specification. The MCA would pay operators a pre-determined fee throughout the contract to run the services specified. This means that if the cost of running the buses was lower or higher than expected, the operators (rather than the MCA) would benefit or lose out respectively. The MCA would use competitions to decide which bus operators to award contracts to, and to set the fee levels that operators will be paid. In these competitions, the MCA is likely to look both at the quality of different operators' bids, and the prices that they offer. The use of competitions is expected to secure:

- optimal pricing for contracts, by using competitive tension in the market for bus services to incentivise operators to identify and deliver operational efficiencies and reductions in profit margins.
- innovation, by rewarding through evaluation novel and creative proposals from bus operators that may increase the benefits expected from each contract.

However, a competition alone is not sufficient to secure these benefits; there must in addition be robust competition for the contract within the procurement process. On the basis of structured engagement with incumbent and potential future bus operators, the following assessments are made:

- Franchising Option A (franchised operator provides both depot facilities and vehicles), and Franchising Option C (franchised operator provides depots and is provided with a fleet by the MCA), both place very high barriers to entry for operators that do not own or have access to depots, effectively limiting the market to operators that already possess appropriate depot facilities. These options are assessed as **not being capable** of supporting robust competition for franchise contracts.
- Franchising Option D (franchised operator provides vehicles, the MCA provides depot facilities), is assessed as being capable of supporting robust competition. While fleet provision represents a meaningful barrier to entry, market engagement indicated that sufficient mobilisation time can address this obstacle.
- Franchising Option B, under which the MCA provides franchised operators with both vehicles and depot facilities, is assessed as being capable of supporting robust competition for franchise contracts, as the barriers to entry involved are the lowest of any of the four Franchising Options.

To make sure that the private sector operators run the buses in accordance with the MCA's specification, the Assessment assumes that some of operators' fees will be linked to their performance levels through a 'performance regime'. This could help to incentivise operators to perform well. This could mean, for example, that if an operator's buses are cancelled, late, or dirty, then that operator may be paid less; if they are punctual, clean and otherwise as they are meant to be, then the operators may be paid more. The MCA may choose to set up its contracts so that if an operator consistently performs well, then the duration of its contract could be extended. Detailed arrangements for the contracts and the performance regime will need to be developed further if the MCA decides to move forward with Franchising.

4.4.11 Support for the involvement of SMOs in franchise competitions

The Bus Franchising Guidance requires that authorities 'consider how they intend to facilitate the involvement of small and medium sized operators'. This Section therefore analyses the factors relevant to competition from the particular perspective of small and medium-sized operators (SMOs). The approach to SMOs is outlined in Table 20.

Table 20 Approach to SMOs

| Factor | Commentary | Potential approach to ensuring factor does not inhibit competition for the MCA's contracts among SMOs |
|---|---|--|
| Factors relating to the structure of the competition | | |
| 1. Supplier knowledge of opportunity | Unlike larger operators, SMOs may not have the resource routinely to monitor procurement journals for opportunities. | <ul style="list-style-type: none"> Market engagement should be conducted for all contracts, not merely the 'anchor' contracts in each tranche Bespoke engagement sessions focused on small contracts may be appropriate SMOs may be encouraged to enter joint ventures with other bidders |
| 2. Pre-qualification requirements | SMOs may lack the capacity or capability to complete a pre-qualification application of the sort that may be appropriate for potential bidders for 'anchor' contracts. | <ul style="list-style-type: none"> Pre-qualification could not be required for bidders for small contracts. Alternatively, a separate pre-qualification system could be developed that would be used by bidders for small contracts |
| 3. Information available to bidders | SMOs may lack the capacity or capability to interpret complex datasets. | <ul style="list-style-type: none"> Information necessary for SMOs to bid for contracts should be presented in an accessible manner Factual support could be made available by the MCA to ensure that all potential bidders are able to access and interpret data on an equal basis |
| 4. Other market opportunities | SMOs may be less likely than larger operators to be seeking opportunities in multiple regions simultaneously, and this factor is likely therefore to represent a less significant barrier than for larger operators. | <ul style="list-style-type: none"> Development of a regularly-updated supplier-facing timetable for franchise competitions, to allow suppliers to plan the resourcing of their bids in advance |
| 5. Information available to bidders | Cost, timing and complexity of bidding | <ul style="list-style-type: none"> Ongoing discussion of approach with market participants as competition design is undertaken During competition design, consideration of areas where the MCA could reduce burdens on bidders — e.g. by providing templates, assumptions, or flexibility with regard to the format of certain elements of bids Consideration of use of a price-only evaluation approach Sufficient time to be allowed for bids to be developed SMOs may be encouraged to enter joint ventures with other bidders |
| 6. Likely competitors | SMOs may be reluctant to bid for contracts if they perceive that they are likely to be awarded to large incumbent operators, who could (for example) benefit from the economies of scale associated with their existing operations. | <ul style="list-style-type: none"> A prohibition on holders of 'anchor' contracts bidding for 'small' contracts could be assessed SMOs may be encouraged to enter joint ventures with other bidders |

| Factor | Commentary | Potential approach to ensuring factor does not inhibit competition for the MCA's contracts among SMOs |
|---|---|---|
| Factors related to the contract structure | | |
| 7. Barriers to entry | It is assumed that under all options, 'small' franchises will require franchised operators to provide depot facilities. Whether or not franchisees provide vehicles to operate their services will depend on the option selected. | <ul style="list-style-type: none"> The small scale of the 'small' franchises envisaged mean that it is not anticipated that these requirements would constitute significant barriers to entry for SMOs. SMOs may be encouraged to enter joint ventures with other bidders |
| 8. Contractual terms | SMOs may lack the capacity or capability to assess and respond to complex contractual requirements. | <ul style="list-style-type: none"> It may be appropriate to create separate contract templates for 'anchor' and 'small' contracts, with contractual complexity commensurate with the scale of the contracts for which the template will be used SMOs may be encouraged to enter joint ventures with other bidders |
| 9. Familiarity with contractual terms and structure | SMOs may lack the capacity or capability to be able to conduct due diligence on changing contract structures or terms in successive competitions. | <ul style="list-style-type: none"> Using a templated contract approach will reduce the level of due diligence that operators need to conduct in order to bid |

4.4.12 Risks

Franchising Options are commercially complex and will require appropriate resourcing and programme management to deliver and to identify, manage and mitigate risks, as described in the Management Case of this Assessment. Principal commercial risks in respect of Franchising Options include: the MCA's capability and capacity to deliver a complex programme; the MCA acquiring depots owned by operators; the MCA's ability to manage volatile revenue risk, including its ability to forecast costs and revenues accurately; operator insolvency; and procurement challenge. Key commercial risks with the EP Plus option include failure to negotiate agreements with operators, and Subsidy Control challenges regarding any MCA investment.

4.4.13 Conclusions of Commercial Case

The following conclusions have been drawn regarding the four Franchising Options under consideration:

- All four of the Franchising Options are commercially complex, and will require appropriate MCA resourcing and programme management, as described in the Management Case.
- Franchising Options A and C are not capable of supporting robust competition and would lead to poor value for money for the MCA and are therefore commercially unviable.
- Franchising Options B and D both appear commercially viable. However, they present significant challenges for the MCA in respect of its acquisition of the depots.
- From this Assessment, Franchising Option B is identified as its preferred Franchising Option and hence referred to as the Proposed Franchising Scheme, noting that it reduces barriers to entry by providing fleet and depots to operators, thereby supporting increased competition for franchise contracts.

Regarding EP Plus, if assumptions regarding outcomes deliverable through EP Plus are accurate, then from a commercial perspective EP Plus presents several advantages over Franchising Options:

- it avoids the significant commercial complexity associated with all of the Franchising Options.
- it avoids the transfer of significant direct financial risk relating to revenue to the MCA (although indirect

exposure remains through MCA subsidising any routes that become commercially unviable).

However, it is not possible to be certain at this stage that the assumptions made regarding the outcomes through EP Plus are accurate, and there are therefore significant risks in relation to securing the outcomes.

4.4.14 Long Questionnaire on the Commercial Case

Q16

The Commercial Case proposes that under the Proposed Franchising Scheme, cost risk will be transferred to operators, and revenue risk will be retained by South Yorkshire Mayoral Combined Authority.

Do you have any comments on this?

See Section 4.4.5 of the consultation document for information to support answering this question.

Q17

The Commercial Case proposes that, under the Proposed Franchising Scheme, South Yorkshire Mayoral Combined Authority would own both the bus fleet and strategic depots required to deliver services and provide them to operators.

Do you have any comments on this?

See Section 4.4.6 of the consultation document for information to support answering this question.

Q18

The Commercial Case sets out South Yorkshire Mayoral Combined Authority's proposed approach to lotting and envisages three tranches made up of 'anchor' contracts and 'small' contracts.

Do you have any comments on this?

See Section 4.4.8 of the consultation document for information to support answering this question.

Q19

The Commercial Case explains the importance of competition in delivering the Proposed Franchising Scheme and sets out approaches to maximise the benefits of competition.

Do you have any comments on this?

See Section 4.4.10 of the consultation document for information to support answering this question.

Q20

The Commercial Case outlines that the length of an agreement under the Proposed Franchising Scheme is to be 5 years. South Yorkshire Mayoral Combined Authority is also considering whether to offer extensions of 2 years where the operator performs strongly.

Do you have any comments on this?

See Section 4.4.7 of the consultation document for information to support answering this question.

Q21

The Commercial Case indicates that South Yorkshire Mayoral Combined Authority may choose to limit the number of franchise contracts that a single entity (or closely-linked entities) can operate, which may support the diversification of the market for bus service providers.

Do you have any comments on this?

See Section 4.4.8 of the consultation document for information to support answering this question.

Q22

The Commercial Case sets out a range of approaches that South Yorkshire Mayoral Combined Authority could take to support the involvement of small and medium operators in the provision of bus services. Do you have any comments on the approaches identified in the document?

Do you have any comments on this?

See Section 4.4.11 of the consultation document for information to support answering this question.

Q23

The Commercial Case identifies a range of commercial risks associated with the different options for Bus Reform, and identifies mitigations.

Do you have any comments on this?

See Section 4.4.12 of the consultation document for information to support answering this question.

Q24

The Commercial Case concludes that the Proposed Franchising Scheme reduces barriers to entry by providing fleet and depots to operators, thereby supporting increased competition for franchise contracts.

Do you have any comments on this?

See Section 4.4 of the consultation document for information to support answering this question.

4.5 Financial Case

4.5.1 Introduction

This Financial Case forms part of the five-case Assessment of the Franchising Scheme, as required by the Act. One of the requirements of the Bus Franchising Guidance is consideration of whether the authority is able to afford to make and operate the Proposed Franchising Scheme. The Financial Case sets out the financial implications of the EP (the Reference Case), EP Plus and Franchising to determine whether they are affordable.

The Financial Case examines the detailed cost, income and net financial position of EP, EP Plus and the Proposed Franchising Scheme (Franchising Option B) and considers whether they are affordable under the funding envelope agreed by the MCA for Bus Reform. Affordability for all the options is assessed over a 30-year period from 2024-25 to 2053-54.

4.5.2 Enhanced Partnership (The Reference Case)

The Enhanced Partnership model operating in South Yorkshire represents the current agreement that the MCA has with local bus operators in South Yorkshire. The current arrangements are summarised in Section 2.5 of this consultation document. Under this model the private sector takes revenue risk from running commercial bus services and aims to make a profit while the MCA funds socially important tendered services.

4.5.2.1 The MCA's Income

The MCA receives income from a range of sources including:

- Concessions zero fare pass income – funding the MCA receives from Local Education Authorities to support free bus passes for eligible students.
- Bus Services Operators Grant Devolved (BSOG) – the annual funding the MCA receives from the Department for Transport (DfT) for running tendered services.
- Bus Services Improvement Programme Plus (BSIP+) – a time-limited grant received from DfT for developing a Bus Services Improvement Programme Strategy.
- Other third-party funding sources and grants – including income from cross-boundary services, capacity grants and other sources.

This income amounted to c. £9.0 million in total for 2023-24 but by 2025-26 is forecast to reduce to £3.3 million due to planned reductions in these grants. **Section 4.4.3 of the Financial Case provides a full overview of the MCA's Income under EP.**

4.5.2.2 The MCA's Costs

The MCA's costs under EP include:

- **Concessions** – This is a legal requirement in England which includes the costs of providing funding for concessionary fares for eligible passengers including seniors and disabled people. There are other discretionary discounted fares included as well, primarily child concessions.
- **Tendered bus services** – this is the subsidy that the MCA pays operators for providing services that are socially important but would not be commercially viable. This includes evening and weekend bus services.

- **Staffing and supply costs for EP** – includes the wages, salaries and supplies for employees within the MCA that are responsible for commissioning tendered bus services, concessions, running the contact centre and negotiating and marketing EP.
- **Other discretionary expenditure** – including funding for Community Transport.

The costs amounted to £48.8 million in total in 2023-24 but are due to fall to £39.7 million by 2025-26 due to planned reductions in the tendered services budget due to a loss of some discretionary government grants. Beyond 2025-26, the tendered services budget line is forecast to increase by around 2% per year while other cost lines are projected to increase at different escalation rates. **Section 4.4.4 of the Financial Case provides a full overview of the MCA's Costs under EP.**

4.5.2.3 The MCA's Funding

The MCA also receives funding from the Transport Levy. The Transport Levy is received from South Yorkshire district authorities and is based on the population of each district. Each district factors in the levy when setting their council tax levels. The Transport Levy funds expenditure on all transport modes including buses and the tram. For the purposes of the Assessment, only the portion of the levy that funds bus services is accounted for. By 2025-26, this levy is forecast to provide approximately £36.4 million and is assumed to grow at 2% per year in line with the MCA's Medium Term Financial Plan.

4.5.2.4 EP Affordability and Risks

The Financial Case concludes that the EP is affordable on the basis of the income, costs and the MCA's funding outlined above. This is primarily because the assumed growth in the tendered services budget of 2% is matched by the 2% growth in the Transport Levy.

However, there are some risks which could impact the affordability:

- The tendered services budget is only forecast to rise by 2% per year and the network is assumed to be broadly stable after a reduction in services in 2025. However, a risk is that operators will make further cuts to commercial services which may become less profitable over time. If this risk materialises then the MCA may be expected to support the loss of key services, which would require further funding for the Tendered Services budget.
- There may be costs for enhancement that the MCA may have to bear including fleet renewal if it wants to accelerate the renewal or rollout of net zero buses in the region.
- The affordability of EP depends on the Transport Levy growing at 2%. If policies which impact this funding source change in the future, or if the levy is diverted to fund other areas of the transport budget, then this could impact the affordability of the scheme.

Other risks and mitigating actions under the EP option are outlined in **Section 4.4.7 of the Financial Case.**

4.5.3 Common Cost assumptions across the Proposed Franchising Scheme and EP Plus

The Assessment has been developed on the basis that **comparable outcomes can be achieved under both EP Plus and Franchising**. As a result, the EP Plus and the Proposed Franchising Scheme are assumed to deliver the same network, level of investment in terms of fleet renewal, net zero upgrades and other measures that drive key outcomes on the network. As a result, they will share the same costs across these areas. **A summary across these key cost areas is provided below in Sections 4.5.3.2 to 4.5.3.5. The subsequent Sections 4.5.4 and 4.5.5 outline the unique costs for EP Plus and Franchising.**

4.5.3.1 Network and Revenue

Under EP Plus and the Proposed Franchising the network assumptions are in line with what has been set out in the Economic Case 4.3.3.

The Economic Case forecasts also indicate that the level of demand for bus travel will decline over the 30-year period which impacts the revenue. It is assumed that fares grow at the Retail Price Index (RPI).

4.5.3.2 Operating Costs

Operating costs will be incurred to run bus services in South Yorkshire and have been calculated from data received from local bus operators. These can be summarised under the broad categories set out below:

- **Fuel costs:** These include the costs of purchasing fuel to run services, which can be volatile as they are subject to geopolitical events, crude oil supply and exchange rates.
- **Maintenance Costs:** Includes the costs of upkeep of the bus fleets including regular servicing, repairs, and part replacements to ensure vehicle safety, reliability, and compliance with legal standards.
- **Employee costs:** The costs of the driving, maintenance and administrative staff, including salaries, benefits and training.
- **Pension costs:** The costs associated with providing retirement benefits to employees.
- **Overhead costs and other:** This includes other overhead costs including utilities, insurance, rent and other administrative costs.
- **Depreciation:** This covers the costs that operators incur as a result of the reduction in the value of their fixed assets such as fleet or depots.

The largest cost is employee costs which account for 41% of the operating costs followed by overhead costs at 21%, fuel costs at 12% and maintenance costs at 10%. These costs have been prudently assumed to grow at Retail Price Index (RPI) over time. **Section 4.5.2 of the Financial Case provides a full overview of these costs.**

4.5.3.3 Fleet acquisition and renewal

The average age of fleet in South Yorkshire is high at 11.5 years. The MCA's ambitions are to acquire (or build into the franchise) vehicles that are not older than 15 years old.

Given the age of the fleet, this will require significant bus renewals under both EP Plus and early in the Franchise contracts when vehicles life expire at 15 years old. The following scenario has been used in the model and applies to both the EP Plus option and the Proposed Franchising Scheme:

- **Between 2027-28 and 2034-35:** 30% of all vehicles requiring renewals will be upgraded to Zero Emission Buses (ZEB)

- **From 2035-36:** 100% of vehicles requiring renewals will be upgraded to ZEBs.

By taking this approach the percentage of the South Yorkshire bus fleet that becomes zero emission increases over time with the vast majority of the fleet being ZEB by 2045.

4.5.3.4 Upgrading depots

These depots will need to be upgraded to deliver the MCA's planned rollout of Net Zero vehicles. At present only the depot in Rawmarsh (Rotherham) has charging provision for 27 ZEBs through a previous round of Zero Emission Bus Regional Areas (ZEBRA) funding. The cost estimates for depot upgrades are based on previous MCA analysis in relation to the costs of transitioning their bus fleet to Net Zero. Upgrading depots is profiled to take place between 2027-28 to 2031-32. The cost for upgrading depots is estimated to be £57.9 million.

4.5.3.5 Total capital expenditure requirement

The cost of renewing and upgrading the depots and fleet has been assumed to take place over two renewal cycles to cover the 30-year appraisal period:

- There is an initial acquisition and renewal period between 2027-28 to 2031-32 - Around £350 million of capital expenditure is required during this period.
- The second renewal cycle occurs when the original buses purchased begin to life expire and depots require renewal - This starts in the early 2040s and it is assumed that this renewal cycle would be financed by borrowing.

4.5.4 EP Plus

Under EP Plus, like EP, private sector operators will still take revenue and cost risk and the role of the public sector in relation to tendered services will remain the same. This model, therefore, does not fundamentally alter the structure of financial flows or the allocation of risks in the bus industry in South Yorkshire that are described above. As with the EP, under EP Plus the MCA and operators need to jointly agree on proposals for the bus network.

Whilst there is an existing agreement in place between the MCA and operators which is covered by the EP option, the Assessment assumes that under EP Plus further interventions and changes can be achieved so that outcomes are broadly comparable with Franchising. This includes the income and expenditure for the network, fleet and depot upgrades as described above. To sustain this level of investment under EP Plus, additional tendered services may need to be funded by SYMCA and subsidies for the private sector to finance capital expenditure.

There are a number of specific assumptions that have been made for EP Plus given the role of the private sector and the financial flows:

- The interest rate is assumed to be 7% for any borrowing required from the private sector (for example on capital expenditure).
- There are transition costs to EP Plus including staffing which would amount to around £5.5 million between 2024-25 and 2027-28 and a recurring increase in staffing costs.
- There are additional costs factored in to support unified ticketing with operators.

Furthermore, in terms of funding assumptions,

- The Transport Levy available for bus services expenditure is assumed to rise by 2% per year up to 2029-30 under this scenario.

- For comparative purposes it is assumed that to facilitate EP Plus, from 2030-31 onwards, the Transport Levy available for bus services expenditure can then rise at RPI+1% which is in line with the funding scenario also made for Franchising.
- To fund capital expenditure it is assumed that between 2027-28 to 2031-32, £350 million of capital can be found either from the private sector or via third-party grant funding. Beyond 2031-32, it is assumed that the private sector borrows to fund fleet renewal.

Further details about the EP Plus financial assumptions are provided in Section 4.6.1 to 4.6.4 of the Assessment.

4.5.4.1 EP Plus Affordability

The results of the Assessment show that EP Plus is not affordable over a 30-year period. This is because:

- The industry marginally stays in a modest annual surplus on the assumption that capital expenditure for fleet renewal can be funded through third-party grants.
- The industry tips into a significant annual deficit when the second major capital renewal cycle begins and the private sector is assumed to borrow to finance the fleet.
- Even though the initial surpluses are saved and increase with interest, this is not sufficient to cover the deficit that emerges over the 30-year period.
- This analysis indicates that if the EP Plus option seeks to deliver the same outcomes as those secured under the Franchising Option B then the industry is unlikely to be financially sustainable long-term.

More detail in relation to the affordability of EP Plus is provided in Section 4.6.5 of the Financial Case in the Assessment.

4.5.4.2 EP Plus Risks

However, there are some risks which could impact EP Plus:

- Under EP Plus, if private sector operators were not able to fund capital requirements for fleet directly and no further sources of public funding could be found, then fleet renewal may be slower and comparable outcomes to Franchising may not be achievable.
- There is a risk that the network modelled will not be able to be maintained and that operators will make further cuts to commercial services which may become less profitable over time. If this risk materialises then the MCA may be expected to support the loss of key services, which would require further funding for the tendered services budget or accept the loss of services.
- The funding scenario assumes that the Transport Levy grows at 2% and then increases by RPI+1%, but if policies which impact this funding source change in the future, or if the levy is diverted to fund other areas, then this could impact the affordability of the scheme.

Other risks and mitigating actions under EP Plus are outlined in Section 4.6.6 of the Financial Case in the Assessment.

4.5.5 Franchising

Under the Proposed Franchising Scheme the MCA would be in control of specifying the routes, services, fleet and fares and would tender the operations of those services to private sector bus operators. This would mean that:

- The MCA would now receive the 'farebox income' from passengers using bus services:

- The MCA can then use revenues from profitable commercial services to cross-subsidise socially important services that are not commercially viable.
- The MCA would be more exposed to risk as revenue is based on demand for bus services which can be volatile.
- The MCA would make franchise payments to bus operators to cover the costs of running services plus a margin. The private sector would be responsible for operating services within this cost envelope and be on risk for additional costs if they rise beyond the agreed amount.

A more detailed account of the funding flows and risk transfer is provided in Section 4.7.1 of the Financial Case in the Assessment.

As noted above, the income and expenditure for the network, fleet and depot upgrades is the same for the Proposed Franchising Scheme as it is for EP Plus. There are a number of specific assumptions that have been made for Franchising which include:

- The interest rate is assumed to be 5% for any borrowing required for the public sector (for example on capital expenditure).
- There are transition costs to the Proposed Franchising Scheme including staffing which would amount to around £20.8 million between 2024-25 and 2029-30 and a recurring increase in staffing costs.
- Under the Proposed Franchising Scheme, depots would need to be acquired in line with the Lotting Strategy set out in the Commercial Case from private sector operators and the estimated capital costs of this have been accounted for in the Assessment - This is an additional cost on top of upgrading depots, which is also a cost under EP Plus.
- There are other modest capital costs to support interventions such as unified ticketing and IT costs.

More detail regarding these assumptions is provided in Sections 4.7.2 to 4.7.4 of the Financial Case in the Assessment.

Furthermore, in terms of funding assumptions:

- The Transport Levy available for bus services expenditure is assumed to rise by 2% per year up to 2029-30 under this scenario.
- From 2030-31 onwards, the Transport Levy available for bus services expenditure can then rise at RPI+1% which is in line with the funding scenario also made for the Proposed Franchising Scheme.
- To fund capital expenditure it is assumed that between 2027-28 to 2031-32, £350 million of capital can be funded by CRSTS2 - Beyond 2031-32, it is assumed that the MCA borrows to finance depot and fleet renewal.

4.5.5.1 Franchising Affordability

Franchising is shown to be affordable over the full appraisal period. This is because:

- Capital expenditure could be funded via South Yorkshire's second City Region Sustainable Transport Settlement (CRSTS2) up to 2031-32 - There are significant annual surpluses that emerge over this period up to the early 2040s which are driven by the MCA gaining the revenues from commercial services.
- When the second fleet renewal cycle begins and the MCA is assumed to have to borrow to finance this fleet renewal - similar to EP Plus, this causes an annual deficit to emerge; however, as the surpluses from the early years are saved to reserves and assumed to earn interest, then these savings can be used to cover the annual deficits throughout the 30-year period.

More detail regarding the affordability of the Proposed Franchising Scheme is provided in Section 4.7.5.2 of the Financial Case in the main Assessment.

4.5.5.2 Franchising Risks

There are some risks which could impact the affordability of the Proposed Franchising Scheme:

- The MCA would be taking on revenue risk under the Proposed Franchising Scheme and would therefore be more exposed to changes in demand due to factors like economic downturns or demographic changes. To manage these risks the MCA would need to ensure that processes are in place to manage financial volatility including using reserves, reallocating funding or considering changes to the network or services.
- There are risks relating to the transition to the Proposed Franchising Scheme as parts of the network will be franchised whilst other parts will remain under the commercial market. If the remaining commercial services become unviable then the MCA may have to step in to subsidise those services which would be more costly. The MCA will develop a full transition plan strategy and engage closely with bus operators to mitigate these risks.
- There is a risk that operating or capital costs will be higher than anticipated as a result of inflation or other uncertainties relating to the acquisition of assets. The MCA will conduct extensive market engagement ahead of the procurement process for franchise contracts as well as with bus manufacturers and related suppliers. For Depot Acquisition the MCA is conducting detailed work to consider alternative locations should existing depots prove difficult to acquire or be unsuitable.
- There are risks to the future availability of revenue or capital funding as funding over a long-time frame is uncertain including in relation to CRSTS2 and the Transport Levy increases required to sustain Bus Franchising. If funding pressures arise the MCA will work closely with district authorities to monitor, plan and address any shortfalls including through the use of reserves, scaling back ambitions on the network to reduce costs or reallocating funding from other sources.

Other risks and mitigating actions for Franchising are outlined in Section 4.7.6 of the Financial Case in the Assessment.

4.5.5.3 Sensitivities

A range of sensitivities have been conducted which show that the affordability of EP Plus or the Proposed Franchising Scheme is improved or adversely impacted. These include:

- If operating costs are 10% higher or revenue is 10% lower then Franchising is no longer affordable over a 30-year period.
- If operating costs are 10% lower or revenue is 10% higher than this will make all options, including EP Plus, more affordable.
- If CPI inflation (at 2%) is assumed rather than RPI inflation (at 3%) that has been assumed, then all options are significantly more affordable.
- There are also modest impacts that reduce affordability from other assumptions including higher financing costs, higher margins and additional capital costs.

The full detail of the impact of sensitivities is provided in Section 4.8 of the Financial Case in the Assessment.

4.5.6 Conclusions of the Financial Case

The results from the Financial Case show that:

- The EP option is affordable over the 30-year period considered with a modest rise in the tendered services budget being matched by a rise in the levy. However, there is a risk that there is further pressure on the tendered services budget if services decline further and the MCA has to intervene.

- The EP Plus and the Proposed Franchising Scheme have been developed on a comparable basis with the same assumed interventions on the network, fleet enhancement and depot upgrades.
- **EP Plus is not affordable over the assessed 30-year period** on the basis that the financial position deteriorates rapidly during the second renewal cycle once capital expenditure is no longer grant funded and is instead financed by borrowing at a higher rate than that assumed under the Proposed Franchising Scheme.
- **Franchising is affordable over the assessed 30-year period** with the assumed interventions due to the availability of CRSTS funding up to 2031-32 to fund capital expenditure and a lower borrowing rate for the public sector to finance capital expenditure subsequently.
- There are further risks that could impact the affordability of all the options and that these would need to be carefully managed through the use of reserves, rescaling the ambitions of various interventions to match the available funding envelope or by reallocating funding from elsewhere.

4.5.7 Long Questionnaire on the Financial Case

Q25

The Financial Case outlines a range of funding sources for the Proposed Franchising Scheme, including City Regional Sustainable Transport Settlements (CRSTS) and the Transport Levy.

Do you have any comments on this?

See Section 4.5.5 of the consultation document for information to support answering this question.

Q26

The Financial Case sets out a number of risks in relation to the Proposed Franchising Scheme.

Do you have any comments on this?

See Section 4.5.5.2 of the consultation document for information to support answering this question.

Q27

The Financial Case concludes that the Proposed Franchising Scheme would be affordable for the South Yorkshire Mayoral Combined Authority, but that there are further risks which would need to be carefully managed.

Do you have any comments on this?

See Section 4.5 of the consultation document for information to support answering this question.

4.6 Management Case

4.6.1 Introduction

The Management Case considers how the MCA would manage and deliver the options of the Proposed Franchising Scheme and EP Plus relative to the EP option. Consideration is given to the competencies required to deliver each option in a sufficiently robust manner, how the transition between operating models would be achieved, and how the differing risk profiles of each option would be managed.

4.6.2 How MCA currently manages bus services

The MCA currently carries out the following key processes:

- **Network planning** for socially necessary routes that are not commercially viable.
- **Travel information** via its website and customer contact centre, which includes timetables, maps and information on disruptions to enable passenger journey planning.
- **Maintenance of bus infrastructure** such as shelters, stops, signage and bus stations and interchanges - The MCA own Doncaster depot, which is leased to an Operator (First) that is responsible for maintenance.

For a full list of processes that the MCA currently carries out to manage bus services, see Section 5.6.1.1 Process & Accountabilities – Enhanced Partnership: the MCA in the Assessment.

The skills within the MCA to deliver these processes include:

- **Transport planning** at a very high level for the socially necessary bus routes, although this does not include wider integrated transport planning across the entire bus network
- **Customer communication** for feedback and journey planning
- **Commercial management** to procure and contract manage tendered socially necessary bus services

For a full list of skills that the MCA staff currently have, to manage bus services, see Section 5.6.4 People and Skills – Enhanced Partnership.

There are currently nine employees within the Bus Services team with the skills listed above. This excludes corporate functions such as Customer service, Finance, HR and IT. Also, there are seven employees in the Concessions and Ticketing team who also have responsibility across other transport modes. Additionally, there are four employees within TravelMaster which is a separate private company that provides multi-operator tickets across all transport modes in South Yorkshire.

The Assessment details how the current team structure and operating model could be added to in order support the additional responsibilities of the Proposed Franchising Scheme or the EP Plus in the Assessment.

4.6.3 Managing the Proposed Franchising Scheme

The Proposed Franchising Scheme would mean a significant expansion of the MCA's accountabilities including:

- **Network planning** for the whole bus network including routes, frequency of service and timing of service across the day. Bus network planning would be integrated with other transport modes such as active travel, rail and tram to give customers access to a greater range of destinations. The MCA would also run a **Service Permit Scheme**
- **Network review and consultation** to update the network on an ongoing basis. Using customer consultation

exercises, feedback from Local Authority partners and modelling data, the network would be reviewed to meet the needs of local communities.

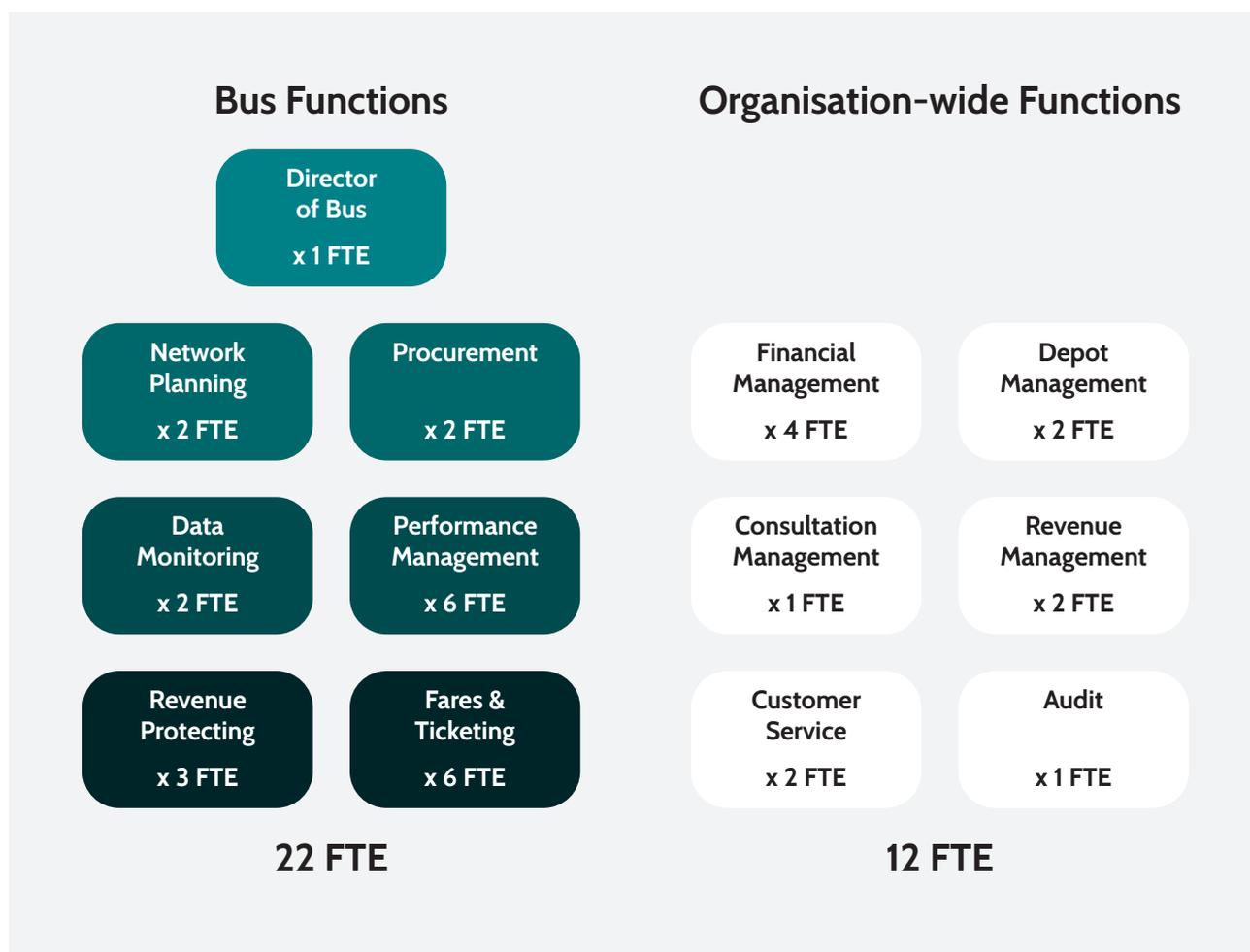
- **Procurement and contract management** as the MCA would be accountable for tendering, contracting and performance managing for bus service contracts across all routes.
- **Fares and ticketing** to set the fare structure, ticketing types and pricing levels.
- **Fleet and vehicle purchase** to a set fleet standard including vehicle size, fuel type and facilities onboard such as Wi-Fi/charging. MCA would specify the fleet and procure from a bus manufacturer.
- **Depot management** including the acquisition of depots, setting operating and maintenance standards, and installing charging infrastructure.
- **Service Permit Scheme** for routes not included in franchise contracts such as cross-boundary services.

For a full list of processes that the MCA will perform to manage bus services under the Proposed Franchising Scheme, see Section 5.8.2 Process & Accountabilities – Franchising Scheme: the MCA in the Assessment.

4.6.4 Additional people and skills required under the Proposed Franchising Scheme

To deliver these additional processes, the MCA would require additional capabilities and roles in a new bus directorate, reporting into a new Director of Bus. In total, an estimated 34 permanent roles are required in the new bus directorate to manage these additional accountabilities. Relevant skills include network planning, performance management and fares and ticketing, as outlined in Figure 5.

Figure 5 Resources required Proposed Franchising Scheme



The MCA would require an increase in the following skills to perform the processes listed above:

- **Transport planning** including bus network planning and modelling.
- **Commercial management** through hands-on and collaborative day-to-day detailed oversight and performance management of bus operations.
- **Financial planning and reporting** to perform the planning, budgeting, accounting and reporting - There would be an additional element of payments, reconciliation, and revenue forecasting as the MCA would be taking fare box revenue.
- **Fleet management** skillsets to determine the specification and standards of fleets which currently do not exist in the MCA.
- **Depot management and maintenance** skills to include building design, structural, mechanical and electrical engineering; civil engineering, drainage, and geotechnical engineering - Skills will also include maintenance and asset management.
- **Customer** capabilities encompass communications and marketing; complaints and feedback; and consultation on requirements. There should be a dedicated consultation function that is responsive to customer needs and complaints, subsequently feeding this into the bus network planning processes.
- **Data and analytics** to understand customer requirements following customer consultation, and analysing passenger demand and usage data, feeding this into network planning and review - Additionally, this includes collecting and interpreting data to monitor operator performance.

For a full list of skills that the MCA would need to manage bus services under the Proposed Franchising Scheme, see Section 5.8.5 People and Skills – Franchising in the Assessment.

A future organisational model for the Proposed Franchising Scheme would include dedicated roles for the different bus processes as opposed to individuals that are simultaneously responsible for all bus processes.

A full recruitment plan to hire the additional staff members required would be developed following a decision to introduce Franchising. This may involve some transfer in of existing bus operator staff following Transfer of Undertakings Protection of Employment (TUPE) Regulations and due process.

4.6.5 Implementation of the Proposed Franchising Scheme

Key activities for the Design Phase include:

- **Organisation Design** to understand and define the skills, knowledge and expertise required in a newly formed bus function. There would be a need to follow a staff consultation process led by HR to produce a restructured bus team that is proposed in the Franchising Scheme operating model. With functions transferring from operators and TravelMaster to the MCA there are likely to be TUPE implications during the Transition phase, requiring advice on process and legalities. Such transfers would be anticipated to occur as the MCA assumes greater responsibility over areas such as network planning and fares and ticketing.
- **Network Planning** includes devising the services and routes contained in each tranche based on the existing network using the work completed in the Assessment as a basis. Although a full-scale redesign of the network is not planned as part of the initial Franchising process, there will be a need to streamline the network to remove inefficiency and create network integration opportunities between services and modes.
- **Fleet Specification** through direct procurement from manufacturers to deliver against the customer experience aims and drive decarbonisation of the network. There will be a need for the MCA to develop a residual value mechanism whereby the incumbent franchise operator could transfer the vehicle at the end of the franchise to a new operator.
- **Service Permit Scheme** to design a Service Permit Scheme for bus routes that would continue to operate within the area of the Proposed Franchising Scheme but not subject to Franchising.
- **Commercial Activity Design** to enable effective development and deployment of contracts and the

required clauses to best achieve the desired benefits. This activity will further develop the Packaging and Lotting Strategy and will define the length, size and sequence of the different tender packages; define the fleet, depot and IT system requirements; and determine the commercial terms and service standards.

- **Depot Strategy** for the acquisition of depots to encourage competition and facilitate the future provision of Zero Emission Buses.
- **IT & Data Review** of existing systems to understand what is required to support the delivery of the Proposed Franchising Scheme, and determine what gaps need to be filled.

4.6.5.1 *Design phase activities:*

Key activities for the Design Phase include:

- **Organisation Design** to understand and define the skills, knowledge and expertise required in a newly formed bus function. There would be a need to follow a staff consultation process led by HR to produce a restructured bus team that is proposed in the Franchising Scheme operating model. With functions transferring from operators and TravelMaster to the MCA there are likely to be TUPE implications during the Transition phase, requiring advice on process and legalities. Such transfers would be anticipated to occur as the MCA assumes greater responsibility over areas such as network planning and fares and ticketing.
- **Network Planning** includes devising the services and routes contained in each based on the existing network using the work completed in this Assessment as a basis. Although a full-scale redesign of the network is not planned as part of the initial franchising process, there will be a need to streamline the network to remove inefficiency and create network integration opportunities between services and modes.
- **Fleet Specification** through direct procurement from manufacturers to deliver against the customer experience aims and drive decarbonisation of the network. There will be a need for the MCA to develop a residual value mechanism whereby the incumbent franchise operator could transfer the vehicle at the end of the franchise to a new operator.
- **Service Permit Scheme** to design a service permit scheme for bus routes that would continue to operate within the area of the Franchising Scheme but not subject to Franchising.
- **Commercial Activity Design** to enable effective development and deployment of contracts and the required clauses to best achieve the desired benefits. This activity will further develop the Packaging and Lotting Strategy and will define the length, size and sequence of the different tender packages; define the fleet, depot and IT system requirements; and determine the commercial terms and service standards.
- **Depot Strategy** for the acquisition of depots to encourage competition and facilitate the future provision of zero emission buses.
- **IT & Data Review** of existing systems to understand what is required to support the delivery of the Proposed Franchising Scheme, and determine what gaps need to be filled.

4.6.5.2 *Transition phase activities:*

Key activities for the Transition Phase include:

- **Depot Acquisition** in sufficient time for delivery of Franchising. Informed by the Depot Strategy, this could be completed in staggered stages to utilise resource most efficiently, ahead of each Franchising Scheme lot.
- **Fleet Procurement** including zero-emission buses, in time for Franchising. Similarly, to depot acquisition, this could be completed in staggered stages to utilise resource most efficiently, ahead of each Franchising Scheme lot.
- **IT Implementation** of any additional systems or changes to existing systems that may be required, determined by the IT and Data Review, including ticketing and travel information systems.
- **Preparation, Procurement and Mobilisation of Franchise Lots** through a cyclical process should allow

staggered starts between each of the three franchise tranches. Each lot will go through a delivery plan consisting of Depot Acquisition/Construction, Preparation, Procurement and Mobilisation before the commencement of each contract. As this activity gets nearer in timescale, consideration will be given to other Combined Authorities that are pursuing a Franchising Scheme to understand and gain visibility of lessons learned and best practice. Engagement with the bus operator market should take place to gain the best response possible from operators.

- **Operational Readiness** activities will be deployed so that the MCA, operators and stakeholders are ready to adopt the new ways of working. Specific activities will include assigning change leads; stakeholder management and communications; readiness reviews; testing; training; cutover planning and go-live support.

4.6.6 Management risks under the Proposed Franchising Scheme

The size and scale of change for the MCA bring with it various risks categorised across Transition/Implementation, Technology, Stakeholder, Regulatory/Legal and Operational. Key risk themes include resourcing and capabilities, procurement delays, implementing new technologies and resistance from stakeholders.

The MCA is committed to robust arrangements for the management of risk. The Executive Leadership Board (ELB), and individual directors, would champion the management of risk and put in place appropriate arrangements to maintain and report upon risks on a regular and on-going basis. This is explained in the MCA's management of risk framework.

4.6.7 Managing the Enhanced Partnership Plus

Under EP Plus, the legal accountabilities would not change from the current setup, as it would still be a form of EP. However, the MCA could have greater engagement in various areas, as detailed in the Strategic Case (The MCA's Objectives for the Bus Network), such as fares and ticketing and branding.

For EP Plus there would be a requirement to enhance the existing bus team within the MCA. A future organisational model would include dedicated roles for the following processes as opposed to individuals that are simultaneously responsible for all processes:

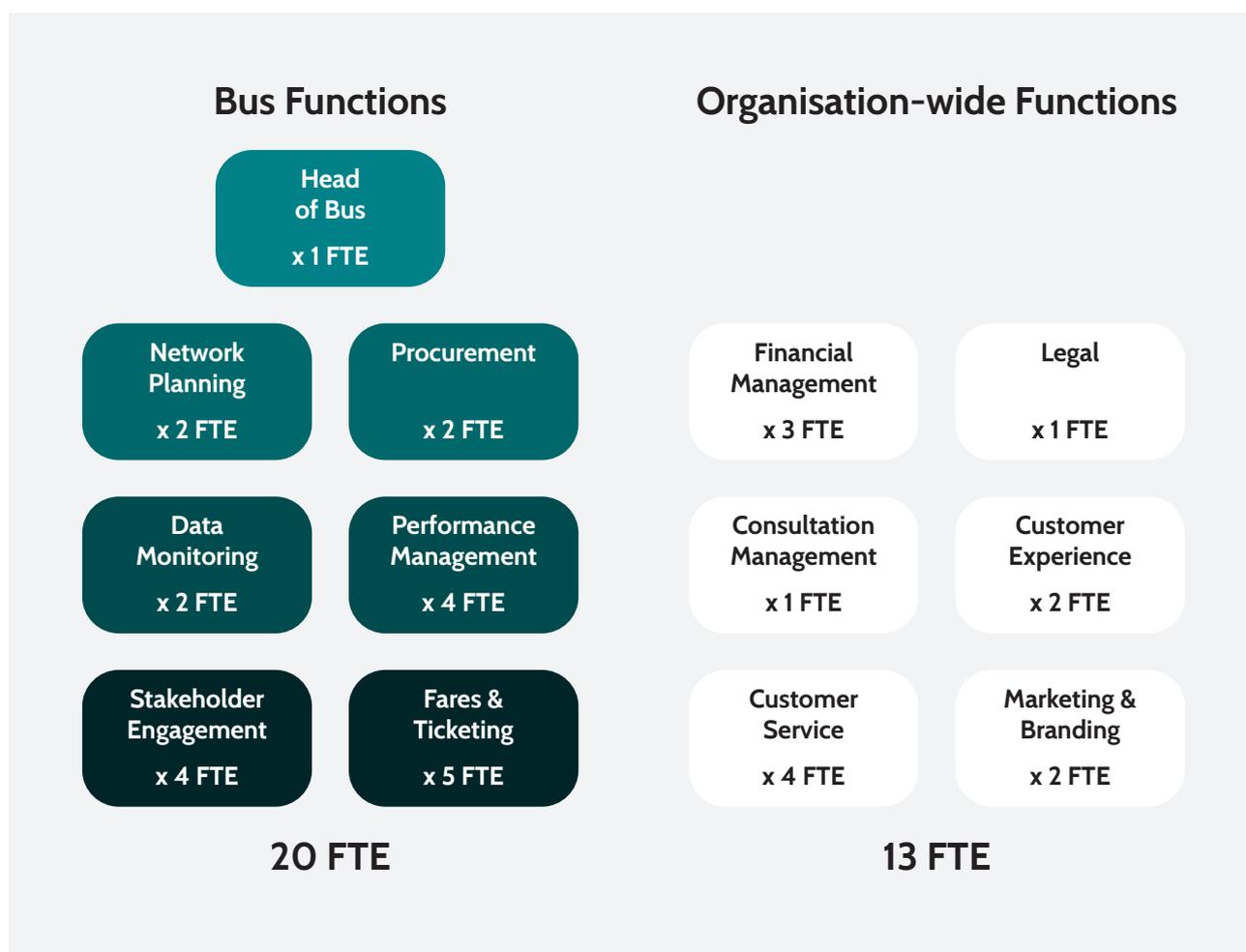
- **Network planning** involves closer collaboration with bus operators on the network to meet customer requirements more completely and to procure more routes than it does currently. Under EP Plus, the same network is being proposed as is being proposed for a Franchising Scheme, as outlined in the Strategic and Economic Cases. Additionally, there could be scope for the MCA to influence the bus network so that it is more efficient from a holistic perspective and connects better with the wider transport network, such as tram.
- **Procurement & contract management** involves continuation of tendering socially necessary routes to operators and ensuring contractual obligations are fulfilled by accessing and analysing bus performance data. The MCA would perform more advanced performance and contract management arrangements in an EP Plus.
- **Fares and ticketing** arrangements give the ability to set fares on tendered routes. The MCA would work in closer collaboration with operators to provide customers with a simplified fare structure.

For a full list of processes that the MCA will perform to manage bus services under EP Plus, see Section 5.7.1.1 Enhanced Partnership Plus: the MCA.

4.6.8 Additional people and skills required under Enhanced Partnership Plus

To fulfil the additional processes, the EP Plus would require a change in MCA capabilities and resourcing. A total of 33 permanent roles are required for the EP Plus including extra capacity in performance management, stakeholder engagement, fares and ticketing and financial management. The future roles in the bus team will need to be more defined with specific responsibilities. This is different from the current EP where the existing team consists of wide-ranging bus responsibilities and general concession and ticketing roles. Additionally, there will be support required from organisation wide functions. This is detailed in Figure 6.

Figure 6 Resources required EP Plus



These roles will require skills in the following areas:

- **Financial planning and reporting** capacity is additionally required for budgeting and financial management.
- **Stakeholder engagement** to engage, negotiate and influence stakeholders such as bus operators around delivery of the EP Plus interventions such as network management.
- **Commercial management** reinforcement is required to deliver more advanced processes for operator performance for tendered bus routes.
- **Fares and ticketing** additional capability required to deliver the interventions for more integrated ticketing and 'Tap and Cap' payment systems.
- **Customer** including customer feedback and journey planning advice. There may potentially be greater

reliance on MCA funding for more non-commercial routes creating a need for additional customer feedback and consultation capabilities.

For a full list of skills that the MCA would need to manage bus services under the Enhanced Partnership Plus, see Section 5.7.4 People and Skills – Enhanced Partnership Plus in the Assessment.

4.6.9 Implementation of Enhanced Partnership Plus

The EP Plus would require an implementation programme across two phases, Design and Transition. This programme would be shorter and require less staff for implementation than the Proposed Franchising Scheme, but the MCA would still need up to 17 temporary roles to deliver the change.

1. **Design** of the operating model and associated business change which will be required to deliver the EP Plus. A design focus will be new processes required, particularly around commercial elements such as performance management. It outlines a nine-month phase of exploring the required elements of the EP Plus operating model. This represents a critical stage in preparing for EP Plus and putting in place the associated functions, capabilities and processes which would be required for implementation and ongoing operation.
2. **Transition** – This phase includes the implementation and delivery of the new operating model in terms of functions and capabilities. Additionally, this phase includes the delivery of the new network and procurement procedures, operational readiness and change management which will be key in this phase, particularly around testing and training of new processes. IT implementation will also potentially be key, but this will be dependent on an IT systems and data review.

4.6.10 Management Risks under the Enhanced Partnership Plus

The EP Plus brings with it various risks although less risks than the Proposed Franchising Scheme as it is a relatively smaller change. The management case identifies a total of six management risks with proposed mitigations. These risks are across the categories of Implementation/ Transition, Regulatory/Legal, Financial, Capabilities and Implementation. Key themes of the risks include insufficient capabilities, insufficient funding and alignment and collaboration with operators.

As with the Proposed Franchising Scheme, for EP Plus the MCA's management of risk framework would provide a foundation for embedding Enterprise Risk Management which sets out the approach to the management of risk.

4.6.11 Management Case Conclusions

The Management Case concludes that both the Proposed Franchising Scheme and the EP Plus would be deliverable by the MCA. These changes would be possible within the existing corporate structures and strategies. Both options, to varying degrees, would require changes to the MCA's processes and capabilities, with additional staff. A summary of the resourcing requirements is set out in the table below.

Table 21 Summary of resources required for different options

| | | EP Reference Case | Franchising | EP Plus |
|----------------------------|-------------------------------|-------------------|-------------|----------|
| Transition Resource | | N/A | Up to 28 | Up to 17 |
| Business as usual resource | Bus functions | 9 | 22 | 20 |
| | Organisational-wide functions | N/A* | 12 | 13 |

*Although there are 64 Full Time Equivalent (FTE) supporting bus delivery in some way, the MCA cannot provide a comparable figure as these roles do not work full-time solely on bus.

Incremental resource

There is an estimated total of 33 Full Time Equivalent (FTE) for the EP Plus and 34 FTE for the Proposed Franchising Scheme. Both options require significant additional resource to deliver, with a Franchising Scheme requiring a greater level of resource than EP Plus. However, EP Plus would still require additional resource and a different organisation set up like the Proposed Franchising Scheme, to implement a dedicated Bus team which the MCA does not currently have.

Transition resource

There would be additional resource to deliver the transition programmes for both scenarios, with EP Plus requiring up to 17 FTE and the Proposed Franchising Scheme requiring up to 28 FTE for a longer period.

From a Management Case perspective, both options are deliverable and would require programmes of change to manage the transition involving programme management, risk management and governance, with the Proposed Franchising Scheme again being more significant than EP Plus.

4.6.12 Long Questionnaire on the Management Case

Q28

The Management Case outlines how South Yorkshire Mayoral Combined Authority would manage the Proposed Franchising Scheme.

Do you have any comments on this?

See Section 4.6.3 of the consultation document for information to support answering this question.

Q29

The Management Case sets out South Yorkshire Mayoral Combined Authority's resource and capabilities to manage the Proposed Franchising Scheme.

Do you have any comments on this?

See Section 4.6.4 of the consultation document for information to support answering this question.

Q30

The Management Case sets out a plan for implementing and transitioning to the Proposed Franchising Scheme.

Do you have any comments on this?

See Section 4.6.5 of the consultation document for information to support answering this question.

Q31

The Management Case concludes that the Proposed Franchising Scheme is deliverable and sets out how South Yorkshire Mayoral Combined Authority would implement and manage it.

Do you have any comments on this?

See Section 4.6 of the consultation document for information to support answering this question.

4.7 Assessment Conclusions

Overall, the Assessment highlights why South Yorkshire's bus network is not currently delivering the desired outcomes of the MCA's wider policies and strategies, and the connection between this and the current EP operating model. To address this, six options for the future operating model of the bus network (continuing with the EP, EP Plus or adopting a Franchising Scheme under four different depot/fleet ownership models – Franchising Options A to D) have been proposed and considered against the MCA's objectives for the future bus network.

Strategic and Other Criteria

Assessment of the options against the MCA's strategic objectives demonstrated that the Franchising Options more readily facilitate improved responsiveness to social needs, a network that supports society's most vulnerable and equity in experience for customers. This is due to the fact that the network can be more holistically planned through the MCA to be better aligned with the MCA's strategic priorities. Compared to EP and EP Plus, Franchising Options provide a greater amount of control. Delivery, however, will be dependent on ongoing sufficient levels of funding.

The Franchising Options more readily drive increases in passenger demand, connectivity across the region and improvements to reliability and punctuality of bus services. This is driven by the MCA network design, service provision, ticketing/fares specification and performance standards which provide long-term strategic control to make changes to improve drivers of demand, i.e. connectivity, reliability, punctuality. Whilst these benefits could be delivered under EP Plus, this would require joint agreement with operators and there is no certainty this would be forthcoming.

Consideration of Franchising Options

The Strategic and Commercial Cases considered four Franchising Options (A to D). Whilst there is no requirement for the MCA to acquire depots, the conclusions in these cases indicated that for options with operator owned depots (options A and C), it is likely to be difficult to run a competitive commercial tendering process as incumbents are favoured due to their ownership of strategically located depots. To enter the market would require a prospective operator to buy, obtain access to or construct a new depot, representing a high barrier to entry potentially reducing the presence of operators in the network. This was highlighted through market engagement

with operators. For these reasons, Franchising Options A and C are not considered deliverable. It should also be noted that for Franchising Options with operator ownership of depots and fleet, the ability to meet long-term aspirations for performance and efficiency may be reduced, which would impact on patronage.

Franchising Options B and D (where the MCA owns the depots) are assessed as being commercially viable as they would facilitate competition for franchise contracts, although it is noted that there are risks and challenges with the MCA securing strategic depots in the region and renewing the fleet. Franchising Options B and D also support the objective to increase the presence of operators in the bus network through supporting greater competition in franchise contracts, with Franchising Option B (where both depot and fleets are provided by the MCA) better meeting this objective than Franchising Option D.

On this basis the **preferred option for Franchising is Franchising Option B** and is therefore referred to as the **Proposed Franchising Scheme** which was further considered against EP and EP Plus Economic, Financial and Management cases.

Affordability

The Proposed Franchising Scheme (Franchising Option B) is the most affordable on a cumulative basis showing a modest surplus at the end of the appraisal period. This is mainly due to a large proportion of Capital Expenditure (capex) being funded through CRSTS2 grant funding up to 2032. Under the Proposed Franchising Scheme, the MCA would take on greater financial risk as it would gain the revenues from bus services and would be subject to volatile demand risk.

EP Plus is not affordable over the appraisal period, and this is mainly due to higher costs arising through private sector borrowing.

Value for Money

The EP Plus option and the Proposed Franchising Scheme are all currently shown to generate more benefits and revenue than the costs it would incur to implement and operate the options, relative to the Reference Case, the existing EP. This shows that all options would generate Value for Money for the MCA. The Proposed Franchising Scheme results in a greater Net Present Value (NPV) and Benefit Cost Ratio (BCR) when compared with the EP Plus option.

Deliverability

For deliverability, there is a greater need to acquire assets under the Proposed Franchising Scheme with a more complex transition programme compared to EP Plus. However, there is also a greater certainty of benefits under Franchising as under EP Plus agreement is required with operators. There is no certainty that under EP Plus an agreement could be established to deliver the comparable interventions on network, fleet and ticketing outlined in the Assessment. As a result, the Proposed Franchising Scheme can be considered more deliverable than EP Plus.

An analysis of neighbouring local authorities' transport objectives and policies indicates that none of the aims of these authorities need be compromised by implementation within South Yorkshire of any of the options outlined in the Assessment.

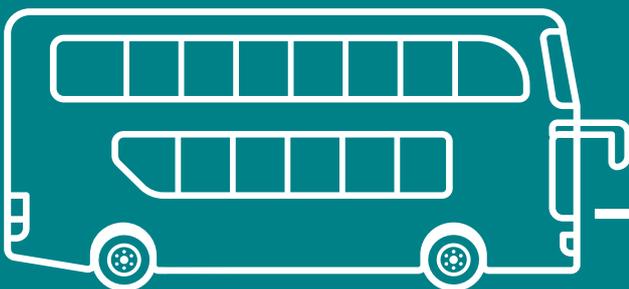
Preferred Option

From the Assessment, Franchising Option B (where the MCA owns depots and fleet) is the preferred Franchising

Option as it better meets the MCA's objectives when compared to other Franchising Options. Franchising Option B was considered deliverable particularly as it maximises competition for franchise contracts when compared to other Franchising Options. Therefore, Franchising Option B is referred to as the Proposed Franchising Scheme.

The Proposed Franchising Scheme better meets the MCA's objectives when compared to the EP Plus option. Franchising provides the MCA with greater control when compared to EP and EP Plus, and therefore provides confidence in the delivery of required outcomes. The delivery of required outcomes with EP Plus is contingent on reaching agreement with operators, which is a significant risk.

Appendix A — Consultation Questionnaire



Appendix A – Consultation questionnaire

Short Questionnaire

1. (a) Overall, to what extent do you support or oppose the introduction of the Proposed Franchising Scheme?

- Strongly support
- Support in part
- Neither support nor oppose
- Oppose in part
- Strongly oppose
- Don't know

(b) Why do you say this?

2. The Proposed Franchising Scheme will cover the whole area of South Yorkshire. This includes the four district authorities of Barnsley, Doncaster, Rotherham and Sheffield. It would apply to all services across South Yorkshire (other than some services excepted from the Proposed Franchising Scheme and services to which the Service Permit Scheme would apply).

Do you have any comments on this?

See Section 2.9.2 of the Executive Summary (or 3.1 of the consultation document) for information to support answering this question.

3. The Strategic Case summarises the South Yorkshire bus network's day to day challenges and concludes that it is not performing as well as it should be.

Do you have any comments on this?

See Section 2.8 of the Executive Summary (or 4.2.4.2 of the consultation document) for information to support answering this question.

4. The Strategic Case concludes that a Proposed Franchising Scheme is the best option for South Yorkshire Mayoral Combined Authority (when compared to EP and EP Plus) to deliver its aims and strategic objectives for buses in the region.

Do you have any comments on this?

See Section 2.9.2 of the Executive Summary (or 4.2 of the consultation document) for information to support answering this question.

5. (a) To what extent do you agree or disagree that the introduction of the Proposed Franchising Scheme will improve bus services in the South Yorkshire region?

- Strongly agree
- Tend to agree
- Neither agree nor disagree
- Tend to disagree
- Strongly disagree
- Don't know

(b) Why do you say this?

6. The Economic Case concludes that, of all the Bus Reform options considered, the Proposed Franchising Scheme would offer the best value for money for the South Yorkshire Mayoral Combined Authority.

Do you have any comments on this?

See Section 2.9.3 of the Executive Summary (or 4.3 of the consultation document) for information to support answering this question.

7. The Commercial Case concludes that the Proposed Franchising Scheme reduces barriers to entry by providing fleet and depots to operators, thereby supporting increased competition for franchise contracts.

Do you have any comments on this?

See Section 2.9.4 of the Executive Summary (or 4.4 of the consultation document) for information to support answering this question.

8. The Financial Case concludes that the Proposed Franchising Scheme would be affordable for the South Yorkshire Mayoral Combined Authority, but that there are further risks which would need to be carefully managed.

Do you have any comments on this?

See Section 2.9.5 of the Executive Summary (or 4.5 of the consultation document) for information to support answering this question.

9. The Management Case concludes that the Proposed Franchising Scheme is deliverable and sets out how South Yorkshire Mayoral Combined Authority would implement and manage it.

Do you have any comments on this?

See Section 2.9.6 of the Executive Summary (or 4.6 of the consultation document) for information to support answering this question.

10. Do you have any further comments?

Long Questionnaire

1. (a) Overall, to what extent do you support or oppose the introduction of the Proposed Franchising Scheme?

- Strongly support
- Support in part
- Neither support nor oppose
- Oppose in part
- Strongly oppose
- Don't know

(b) Why do you say this?

2. Do you have any further comments?

3. The Proposed Franchising Scheme would cover the whole area of South Yorkshire. This includes the four district authorities of Barnsley, Doncaster, Rotherham and Sheffield. It would apply to all services across South Yorkshire (other than some services excepted from the Proposed Franchising Scheme and services to which the Service Permit Scheme would apply).

Do you have any comments on this?

4. Appendix B Annexes 1 and 2 of the Proposed Franchising Scheme list the local services which are proposed to be included and exempt.

Do you have any comments on these?

See Appendix B, Annexes 1 and 2 of the Proposed Franchising Scheme for a list of services included and exempt.

5. The Proposed Franchising Scheme outlines the key dates on which Franchising would come into operation.

Do you have any comments on this?

See Section 3.3 of the consultation document for information to support answering this question.

6. The Strategic Case summarises the South Yorkshire bus network's day to day challenges and concludes that it is not performing as well as it should be.

Do you have any comments on this?

See Section 4.2.4.2 of the consultation document for information to support answering this question.

7. The Strategic Case concludes that a Proposed Franchising Scheme is the best option for South Yorkshire Mayoral Combined Authority (when compared to EP and EP Plus) to deliver its aims and strategic objectives for buses in the region.

Do you have any comments on this?

See Section 4.2 of the consultation document for information to support answering this question.

8. (a) To what extent do you agree or disagree that the introduction of the Proposed Franchising Scheme will improve bus services in the South Yorkshire region?

- Strongly agree
- Tend to agree
- Neither agree nor disagree
- Tend to disagree
- Strongly disagree
- Don't know

(c) Why do you say this?

9. The Strategic Case assesses six options for Bus Reform. These included four Franchising Options (including the Proposed Franchising Scheme), an EP Plus scheme and the existing EP.

Do you have any comments on these?

See Section 4.2.6 of the consultation document for information to support answering this question.

10. The Strategic Case assesses the potential impact of the Proposed Franchising Scheme in South Yorkshire on neighbouring local authority areas.

Do you have any comments on this?

See Section 4.2.5 of the consultation document for information to support answering this question.

11. The Strategic Case assesses the potential impacts of introducing a Proposed Franchising Scheme and its ability to contribute to delivering against South Yorkshire Mayoral Combined Authority's objectives for the bus network.

Do you have any comments on this?

See Section 4.2.7 of the consultation document for information to support answering this question.

12. The Economic Case outlines the projected impact of the Proposed Franchising Scheme on bus passengers.

Do you have any comments on this?

See Section 4.3.2 of the consultation document for information to support answering this question.

13. The Economic Case outlines the projected impact of the Proposed Franchising Scheme on bus operators.

Do you have any comments on this?

See Section 4.3.2 of the consultation document for information to support answering this question.

14. The Economic Case outlines the projected impact of the Proposed Franchising Scheme on South Yorkshire Mayoral Combined Authority.

Do you have any comments on this?

See Section 4.3.2 of the consultation document for information to support answering this question.

15. The Economic Case concludes that, of all the Bus Reform options considered, the Proposed Franchising Scheme would offer the best value for money for the South Yorkshire Mayoral Combined Authority.

Do you have any comments on this?

See Sections 4.3 of the consultation document for information to support answering this question.

16. The Commercial Case proposes that under the Proposed Franchising Scheme, cost risk will be transferred to operators, and revenue risk will be retained by South Yorkshire Mayoral Combined Authority.

Do you have any comments on this?

See Section 4.4.5 of the consultation document for information to support answering this question.

17. The Commercial Case proposes that, under the Proposed Franchising Scheme, South Yorkshire Mayoral Combined Authority would own both the bus fleet and strategic depots required to deliver services and provide them to operators.

Do you have any comments on this?

See Section 4.4.6 of the consultation document for information to support answering this question.

18. The Commercial Case sets out South Yorkshire Mayoral Combined Authority's proposed approach to lotting and envisages three tranches made up of 'anchor' contracts and 'small' contracts.

Do you have any comments on this?

See Section 4.4.8 of the consultation document for information to support answering this question.

19. The Commercial Case explains the importance of competition in delivering the Proposed Franchising Scheme and sets out approaches to maximise the benefits of competition.

Do you have any comments on this?

See Section 4.4.10 of the consultation document for information to support answering this question.

20. The Commercial Case outlines that the length of an agreement under the Proposed Franchising Scheme is to be 5 years. South Yorkshire Mayoral Combined Authority is also considering whether to offer extensions of 2 years where the operator performs strongly.

Do you have any comments on this?

See Section 4.4.7 of the consultation document for information to support answering this question.

21. The Commercial Case indicates that South Yorkshire Mayoral Combined Authority may choose to limit the number of franchise contracts that a single entity (or closely-linked entities) can operate, which may support the diversification of the market for bus service providers.

Do you have any comments on this?

See Section 4.4.8 of the consultation document for information to support answering this question.

22. The Commercial Case sets out a range of approaches that South Yorkshire Mayoral Combined Authority could take to support the involvement of small and medium operators in the provision of bus services. Do you have any comments on the approaches identified in the document?

Do you have any comments on this?

See Section 4.4.11 of the consultation document for information to support answering this question.

23. The Commercial Case identifies a range of commercial risks associated with the different options for Bus Reform, and identifies mitigations.

Do you have any comments on this?

See Section 4.4.12 of the consultation document for information to support answering this question.

24. The Commercial Case concludes that the Proposed Franchising Scheme reduces barriers to entry by providing fleet and depots to operators, thereby supporting increased competition for franchise contracts.

Do you have any comments on this?

See Section 4.4 of the consultation document for information to support answering this question.

25. The Financial Case outlines a range of funding sources for the Proposed Franchising Scheme, including City Regional Sustainable Transport Settlements (CRSTS) and the Transport Levy.

Do you have any comments on this?

See Section 4.5.5 of the consultation document for information to support answering this question.

26. The Financial Case sets out a number of risks in relation to the Proposed Franchising Scheme.

Do you have any comments on this?

See Section 4.5.5.2 of the consultation document for information to support answering this question.

27. The Financial Case concludes that the Proposed Franchising Scheme would be affordable for the South Yorkshire Mayoral Combined Authority, but that there are further risks which would need to be carefully managed.

Do you have any comments on this?

See Section 4.5 of the consultation document for information to support answering this question.

28. The Management Case outlines how South Yorkshire Mayoral Combined Authority would manage the Proposed Franchising Scheme.

Do you have any comments on this?

See Section 4.6.3 of the consultation document for information to support answering this question.

29. The Management Case sets out South Yorkshire Mayoral Combined Authority's resource and capabilities to manage the Proposed Franchising Scheme.

Do you have any comments on this?

See Section 4.6.4 of the consultation document for information to support answering this question.

30. The Management Case sets out a plan for implementing and transitioning to the Proposed Franchising Scheme.

Do you have any comments on this?

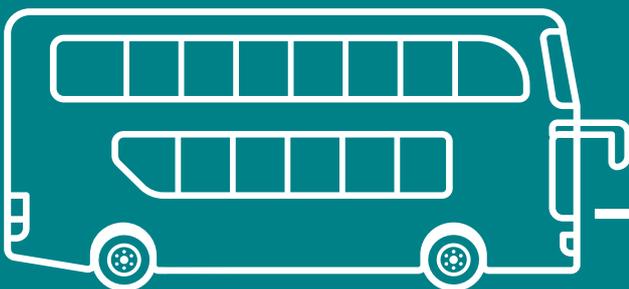
See Section 4.6.5 of the consultation document for information to support answering this question.

31. The Management Case concludes that the Proposed Franchising Scheme is deliverable and sets out how South Yorkshire Mayoral Combined Authority would implement and manage it.

Do you have any comments on this?

See Section 4.6 of the consultation document for information to support answering this question.

Appendix B – Draft Proposed Franchising Scheme



Appendix B – Draft Proposed Franchising Scheme

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WHEREAS:

- A. The Transport Act 2000 (as amended) (“**2000 Act**”) makes provision for a franchising authority to make a franchising scheme covering the whole or any part of its area. The South Yorkshire Mayoral Combined Authority (“**SYMCA**”) is a franchising authority as defined in the 2000 Act.
- B. SYMCA gave notice of its intention to prepare an assessment of a proposed scheme in accordance with sections 123B and section 123C(4) of the 2000 Act on 22 March 2022. Having complied with the process as set out in the Act, SYMCA may determine to make the scheme in accordance with sections 123G and 123H of the 2000 Act.

NOW, therefore, the Mayor on behalf of SYMCA, in exercising of the powers conferred by sections 123G and 123H of the 2000 Act, and of all other enabling powers, hereby **MAKES THE FOLLOWING FRANCHISING SCHEME** (the “Scheme”):

1. CITATION AND COMMENCEMENT

- 1.1 This Scheme may be cited as the South Yorkshire Franchising Scheme for Buses [2025] and is made on [1 May 2025].
- 1.2 This Scheme shall come into operation on [1 October 2027] and shall remain in operation thereafter unless varied or revoked in accordance with the 2000 Act.

2. INTERPRETATION

- 2.1 In this Scheme.
- (a) “**1985 Act**” means the Transport Act 1985;

- (b) “**2000 Act**” has the meaning given to it in Recital A;
- (c) “**Commencement Date**” has the meaning ascribed to it in article 1.2;
- (d) “**EP Plan**” means the South Yorkshire Enhanced Partnership Plan made on 1 April 2022 by SYMCA, Barnsley Metropolitan Borough Council, Doncaster Borough Council, Rotherham Metropolitan Borough Council and Sheffield City Council pursuant to section 138A of the 2000 Act;
- (e) “**EP Schemes**” means each Enhanced Partnership scheme which is associated with the EP Plan and made by SYMCA, Barnsley Metropolitan Borough Council, Doncaster Borough Council, Rotherham Metropolitan Borough Council and Sheffield City Council pursuant to section 138A of the 2000 Act including the South Yorkshire Enhanced Partnership Scheme for Buses made on 1 April 2022 and EP Scheme shall be construed accordingly;
- (f) “**Franchising Scheme Area**” means the SYMCA Area;
- (g) “**Large Franchise Contract**” means a local service contract which has a peak vehicle requirement (PVR) of no less than 50 vehicles;
- (h) “**Local Service Contract**” has the same meaning as in section 123A(5) of the 2000 Act;
- (i) “**Local Service**” has the same meaning as in section 2 of the 1985 Act;
- (j) “**Operator**” means a person operating a Local Service, and references to an Operator shall be construed in accordance with section 137(7) of the 1985 Act;
- (k) “**South Yorkshire Franchising Scheme Map**” means the map so described which is deposited at SYMCA’s office at 11, Broad Street West, Sheffield S1 2BQ (A smaller scale version of this plan is at Annex 3 for the purposes solely of illustration);
- (l) “**SYMCA**” means the South Yorkshire Mayoral Combined Authority; and
- (m) “**SYMCA Area**” means the area consisting of the areas of the metropolitan district councils for the local government areas of Barnsley, Doncaster, Rotherham and Sheffield.

3. THE FRANCHISING SCHEME AREA

- 3.1 The SYMCA Area is hereby designated as the area to which the Scheme relates as shown on the South Yorkshire Franchising Scheme Map .

4. ENTRY INTO LOCAL SERVICE CONTRACTS

- 4.1 The date on which a local service contract to provide a Local Service may first be entered into shall be [1 April 2027] .
- 4.2 The minimum period that is to expire between the date set out in article 4.1 and the provision of a Local Service under a local service contract shall be a period of 6 months.
- 4.3 The date on which a Local Service may first be provided under a local service contract shall be [1 October 2027].

5. SERVICES UNDER LOCAL SERVICE CONTRACTS

- 5.1 Subject to article 6, the local services that are appropriate, and are intended, to be provided under local service contracts are those specified in Annex 1 to this Scheme .

6. EXCEPTIONS FROM THE SCHEME

6.1 The local services excepted from regulation arising because of the Scheme are those listed in Annex 2.

7. SCHEME FACILITIES

7.1 The additional facilities that the SYMCA consider appropriate to provide in the SYMCA Area are:

- (a) such depots as may facilitate the letting of the large franchise contracts.
- (b) buses, zero emission or internal combustion engine, as may facilitate the letting of the local service contracts.

8. PLAN FOR CONSULTING ON OPERATION OF THE SCHEME

8.1 The SYMCA will consult such organisations as appear to the SYMCA to be representative of users of local services (including for the avoidance of doubt, local service contracts). This will include Transport Focus or any successor organisation. It may consult other organisations and persons, as the SYMCA thinks fit.

8.2 The purpose of any consultation undertaken in accordance with this article 8 is to seek the views of the users of local services on how well the Scheme is working . SYMCA will consult in accordance with this article 8 within a period of 24 months from the date set out in article 4.3 and at such other times periodically as the SYMCA considers appropriate.

8.3 Any consultations carried out in accordance with this article 8 shall last for such period of time as the SYMCA thinks fit so as to ensure that those organisations and persons described in article 8.1 have sufficient time to respond.

8.4 The SYMCA will make available to the public its response to any consultation carried out in accordance with this article 8.

9. VARIATION AND REVOCATION OF THE ENHANCED PARTNERSHIP

9.1 Immediately after the dates on which subsections (2) and (3) of section 123J of the 2000 Act apply to the Franchising Scheme Area, the EP Plan and each EP Scheme shall be revoked in respect of the Franchising Scheme Area .

.....

THE MAYOR OF SOUTH YORKSHIRE MAYORAL COMBINED AUTHORITY

Annexes To The Scheme

Annex 1: Services Included - Article 5

| Origin | Via | Destination |
|--------------------|------------|---------------------------------------|
| Adwick le Street | | Auckley |
| Adwick-upon-Deerne | | Scawsby |
| Askern | | Woodlands (St Joseph & St Teresa Sch) |
| Aston Academy | | Treeton |
| Attercliffe | | Handsworth |
| Auckley | | Austerfield |
| Aughton | | Sheffield |
| Balby | | Balby Carr |
| Barnby Dun | | Edenthorpe |
| Barnby Dun | | Sykehouse |
| Barnby Dunn | | Lindholme |
| Barnsley | | Athersley (Circle) |
| Barnsley | | Barnsley |
| Barnsley | | Cawthorne |
| Barnsley | | Cudworth |
| Barnsley | | Darton |
| Barnsley | | Darton College |
| Barnsley | | Deepcar |
| Barnsley | | Denby Dale |
| Barnsley | | Doncaster |
| Barnsley | | Doncaster Airport |
| Barnsley | | Hemsworth |
| Barnsley | | Hoyland |
| Barnsley | Hoyland | Elsecar (Circle) |
| Barnsley | | Ingbirchworth |
| Barnsley | Kendray | Worsbrough Bank End (Circle) |
| Barnsley | | Kexborough |
| Barnsley | Kexborough | Darton |
| Barnsley | | Kingstone |

| | | |
|----------------------|------------------|-----------------------------------|
| Barnsley | Kingstone | Pogmoor (Circle) |
| Barnsley | | Leeds |
| Barnsley | Mexborough | Rotherham |
| Barnsley | | Penistone |
| Barnsley | | Penistone (Penistone Grammar Sch) |
| Barnsley | Pogmoor | Kingstone (Circle) |
| Barnsley | | Pontefract |
| Barnsley | | Rotherham |
| Barnsley | | Royston |
| Barnsley | Royston | Wakefield |
| Barnsley | Staincross | Mapplewell (Circle) |
| Barnsley | | Stocksbridge |
| Barnsley | Thurnscoe | Doncaster |
| Barnsley | | Wakefield |
| Barnsley | Wath upon Dearne | Thurnscoe |
| Barnsley | | Wombwell |
| Barnsley Interchange | Royston | Wakefield |
| Barugh Green | | Penistone (Penistone Grammar Sch) |
| Basegreen | | Eckington |
| Bawtry | | Auckley |
| Bawtry | | Auckley (The Hayfield Sch) |
| Bawtry | | Queen Elizabeth School |
| Bessacar | | Tickhill |
| Birley | | Ecclesfield |
| Blyth | | Bawtry |
| Braithwaite | | Campsall (Camps Mount Academy) |
| Broomhill | | Crystal Peaks |
| Broomhill | | Harthill |
| Cantley | | Balby |
| Cantley | | Doncaster |
| Carcroft | | Doncaster |
| Carlecotes | | Millhouse Green |
| Castleton | | Mam Tor |
| Chapelton | | Kimberworth |
| Chapelton | | Lowedges |
| Chapelton | | Meadowhall |

| | | |
|---------------|--------------------|-----------------------------|
| Chapelton | | Ranmoor |
| Chapelton | | Stocksbridge |
| Chapelton | | Swinton |
| Conisborough | | Wath |
| Crystal Peaks | | Clowne |
| Crystal Peaks | | Ecclesfield |
| Crystal Peaks | Frecheville | Crystal Peaks (Circle) |
| Crystal Peaks | | Plumbley |
| Crystal Peaks | | Thorpe Salvin (Circle) |
| Crystal Peaks | | Wales |
| Crystal Peaks | Frecheville-Birley | Crystal Peaks (Circle) |
| Darton | | Wakefield |
| Darton | | Windhill |
| Doncaster | | Armthorpe (Circle) |
| Doncaster | | Auckley |
| Doncaster | | Balby |
| Doncaster | Balby | Lakeside (Circle) |
| Doncaster | Bawtry | Retford |
| Doncaster | Bentley | Arksey (Circle) |
| Doncaster | | Bessacarr |
| Doncaster | | Cantley |
| Doncaster | | Clay Lane |
| Doncaster | | Doncaster |
| Doncaster | | Doncaster New College |
| Doncaster | | Doncaster Sheffield Airport |
| Doncaster | | Edlington |
| Doncaster | | Edlington (Circle) |
| Doncaster | | Finningley |
| Doncaster | | Gainsborough |
| Doncaster | Harworth | Worksop |
| Doncaster | | Hayfield |
| Doncaster | | Moorends |
| Doncaster | | Norton |
| Doncaster | | Retford |
| Doncaster | Ridgewood School | Scawsby |
| Doncaster | | Rossington |

| | | |
|-----------------------|------------|----------------------------------|
| Doncaster | Rossington | Tickhill |
| Doncaster | | Rossington (Circle) |
| Doncaster | | Scawsby (Circle) |
| Doncaster | | Sheffield |
| Doncaster | | Skellow |
| Doncaster | | South Elmsall (Circle) |
| Doncaster | Stainforth | Hatfield |
| Doncaster | Thorne | Moorends |
| Doncaster | | Wheatley Hills |
| Doncaster | | Wombwell |
| Doncaster | | Woodfield (Circle) |
| Doncaster | | Woodlands |
| Doncaster | | Worksop |
| Doncaster Interchange | | Doncaster Airport |
| Dore | Bradway | Jordanthorpe |
| Ecclesfield | | Banner Cross |
| Ecclesfield | | Bents Green |
| Ecclesfield | | Crystal Peaks |
| Ecclesfield | Sheffield | Hemsworth |
| Ecclesfield | | Stocksbridge |
| Edlington | | Cantley |
| Elsecar | | Wath upon Dearne |
| Finningley | | Auckley |
| Fir Vale | | Broomhill |
| Fox Valley | | Hillsborough |
| Goldthorpe | | Scawsby (Ridgewood Sch) |
| Greasbrough | | Wath upon Dearne (Wath Comp Sch) |
| Grenoside | | Worrall |
| Halfway | | Fulwood |
| Halfway | | Mansfield |
| Handsworth | | Dinnington |
| Heeley | | Norton Lees |
| Heeley | | Ranmoor (Notre Dame Sch) |
| High Green | | Batemoor |
| High Green | | Rotherham |
| Hillsborough | | Bradfield |

| | | |
|--------------|------------------------|----------------------------------|
| Hillsborough | | Harley |
| Hillsborough | | High Bradfield (Circle) |
| Hillsborough | | Low Bradfield (Circle) |
| Hillsborough | | Totley |
| Hillsborough | | Totley Brook |
| Hillsborough | | Wharcliffe Side |
| Holbrook | | Sheffield |
| Holmfirth | | Barnsley |
| Holmfirth | | Castleton |
| Holmfirth | | Fox Valley |
| Hope | | Ecclesall |
| Horse Fair | | Doncaster Frenchgate Interchange |
| Instonville | | Cantley |
| Intake | Doncaster | Bentley |
| Jordanthorpe | City - Shiregreen | Foxhill |
| Jordanthorpe | Sheffield | Shiregreen |
| Kendray | | Kingstone |
| Lindholme | | Hatfield (Ash Hill Academy) |
| Lodge Moor | Sheffield | Charnock |
| Low Valley | | Wath upon Dearne |
| Lowedges | | Meadowhall |
| Lowedges | Sheffield | Shiregreen |
| Lowedges | | Sheffield Centre |
| Loxley | | Worrall Bradfield School |
| Malin Bridge | | Worrall (Bradfield Sch) |
| Maltby | | Dinnington |
| Maltby | | Rotherham |
| Mam Tor | | Lowedges |
| Manor Park | Heeley - Uppertorpe | Sheffield (Circle) |
| Manor Park | Sheffield - Uppertorpe | Heeley (Circle) |
| Manor Top | | High Storrs |
| Mapplewell | | Darton |
| Mapplewell | | Kexborough |
| Mapplewell | | Penistone |
| Meadowhall | | Buxton |
| Meadowhall | | Holmfirth |

| | | |
|------------------------|------------|---------------------------|
| Meadowhall | | Norton Lees |
| Meadowhall Interchange | | Sheffield Interchange |
| Meadowhead | | Bradway |
| Millhouse Green | | Penistone Grammar School |
| Millhouse Green | | Stocksbridge |
| Misson | Bawtry | Retford |
| Monk Bretton | | Holy Trinity School |
| Monk Bretton | | Kendray |
| Moorends | | Cantley |
| Mosborough | | Sothall |
| Nether Edge | | Wybourn |
| Nether Haugh | | Wentworth (Wentworth Sch) |
| Norton | | Doncaster |
| Norwood | | Fulwood |
| Penistone | | Holmfirth |
| Penistone | | Millhouse Green (Circle) |
| Ranmoor | | Pitsmoor |
| Rossington | | Tickhill |
| Rotherham | | Maltby |
| Rotherham | | Barnsley |
| Rotherham | | Bramley |
| Rotherham | | Chapelton |
| Rotherham | | Dinnington |
| Rotherham | Dinnington | Worksop |
| Rotherham | | Doncaster Airport |
| Rotherham | | East Herringthorpe |
| Rotherham | | Grimethorpe |
| Rotherham | | Harthill |
| Rotherham | | Herringthorpe (Circle) |
| Rotherham | | Hoyland |
| Rotherham | | Kimberworth Park |
| Rotherham | | Kimberworth Park (Circle) |
| Rotherham | Mexborough | Doncaster |
| Rotherham | | Ravenfield |
| Rotherham | | Rawmarsh (Circle) |
| Rotherham | | Rotherham |

| | | |
|------------|--------------------------|-------------------|
| Rotherham | | Sheffield |
| Rotherham | Swallownest | Harthill |
| Rotherham | | Swinton |
| Rotherham | | Wath upon Dearne |
| Rotherham | | Worksop |
| Scunthorpe | | Haxey |
| Sheffield | | Bakewell |
| Sheffield | | Barnsley |
| Sheffield | Barnsley | Leeds |
| Sheffield | | Castleton |
| Sheffield | | Chancet Wood |
| Sheffield | | Chapelton |
| Sheffield | | Chesterfield |
| Sheffield | Clowne | Mansfield |
| Sheffield | Crystal Peaks | Plumbley |
| Sheffield | | Darnall |
| Sheffield | | Dinnington |
| Sheffield | Dinnington | Thurcroft |
| Sheffield | | Doncaster |
| Sheffield | | Doncaster Airport |
| Sheffield | | Dore |
| Sheffield | Dronfield | Chesterfield |
| Sheffield | Eckington - Chesterfield | Holymoorside |
| Sheffield | Eckington | Crystal Peaks |
| Sheffield | | Fir Vale |
| Sheffield | | Firth Park |
| Sheffield | | Harthill |
| Sheffield | | Hillsborough |
| Sheffield | | Holmfirth |
| Sheffield | | Maltby |
| Sheffield | | Manor Top |
| Sheffield | | Matlock |
| Sheffield | | Meadowhall |
| Sheffield | | Millhouses |
| Sheffield | | Parsons Cross |
| Sheffield | | Rotherham |

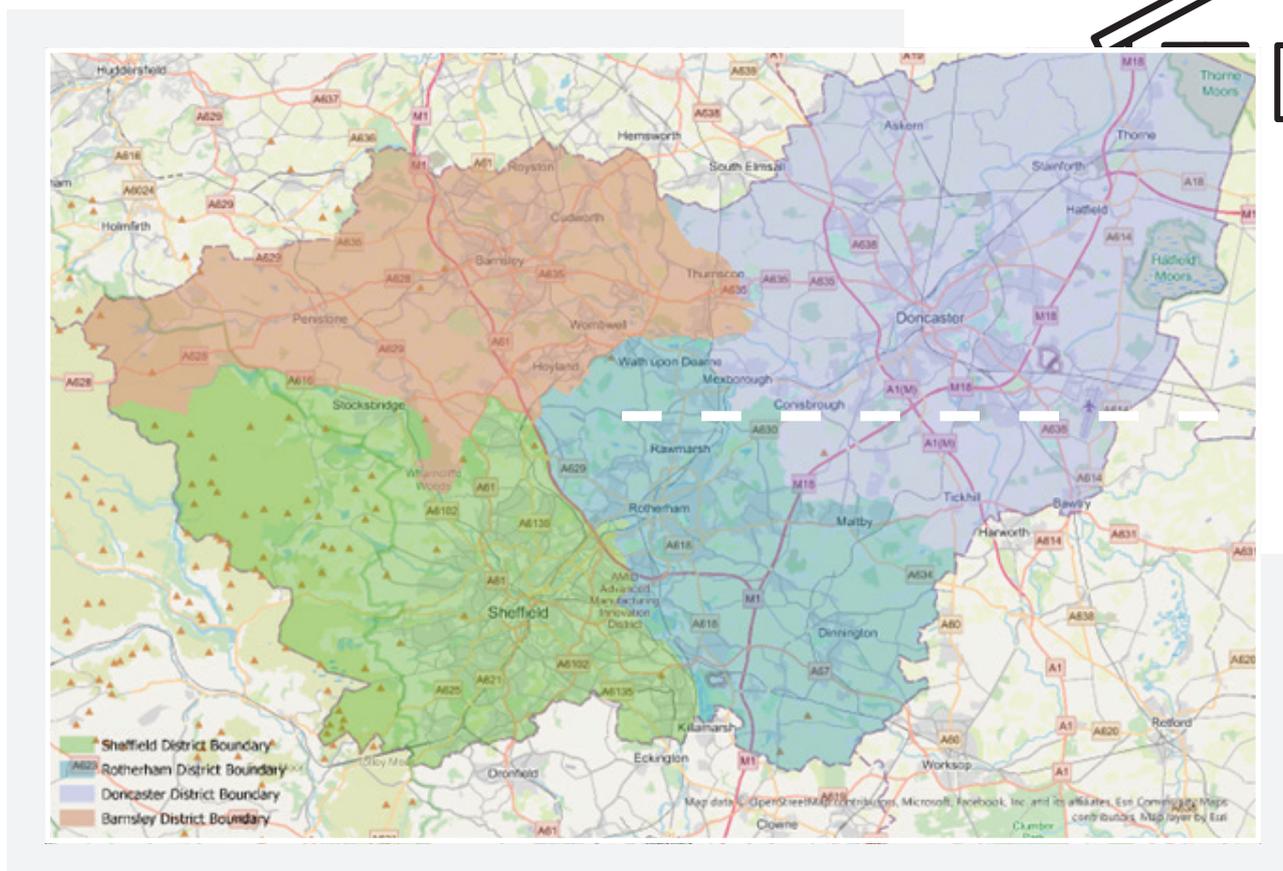
| | | |
|--------------------------------|-----------|---|
| Sheffield | | Sheffield |
| Sheffield | | Stocksbridge |
| Sheffield | | Totley Brook (King Egbert Sch) |
| Sheffield | | Woodhouse |
| Sheffield City Centre (Circle) | | Sheffield City Centre (Circle) |
| Shiregreen | City | Herdings (Circle) |
| Shiregreen | | Herdings (Circle) |
| Smithies | | Kingstone (Horizon Community Coll) |
| Sprotbrough | | Scawsby |
| Staincross | | Kexborough |
| Stainforth | | Hatfield Woodhouse (Hatfield Woodhouse Sch) |
| Stainforth | | Mcauley School |
| Stannington | Sheffield | Dore |
| Stannington | | Worrall |
| Stocksbridge | | Bradfield School |
| Stocksbridge | | Ranmoor |
| Thorne | | Moorends |
| Thorne Town Service | | Thorne Town Service |
| Thurcroft | | Kiveton |
| Thurcroft | | Kiveton Park |
| Thurgoland | | Penistone (Circle) |
| Thurnscoe | | Wath upon Dearne (St Pius X High Sch) |
| Thurnscoe | | Wombwell (Netherwood Academy) |
| Tickhill | | Cantley |
| Tickhill | | Doncaster |
| Tickhill | | Edlington |
| Toll Bar | | Scawthorpe |
| Wadsley | | Ranmoor |
| Wakefield | | Doncaster |
| Walkley | | Meadowhall |
| Walkley | | Rotherham |
| Walkley | Sheffield | Meadowhall |
| Walkley | | Stannington |
| Warren | Chapelton | Parson Cross |
| Wath upon Dearne | | Thurnscoe |
| Waverley | | Aston |

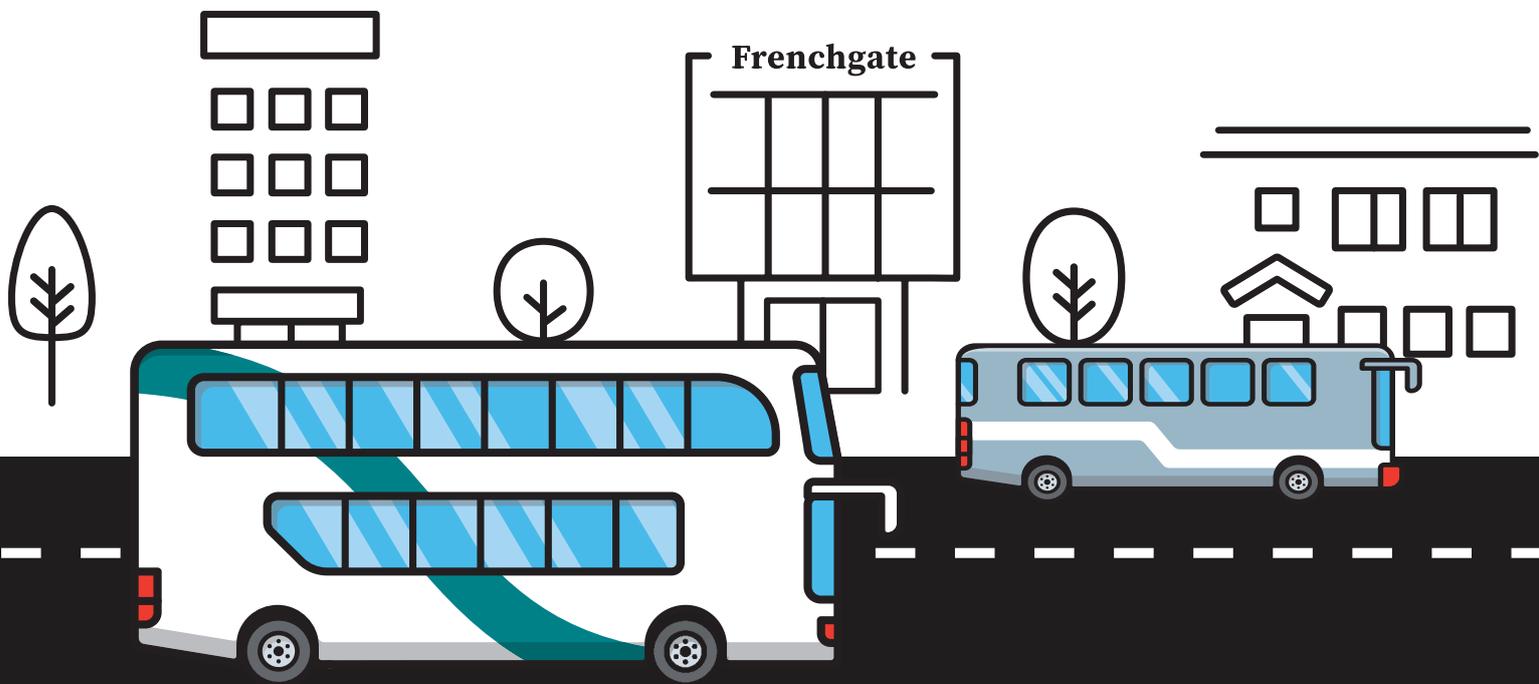
| | |
|----------------------|-----------------------------------|
| Western Bank | Crosspool |
| Wheatley | Cantley |
| Wincobank | Ranmoor |
| Wombwell | Wath upon Dearne (Wath Comp Sch) |
| Woodfield | Doncaster Frenchgate Interchange |
| Woodfield Plantation | Sir Thomas Wharton Academy |
| Woodhouse | Bradway |
| Woodhouse | Hillsborough |
| Woodhouse | Lowedges |
| Woodhouse | Stradbroke (Outwood Academy City) |
| Woodhouse | Swallownest |
| Woodhouse | Wisewood |
| Woodsetts | Dinnington |
| Wortley | Penistone (Penistone Grammar Sch) |

Annex 2: Excepted Services - Article 6

1. The following local services shall be excepted from regulation arising because of the Scheme (as further set out below, as applicable):
 - 1.1 A Local Service provided where a railway service or light rail service has been temporarily interrupted; and
 - 1.2 Any Local Service specified in Annex 1 to this Scheme up until the effective time of the first local service contract that operates or applies to a geographical area that encompasses all or part of the Local Service specified in Annex 1; and
 - 1.3 Shuttle/Feeder services in the event of road closures; and
 - 1.4 Non regular special events; and
 - 1.5 Scheduled long distance coach services.

Annex 3: South Yorkshire Franchising Scheme Map





 [southyorkshire-ca.gov.uk](https://www.southyorkshire-ca.gov.uk)
 enquiries@southyorkshire-ca.gov.uk
 +44 (0) 114 220 3400
 11 Broad Street West, Sheffield, S1 2BQ

SOUTH YORKSHIRE
SYMCA
MAYORAL
COMBINED
AUTHORITY

