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**Report to Council**

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**Date of Meeting: 9 February 2017**

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**Subject: SEStran – Consultation on Proposal to Move to a Model 3  
Regional Transport Partnership**

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**Report by: Head of Development & Environment**

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**1.0 Purpose**

- 1.1. The purpose of this report is to set out a response to a consultation by SEStran on moving from a Model 1 Regional Transport Partnership to a Model 3 Regional Transport Partnership.

**2.0 Recommendations**

It is recommended that Council :

- 2.1. Responds to the consultation stating that the Council reserves its position on moving to a Model 3 Partnership as the case for a Model 3 Regional Transport Partnership has not been made, at this time and seeks a detailed business case to enable the Council to make an informed decision.
- 2.2. Notes that Council will be updated on the outcome to the consultation after the SEStran Board Meeting in March 2017 and that a further report will be brought to Council to consider a detailed appraisal of model options available to the Council, including moving to a Model 3 Partnership, remaining as model 1 partner and joining or creating another Regional Transportation Partnership.

**3.0 Background**

- 3.1. SEStran is a Regional Transport Partnership (RTP) created in 2005 under the Transport (Scotland) Act 2005. On becoming a statutory body, SEStran was tasked with producing a Regional Transport Strategy for the South East of Scotland. It is made up of eight member Councils (Clackmannanshire, Falkirk, Fife, Edinburgh, East Lothian, Midlothian, West Lothian and Scottish Borders).
- 3.2. There is a legal requirement for every Local Authority to be part of a Regional Transport Partnership. Currently SEStran is a Model 1 RTP. Model 3 is an enhanced method of partnership such as Strathclyde Partnership for Transport (SPT). SPT is the only Model 3 partnership in Scotland. Among other functions they procure local bus services for the partnerships.

- 3.3. Every RTP has, as its base function, the requirement to produce and monitor a Regional Transport Strategy which is supported by Delivery Plans where the RTP sets out when and how projects and strategy will be delivered. At present local authorities hold a wide range of transport powers and duties and transferring some of these to the regional level is possible and would require the RTP to move to a Model 2 or 3.
- 3.4. In terms of the Transport (Scotland) Act 2005 (Section 10(6)) SEStran must consult its constituent Councils on the content of a proposed s.10 order before applying to the Ministers for Model 3 status. The Act outlines as examples some of the functions which may be the subject of an order under Section 10(4) including bus services, road user charging, management or maintenance of a bridge, traffic regulation orders, regulation of use of roads by public service vehicles and securing the provision of passenger transport and related consultation and publicity.
- 3.5. If a level 3 model was to be created the functions that could transfer to a Model 3 Partnership from Councils (or operated concurrently) would be :
- plan and fund socially necessary bus routes;
  - work in partnership with private operators to improve bus services through bus priority schemes or quality partnerships;
  - plan and implement investment in local public transport networks including new bus or active travel stations/hubs;
  - provide comprehensive public transport information services or regional integrated ticketing schemes; and
  - manage and maintain bus interchanges, bus stops and shelters.
- 3.6. From the Census (2011), the number of people commuting from Clackmannanshire to Stirling and Falkirk is significantly in excess of those commuting to Edinburgh with others commuting to Glasgow.
- 3.7. Clackmannanshire delivers its public transport function in partnership with Stirling Council through the Public Transportation Unit. This provides economies of scale and resilience to manage public transport functions. Stirling Council is part of the Tayside & Central Transportation Partnership.
- 3.8. Clackmannanshire currently funds a number of public transport functions within the local area, these include the following :
- Supported Bus (C1) - £88,635 per annum
  - Supported Bus (C2) - £84,575 per annum
  - Taxicard - £12,000 per annum
  - Dial-a-journey - £44,000 per annum
  - Demand Responsive Transport (Muckhart area) - £3,300 per annum
  - School Transport – £479,450 per annum
  - Special Education Needs Transport - £405,320 per annum
  - Joint Public Transport Unit (Stirling) - £35,000 per annum
  - Maintenance of 256 bus stops with 135 shelters – £7,460 per annum
  - SEStran Membership - £20,000

## 4.0 Considerations

- 4.1. In June 2016, the SEStran Board discussed the possibility of moving from a Model 1 to a Model 3 RTP and becoming a Passenger Transport Authority (PTA). This was in the context of the Scottish Government's Planning Review and the emerging Programme for Government. It has also been stated that the proposals for the Edinburgh City Deal might benefit from such a transition in terms of impact on the labour market, long term enterprise trends, accessibility to more and better quality of jobs and ensuring that all have the opportunity to contribute to all sectors of the economy.
- 4.2. The Board of SEStran commissioned and considered a report by Professor Tom Rye of Napier University into the potential for SEStran to move to a Model 3 partnership on 2 December 2016. Professor Rye's report and a covering report to the Board are available as a background paper. The Board agreed to consult its constituent Councils on the possibility of moving to a Model 3 Partnership as set out in the letter attached at Appendix 1.
- 4.3. Professor Rye's report provides an overview of regional transportation partnerships in the UK and within Europe. This is predominantly a **research** report and is not directly comparable to a Model 3 RTP in Scotland due to different legislation and regulation of bus markets. SPT is the closest example in Scotland of a Model 3 RTP comparable to that proposed by SEStran. The majority of Model 3 RTP analysed by SEStran are for much larger populations than SEStran's 1.5 million people. The Edinburgh city region area is projected to be the largest growth area in Scotland over the next 30 years.
- 4.4. Professor Rye's report discusses the various merits of Passenger Transport Authorities (PTA's) including capacity governance and finance. The report also looks at economies of scale, resilience, pricing, fairer integration, connectivity and accessibility. At this stage the report is predominantly research based and has not demonstrated a clear business case for SEStran to move to a Model 3 partnership. There is some limited evidence from SPT that PTA's can offer a wider range of transport solutions including multi model ticketing, busway, subway and suburban rail network. In England, PTA's were able to deliver better or new schemes, pricing and fares. There was also evidence of higher spending per head of population on tendered bus services.
- 4.5. It is not clear from SEStran proposals or the research report what powers SEStran would be looking to take from local authorities and associated budgets which could include the following :
  - Transfer of whole Council public transport budget to SEStran which could be spent outwith Clackmannanshire. Loss of local control over the public transport network.
  - Increased costs to operate existing services leading to additional funds being sought from councils or reduced levels of service.
  - Central procurement could deter local operators from competing, leading to either larger operators winning contracts at higher costs or other operators with no local knowledge of area.

- Possibility of a two tiered system developing with some services e.g. supported bus services procured and operated by SEStran and others remaining with the local authority e.g. school transport. This could lead to increased staff costs due to existing staff with less work for the same contractual hours/costs as a result of some job elements transferring to SEStran.
  - SEStran may chose to expand public transport functions that have not previously been undertaken by local authorities e.g. bus quality contracts, which would require additional funding be sought – possibly from the local authorities.
- 4.6 Professor Rye’s report details the opportunities for Clackmannanshire & Falkirk Council’s in particular as they are not part of the Edinburgh City Deal as “The principal benefit to these authorities . . . would be to be part of a larger organisation . . . with the organisational knowledge, capacity, skills and resilience that this could bring”. It can be argued through the existing joint public transport unit with Stirling that these benefits are being realised.
- 4.7. In considering the SEStran proposals, reassurance and confirmation would be required on how local concerns would be addressed, these include loss of control, local knowledge, stakeholder engagement, bus routing, access to employment, governance and what the added value would be to local authorities outwith the Edinburgh City Deal area.
- 4.8. Annex 2 to the letter received on 9 December from the Chair of SEStran, under the heading *Potential costs of moving to a Model 3 RTP*, states “A very robust mechanism would need to be developed to ensure that these resources were distributed across the region in a way that would maximise their impact on a set of pre-agreed outcomes.”
- 4.9. Professor Rye states in his summary that “there is limited evidence that Model 3 RTPs and CAs [Combined Authorities] necessarily provide much better performance against outcomes than do their unitary counterparts. They are not necessarily more efficient in what is delivered per £ spent or person employed”.
- 4.10. If the six Councils involved with the potential Edinburgh City Deal were to favour Model 3 RTP status, one option which appears to be available to Ministers would be to transfer to SEStran the desired functions but only for those six Council areas, thus leaving Clackmannanshire Council (and potentially Falkirk) as a Model 1 member.

## **5.0 Conclusions**

- 5.1. The SEStran report to support the consultation does not satisfactorily identify sufficient and concrete benefits to the Clackmannanshire Council area from a proposed move to a Level 3 Model. Edinburgh is not the main destination for people commuting from Clackmannanshire. However, the expected growth and potential benefits to Clackmannanshire’s proximity should be considered in future economics of our area. It is not proven that there would be economies of scale for the functions based on revenue funding and there is a

risk that there would be diseconomies of scale in regard to loss of local knowledge and distance from bus service issues.

- 5.2. In conclusion, there has been no detailed business case produced to stake the benefits and risks of moving all SEStran members to a Model 3 Partnership and the Council should reserve it's decision on any potential change to the Regional Transportation Partnership until such evidence can be presented.

## 6.0 Resource Implications

### 6.1. *Financial Details*

6.2. There are no financial implications associated with this paper.

6.3. The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate. Yes

6.4. Finance have been consulted and have agreed the financial implications as set out in the report. Yes

### 6.5. *Staffing*

6.6. *There are no staffing implications associated with this paper.*

## 7.0 Exempt Reports

7.1. Is this report exempt? Yes  (please detail the reasons for exemption below) No

## 8.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities** (Please double click on the check box )

The area has a positive image and attracts people and businesses

Our communities are more cohesive and inclusive

People are better skilled, trained and ready for learning and employment

Our communities are safer

Vulnerable people and families are supported

Substance misuse and its effects are reduced

Health is improving and health inequalities are reducing

The environment is protected and enhanced for all

The Council is effective, efficient and recognised for excellence

(2) **Council Policies** (Please detail)

## 9.0 Equalities Impact

- 9.1 SEStran would need to carry out an equality impact assessment at the appropriate stage.

## 10.0 Legality

- 10.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes

Moving from a Model 1 to a Model 3 Transport Partnership requires consultation with all the constituent Councils and must be agreed by the Scottish Ministers.

## 11.0 Appendices

- 11.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

SEStran Consultation Letter of 9 December 2016

## 12.0 Background Papers

- 12.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes  (please list the documents below) No

SEStran Board Report – 2 December 2016

Professor Tom Rye's Report - PTA Models of Organisation for Regional Transport Governance

Transport (Scotland) Act 2005

Scotland's Transport Future : Proposals for Statutory Regional Transport Partnerships

### Author(s)

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### Approved by

NAME	DESIGNATION	SIGNATURE
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Council Leader  
Address

9<sup>th</sup> Friday 2016

Dear Councillor

**Consultation in respect to transfer of functions pursuant to Section 10 of the Transport (Scotland) Act 2005**

Further to recent discussions at the September and December 2016 South East of Scotland Transport Partnership (SEStran) Board meetings. I write to inform you that at the meeting on Friday 2 December, the Board agreed to undertake a consultation under Section 10(6) of the Transport (Scotland) Act 2005 ("the Act") in regard to SEStran moving from a Model 1 to a Model 3 Regional Transport Partnership. Further information on the process is contained in annex 1.

At the meeting the Board of SEStran collectively viewed it to be in the best interests of the partnership to undertake this consultation. I have included a copy of the Board report and associated research report by Professor Tom Rye on the proposal tabled at the 2 December meeting for your reference.

The benefits from the Board's standpoint is focussed on the need to connect more people to jobs, promote greater inclusion, sustainability and integration of public transport and the potential improvements to services by having a combined transport authority for the SE of Scotland.

The fuller potential benefits of making SEStran in to a Model 3 RTP are laid out in annex 2 which is a summary of Professor Rye's report.

I'm aware that discussions and correspondence have been undertaken with your Chief Executive on this matter either within the context of the Edinburgh Region City Deal or separately and your Head of Service/Chief Officers over recent months. I have copied this letter to your Chief Executive and Head of Transportation for information. I, the Vice Chairs and Partnership Director would be happy to meet with you and your Chief Executive to discuss matters further if helpful.

I would be grateful if you could consider the request and the functions your council would wish to consider for transfer to SEStran so that at either the 2 March SEStran Board meeting or if possible a special meeting before or after that date, we can consider and seek to agree a request to Scottish Ministers to support the request from some or all constituent councils. I realise that this decision may require a decision by your full Council and/or Executive body.

Yours sincerely



Cllr Lesley Hinds  
**Chair of SEStran**



## Annex 1

Section 10 (6) of the Act outlines that the first stage of consultation is required to be with constituent councils around the proposed contents of the request to Scottish Ministers to support an order transferring wholly or concurrently a function/functions.

Currently SEStran is a Model 1 Regional Transport Partnership (RTP), with a primary duty to produce a Regional Transport Strategy. A Model 3 RTP is an enhanced method of partnership delivery with the collective delivery of some or all the functions listed in section 10 of the Act. Section 10 (4) outlines the main functions which may be subject of such an Order, albeit this is not an exclusive list:

- Part 2 of the Transport (Scotland) Act (bus services) and Part 3 of that Act (road-user charging)
- Management or maintenance of a bridge;
- Section 1 to 4 of the Road Traffic Regulation Act 1984 (c.27) (traffic regulation orders) and local traffic authorities by section 19 of that Act (regulation of use of roads by public service vehicles);
- Sections 63 and 64 of the Transport Act 1985 (c.67) (securing the provision of passenger transport and related consultation and publicity)

The Act also outlines as examples some of the functions which may be the subject of an order under Section 10 (4):

- entering into quality partnership schemes;
- entering into quality contract schemes;
- entering into ticketing arrangements and ticketing schemes;
- providing information about bus services;
- installing bus lanes; providing subsidised bus services;
- making and implementing road user charging schemes;
- operating ferry services;
- managing tolled bridges;
- operating airports and air services; and
- entering into public service contracts.

The Chief Officers group of SEStran's constituent councils have agreed to consult member councils on the transfer of all functions listed in section 10 to SEStran. Section 14 of the Act also provides for arrangement for performance by RTPs of certain transport functions etc., on behalf of local authorities, albeit this part of the Act does not provide an exhaustive definition of statutory functions relating to "transport." This route offers an opportunity for SEStran to deliver functions and services on behalf of local authorities and others without having to undergo the full process of a Parliamentary Order under section 10. Alternatively, the two routes could be used in combination.

Accordingly, officers of SEStran's constituent councils have agreed to consider as part of this consultation to seek your views on the potential for collaborations around the Audit Scotland proposals for wider network maintenance/management and other transportation functions, in terms of section 14.

If there were appropriate levels of support for a request to Scottish Ministers to support a Transfer of Functions Order and subsequent support from Scottish Ministers, the detail of the functions to be transferred would need to be set out in a letter outlining in clear legal terms the specific of the requests for a wholly or concurrently transfer of functions. This would then form the basis for support from Ministers. Then there would be a further 3 month parliamentary consultation period on a statutory instrument laid in Parliament which if passed would allow SEStran moving from a Model 1 to a Model 3 RTP. Your council would be consulted again at that stage.

## **Annex 2**

### Potential Benefits of making SEStran into a Model 3 Regional Transport Partnership

A Model 3 partnership would take on powers and functions from its constituent local authorities and exercise these functions either exclusively, or in parallel with those authorities. If it were to be funded in a similar way to existing Model 3 RTPs then its funding would come from levies on its constituent authorities. Its governance would be similar to that of the current SEStran Model 1 RTP. Likely benefits, based on a review of existing Model 3 RTPs and similar Combined Authority/PTE organisations in the English metropolitan regions, could be as follows:

- Improved cross-regional mobility for regional labour, education and training, and employability; and improved community connectivity, due to higher levels of subsidised socially necessary bus services and demand responsive transport.
- This could then open up more and better employment opportunities to the region's communities that currently have high unemployment, by ensuring that key employment sites are well connected regionally; by providing bus services that correspond with working patterns; and providing more integrated information and advice that may encourage people to look for job opportunities across a wider area.
- Reduced/free bus fares for those attending job interviews and then for the first month in employment, in order to reduce this barrier to getting into work. This is a typical service in English CA areas, but not in comparable unitary authority areas.

- Planning and delivering transport solutions for all modes of transport across the region: English combined authorities have consistently delivered more transport investments such as new busways, new light rail and statutory quality partnerships compared to their unitary council counterparts. They have also delivered multi-modal ticketing over many years at a scale not found in other areas of England or outside the SPT area in Scotland.
- As advocates for improved public transport on behalf of a greater level of population and an entire region, Model 3 authorities tend to have more effective engagement with national agencies and, often major operators.
- TfGM, the transport arm of the Greater Manchester Combined Authority, is delivering transport investments worth £1.5 billion over 10 years funded from the GM Transport Fund. It is likely that its ability to secure permission from central government to borrow this additional money was in part because of its status as an organisation with sufficient capacity to be able to deliver these schemes. It is more difficult for smaller unitary authorities to demonstrate this.
- A larger regional public transport authority has more organisational resilience in general than single unitary authorities delivering the same services individually. SEStran and council expertise and resources could be pooled and shared with clear benefits arising. The procurement process could also benefit from being centralised and from large scale tenders.
- Better integration of land-use planning with existing public transport networks, walking and cycling routes and encouraging town centre locations is a probable benefit of a stronger RTP due to the integration of strategic public transport planning and strategic land use planning at the city region level.
- Research by KPMG (2015) indicates that every £1 spent on investment in bus priority measures delivers an average of £3.32 of net economic benefit. A Model 3 RTP would be better placed to lobby for and plan region wide bus priority measures to deliver these benefits.
- Passenger transport authorities in other EU countries are able to limit fare increases and set fares in relation to affordability or in comparison with motoring costs. (It should be noted that in the Scottish context new primary legislation would be needed to bring this about.)

### **Potential costs of moving to a Model 3 RTP**

The primary disbenefit of moving to a Model 3 RTP would be the organisational costs of moving services currently provided by individual unitary authorities to a single organisation. This organisational change would require very careful planning and management in order to minimise any discontinuities in service delivery.

Secondly, debates about the correct spatial distribution of limited resources to support socially necessary bus services that occur now within individual authorities would move to the regional level. A very robust mechanism would need to be

developed to ensure that these resources were distributed across the region in a way that would maximise their impact on a set of pre-agreed outcomes.