

# **Bus Franchising in Greater Manchester Assessment September 2019**

---

Management Case  
Supporting Paper  
– Franchising

---



# Management Case Supporting Paper - Franchising

## Table of Contents

<b>1</b>	<b>Document Overview.....</b>	<b>2</b>
1.1	Document Purpose .....	2
1.2	Document Structure.....	2
<b>2</b>	<b>Cost of bus franchising – core activities (salary costs exclude NI and Pension Costs which are added in the financial model) .....</b>	<b>3</b>
<b>3</b>	<b>Cost of bus franchising – support activities (salary costs exclude NI and Pension Costs which are added in the financial model) .....</b>	<b>4</b>
<b>4</b>	<b>System costs for transition .....</b>	<b>7</b>
<b>5</b>	<b>Headcount, Advisory and Internal Costs for transition.....</b>	<b>8</b>

# **1 Document Overview**

## **1.1 Document Purpose**

1.1.1 The material included below underpins the analysis in the Management Case Section of the Assessment. Due to the level of supporting detail, this material has been included as a supporting document rather than included in the body of the Assessment.

## **1.2 Document Structure**

1.2.1 This document consists of 5 sections as follows:

Section 1 Document overview – this section sets out the purpose of the document, detailed structure and content overview;

Section 2 Cost of bus franchising – core activities – this section provides a breakdown of the core management costs involved in delivering bus franchising. This supports section 45.4 of the Assessment;

Section 3 Cost of bus franchising – support activities – this section provides a breakdown of the support activity management costs involved in delivering bus franchising. This supports section 45.4.of the Assessment;

Section 4 System costs for transition – this section provides a breakdown of costs associated with the system transfer. This supports section 45.6 of the Assessment; and

Section 5 Headcount for transition – This section provides a breakdown of the headcount requirements for the transition. This supports section 46.3 of the Assessment.

## 2 Cost of bus franchising – core activities (salary costs exclude NI and Pension Costs which are added in the financial model)

FUNCTIONAL AREA	INCR. HEADCOUNT	SALARY COST £K P.A.	HEADCOUNT NOTES	ONGOING OPEX COSTS £K P.A.	ONGOING IT SYSTEMS SUPPORT COSTS £K P.A.
Franchise Leadership and Management	20	993	1 <i>Director of Bus'</i> 1 <i>'Head of Franchise Management'</i> 5 <i>'Franchise Managers'</i> 5 <i>'Franchise Officers'</i> 2 <i>'Traffic Officers'</i> 2 <i>'Network Intelligence Officers'</i> 4 <i>'Operator Analysts'</i>	106	424
Commercial Development and Network Planning	9	401	1 <i>'Head of Commercial Development and Network Planning'</i> 6 <i>'Operational Planners'</i> 1 <i>'Commercial Analyst'</i> 1 <i>'Business Planner'</i>	150	84
<b>Total</b>	<b>29</b>	<b>1,394</b>		<b>256</b>	<b>508</b>
<b>Existing Roles – Duplication removed</b>	<b>-20</b>	<b>-954</b>	<i>Roles in existing organisation which change significantly or not required in Franchising.</i>		
<b>Total</b>	<b>9</b>	<b>440</b>			

### 3 Cost of bus franchising – support activities (salary costs exclude NI and Pension Costs which are added in the financial model)

FUNCTIONAL AREA	ROLE	INCR. HEADCOUNT	SALARY COST £K P.A.	HEADCOUNT NOTES	ONGOING OPEX COSTS £K P.A.	ONGOING IT SYSTEMS SUPPORT COSTS £K P.A.
Operations Management	Revenue protection	31	662	31 'Revenue Protection Officers'		21
Assets, Infrastructure, and Systems	Managing assets, infrastructure and systems to deliver TfGM objectives and to maximise return on investments. Outputs include: <ul style="list-style-type: none"> <li>- providing relevant assets to successful operators;</li> <li>- managing asset disposals, renewals and procurement;</li> <li>- maintaining assets;</li> <li>- planning asset investment;</li> <li>- ensuring regulatory compliance;</li> <li>- capturing information on assets;</li> <li>- managing process for bus stop locations;</li> <li>- planning energy requirements; and</li> <li>- monitoring asset performance.</li> </ul>	1	37	0.5 'Fleet RV Scheme' 0.5 'Depot Asset Management'	16	
Stakeholder	Managing the relationship with all TfGM stakeholders, demonstrating that bus strategies and plans align to the wider Greater Manchester objectives.	3	112	1 'Stakeholder Manager' 2 'Stakeholder Support'		
Customer	Managing the relationship with customers; day-to-day interactions, sales and marketing. Outputs include: <ul style="list-style-type: none"> <li>- providing travel information (multi-channel); and</li> <li>- handling enquiries and contact point.</li> </ul>	16	401	6 'Customer Feedback' 4 'Customer Engagement' 6 'Customer Support Call Centre'	500 driver training	9

FUNCTIONAL AREA	ROLE	INCR. HEADCOUNT	SALARY COST £K P.A.	HEADCOUNT NOTES	ONGOING OPEX COSTS £K P.A.	ONGOING IT SYSTEMS SUPPORT COSTS £K P.A.
Finance	<p>Providing the appropriate level of financial control and statutory accounting. Collecting revenues and making payments to operators in line with the contract. Outputs include:</p> <ul style="list-style-type: none"> <li>- receiving financial contract performance data;</li> <li>- reconciling tickets and revenues;</li> <li>- managing revenue apportionment and re-imburement;</li> <li>- managing contract payment schedule;</li> <li>- managing accounts payable; and</li> <li>- producing management accounts and revenue reports.</li> </ul>	10	358	<ul style="list-style-type: none"> <li>1 'Financial Controller and Treasury'</li> <li>1 'Financial Accountant'</li> <li>1 'Management Accountant'</li> <li>4 'Revenue Analysts'</li> <li>1 'Accounts Payable and Receivable'</li> <li>2 'Operator Payment Accountants'</li> </ul>		39
Risk and Assurance	<p>Ensuring that TfGM risk is effectively managed. Outputs include:</p> <ul style="list-style-type: none"> <li>- the ability to audit bus operator data on an ad hoc basis; and</li> <li>- auditing and reviewing TfGM bus processes.</li> </ul>	2	55	2 'Risk and Assurance'		
IT Support	Headcount related IT costs	2	68	<ul style="list-style-type: none"> <li>2 'Systems Support'</li> <li>2 'IT Help Desk'</li> </ul>		170
Procurement	<p>Managing the rolling bus franchise procurement renewals process and contract variation. Outputs include:</p> <ul style="list-style-type: none"> <li>- receiving and reviewing specifications;</li> <li>- building procurement plans;</li> <li>- monitoring supply chain capability, and negotiating where appropriate;</li> <li>- creating and issuing tender packs;</li> <li>- managing the tender process and evaluating responses;</li> <li>- managing contracting processes; and</li> <li>- making contract awards.</li> </ul>	3	157	<ul style="list-style-type: none"> <li>1 'Bus Franchising Procurement Manager'</li> <li>2 'Bus Franchising Procurement Support'</li> </ul>	20	42

FUNCTIONAL AREA	ROLE	INCR. HEADCOUNT	SALARY COST £K P.A.	HEADCOUNT NOTES	ONGOING OPEX COSTS £K P.A.	ONGOING IT SYSTEMS SUPPORT COSTS £K P.A.
Sales and Marketing	Sales and marketing, service improvements. Informing short and long-term interventions. Outputs include: - identifying and leveraging latent demand; - growing customer knowledge and understanding (working with Commercial Development); - developing offers and promotions; - marketing services to the customer; - building TfGM bus brand; - building sales and marketing plans; and - identifying sales and marketing opportunities and liaising with franchise manager.	5	178	1 'Customer Insight Managers' 2 'Marketing Specialists' 2 'Sales and Promotion Specialists'		
<b>Total</b>		<b>73</b>	<b>2028</b>		<b>536</b>	<b>284</b>
<b>Operator Savings</b>	Roles that would transfer from the operators to TfGM. This was obtained from Operator Information	<b>(25)</b>	<b>(764)</b>	- Sales and Marketing - Customer Services - Revenue Protection		
<b>Total Including Operator Savings</b>		<b>48</b>	<b>1263</b>			
<b>Total (direct management and other management support)</b>		<b>57</b>	<b>1703</b>		<b>871</b>	<b>831</b>



## 4 System costs for transition

Business Area	Systems requirements	CAPITAL £K
	<b>Systems Requirements -core activities</b>	
<b>Commercial Development and Network Planning</b>	Operational planning tools to develop timetables	637
<b>Franchise Management</b>	Tools to manage governance, performance management and financial management of bus franchising	2,670
<b>Subtotal</b>		<b>3307</b>
	<b>Systems requirements – support activities</b>	
<b>Operations</b>	Day-to-day operational process and workflow management	172
<b>Customer</b>	CRM tools and temporary mobile ticket app	350
<b>Finance</b>	Financial management and payments	80
<b>Business Intelligence</b>	Business intelligence tools to mine data to support commercial decision making	245
<b>IS Hardware (PC, Licences, phones etc.)</b>	Due to additional staff	378
<b>Procurement</b>	Tools to manage the bus franchising procurement process: building and enhancing the ProContract and SharePoint capabilities	260
<b>HR</b>	Modifications to SAP	55
<b>Subtotal</b>		<b>1540</b>
<b>Total</b>		<b>4847</b>
<b>Systems Development and Delivery Costs</b>	The above costs are the cost of procurement of the systems. These are the development and delivery costs of integrating the new systems with each other and other existing systems. These are resource costs of development and delivery.	<b>9464</b>
<b>Total IS Costs in Transition</b>		<b>14311</b>

## 5 Headcount, Advisory and Internal Costs for transition

ACTIVITY	ROLE	TOTAL HEAD COUNT COST £K	PEAK TRANSITION HEAD COUNT (occurs 20/21)	19/20 £K	20/21 £K	21/22 £K	22/23 £K	23/24 £K	NOTES
<b>Advisory/ Assurance</b>		760	3	175	475	115			<i>Various specialist advisors to support in specification and pensions</i>
<b>Project Management Office</b>	To run the bus franchising project ensuring that it is run on time, to budget, and in line with governance requirements.	896	5	83	255	248	248	62	<i>1 Programme Sponsor 1 Programme Manager 1 Project Co-ordinator 1 Programme Planner 1 Document Controller (part time) 1 Risk Manager (part time)</i>
<b>Modelling</b>	To update the models throughout procurement	545	3	77	206	131	131		<i>2 Modellers 1 Economic specialist</i>
<b>Stakeholder Management</b>	Stakeholder management during consultation and transition.	401	3	29	114	114	114	29	
<b>Operational Continuity and Mobilisation</b>	Management of operational risk during transition and mobilisation.	1,769	4	87	517	517	517	129	<i>1 Mobilisation Director 1 Operational Continuity Manager 2 Operational Continuity Officers</i>
<b>Assets</b>	To manage asset acquisition/transfer, the development and implementation of any associated RV (Residual Value) schemes and manage ETS projects.	834	8	137	500	158	39		<i>1PM Fleet 1PM Driver Radio 1PM AVL 3 Project Co-ordinators 1 ITS Advisor 1 Radio Advisor</i>

ACTIVITY	ROLE	TOTAL HEAD COUNT COST £K	PEAK TRANSITION HEAD COUNT (occurs 20/21)	19/20 £K	20/21 £K	21/22 £K	22/23 £K	23/24 £K	NOTES
<b>Specification</b>	To design and develop the franchise proposition.	506	4	156	269	80			<i>3 Managing Product Specification 1 Network Specification – roles substituted by permanent roles once recruited</i>
<b>Procurement</b>	To prepare the tender documentation; and run the procurement process.	2271	6	267	1052	746	205		<i>1 Procurement Lead 3 Procurement Team 1 Procurement Director 1 Procurement Advisor</i>
<b>Legal Advisors</b>	TfGM legal support in the bid process	1519	3	138	552	552	242	35	<i>1 Head of Legal 1 Legal Manager 1 Legal Officer</i>
<b>Other Transition Costs</b>	Internal TfGM Support	1317	8	147	551	291	274	53	<i>Mixture of full time and ad hoc support. Includes data room costs</i>
<b>Operating Model</b>	To scope, develop, design and manage the implementation of the future operating model in terms of people, process, systems, policies and data.	2400	9	294	1698	1316	924		<i>1 Operational Change Lead 2 Business Change Manager 1 Design Lead 2 Business Analysts 1 Process Designer 1 Data Analyst 1 Business Intelligence Officers Includes £1.7m business change budget</i>
<b>Contingency</b>				90	370	363	357	69	
<b>Total</b>		<b>16299</b>	<b>56</b>	<b>1677</b>	<b>6560</b>	<b>4632</b>	<b>3052</b>	<b>376</b>	

ACTIVITY	ROLE	TOTAL HEAD COUNT COST £K	PEAK TRANSITION HEAD COUNT (occurs 20/21)	19/20 £K	20/21 £K	21/22 £K	22/23 £K	23/24 £K	NOTES
<b>IS Development and Delivery Resource</b>	The table in section 4 has a row for development and delivery. Included in these costs are project resources (PM, Technical Architect and Tester).		<b>25</b>						
<b>Long term future operating model resource to support transition</b>	Future operating model resource that would be brought in early to support transition (or to back fill existing resource) Costs included in future operating model costs.		<b>12</b>						
<b>Peak Transition Headcount.</b>			<b>93</b>						