



Combined Authority Board

13 December 2024

Title:	Proposal for Local Bus Fare Cap – January-March 2025
Report of:	Judith Barker, Executive Director of Place and Connectivity
Lead Member:	Mayor Dr Nik Johnson
Public Report:	Yes
Key Decision:	Yes – KD2024/068
Voting Arrangements:	A vote in favour, by at least two-thirds of all Members (or their Substitute Members) appointed by the Constituent Councils present and voting to include the Members appointed by Cambridgeshire County Council and Peterborough City Council, or their Substitute Members

Recommendations:

A	To consider retaining the bus fare cap at £2 per single journey for those participating operators in the Combined Authority area from 1 January 2025 to 31 March 2025.
B	Subject to the Board's determination of recommendation A; to delegate authority to the Assistant Director for Transport (Public Transport Services) to engage with local operators to ensure the new local fare cap is implemented.
C	To note that any consideration on extending the fare cap beyond 31 March 2025 will be part of the 2025/26 budget setting report in January 2025.

Strategic Objective(s):

The proposals within this report fit under the following strategic objective(s):

X	Achieving ambitious skills and employment opportunities
X	Achieving good growth
X	Increased connectivity
X	Enabling resilient communities

1. Purpose

1.1	This report requests consideration of approval to retain the bus fare cap at £2 per single journey from 1 January 2025 to 31 March 2025 for those participating operators. The cost of this cap is estimated to be £1m for three months. The report requires the Board to make a formal decision following consideration of the recommendation A above as to what action, if any, to take.
1.2	Any proposals for April 2025 onwards will be made through the annual budget process and the Medium-Term Financial Plan.

2. Background

2.1	<p>Government announcement on fare cap</p> <p>The Prime Minister in his pre-budget speech on 28 October 2024 announced a new £3 bus fare cap for single journeys to apply from 1 January 2025 to 31 December 2025. This follows on from the current £2 fare cap, introduced in September 2022, which was programmed to cease on 31 December 2024. Nationally, single bus fares will be limited to £3 until 31 December 2025. The Government stated that the new single fare cap at £3 ensures that people can access affordable bus fares and opportunities across the country.</p>
2.2	<p>Other MCA regions</p> <p>It was noted in the Government press release that local authorities and Metro Mayors can also fund their own schemes to keep fares down, as is already the case in London and Greater Manchester. The following announcements have already been made.</p> <ul style="list-style-type: none">• Greater Manchester have decided to keep their fares capped at £2 into 2025 for the whole year but subject to a mid-year review. This forms part of their local fare restructuring, as part of their franchising model and implementation plan.• London buses are subject to a different system, and they are exempt from the fare cap increase.• In West Yorkshire, the mayor has plans to increase the cap to £2.50 and therefore subsidize half of the difference between the 2024 cap and the 2025 level. This is understood to be going to the Combined Authority board in December.• In Liverpool City Region, the Mayor has announced that he intends to extend the existing £2 cap until September 2025. <p>However, there are, as yet, no public indications from other Mayoral Combined Authorities regarding further support to offset the change in the cap from January 2025.</p>
2.3	<p>Local Transport and Connectivity Plan</p> <p>The Local Transport Connectivity Plan is the Combined Authority's long-term strategy to make transport in Cambridgeshire and Peterborough better, faster, greener, and more accessible for everyone. The LTCP was approved in November 2023 by the Combined Authority's Board and marked a new era for transport in the region. It sets out a vision and goals for how transport supports a better future, a process for transport scheme prioritisation and development and a framework to ensure that when projects are brought forward these align with the key objectives and contribute to achieving the vision, aims and aspiration. The focus was on encouraging modal shift to sustainable public transport.</p>
2.4	<p>Bus Strategy</p> <p>The Combined Authority Bus Strategy was published in March 2023, it aims to set out an ambitious vision and strategy to improve the bus network in a way that will benefit the residents and businesses of the region, and to deliver the goals and objectives of the Combined Authority's Local Transport and Connectivity plan.</p> <p>The vision of the Bus Strategy is:</p> <p><i>“For a comprehensive network of bus services across Cambridgeshire and Peterborough that people find convenient, easy to use, reliable and good value for money, which is inclusive and offers a viable alternative to the car.”</i></p> <p>The vision for a simpler and more comprehensive bus network is supported by the aims of being Easy, Attractive and Convenient for users. Delivery of this will be based on the following four principles:</p> <ul style="list-style-type: none">• A continuous cycle of passenger growth and service improvement• Using the best operational model of provision to achieve the necessary step change in the most effective way• Partnership - different parties working together from the private, public and voluntary sectors.• Integration – Planned co-ordination wherever this is possible.

	<p>Lower, cheaper fares (such as the single journey cap) contribute to the bus strategy vision, by enabling a fare that is convenient, easy to use and good value for money for the passenger, thus (whilst further evaluation is being undertaken at a national level) enabling higher passenger journeys.</p> <p>It should be noted that, to achieve these aims, the authority already has in place from June 2024 the Tiger Card to offer £1 fares to people under 25 and is working to introduce the pre-09:30am concessionary pass to enable free travel for eligible passholders from April 2025.</p>
2.5	<p>Bus Service Improvement Plan (BSIP)</p> <p>The conditions of the BSIP grant allow for its use to fund a fare cap, and a fare cap to reduce the cost of bus patronage aligns with the national announcement for the 2024/25 BSIP funding to “<i>protect bus services, keep travel affordable and support the bus sector’s long-term recovery through to March 2025.</i>”</p> <p>The grant conditions on BSIP+ specify that “<i>The purpose of the grant is to provide support to the receiving authorities in England towards expenditure lawfully incurred or accrued by them.</i>”</p>

3. Impact of the £2 national cap

3.1	<p>The Department for Transport commissioned two reports into the impact of the £2 fare cap. These reports were completed in January and February 2023 and are available using the following link - £2 bus fare cap evaluation: interim report February 2023 - GOV.UK. An updated report since February 2023 has not been published.</p>
3.2	<p>The February 2023 interim report assessed the cap in consideration of the initial aims announced by the Government at the outset of the cap, these being to save passengers money and encourage more people back on the bus.</p>
3.3	<p>The report found that:</p> <ul style="list-style-type: none"> • Around two-thirds of people reported some degree of awareness of the £2 fare cap. • Patronage appears to be continuing to recover following the COVID-19 pandemic and early evidence suggests the £2 fare cap may be playing a role in this recovery. • There has been an increase in the number and proportion of single bus journeys. • People making additional bus trips with the £2 bus fare cap in place are likely to be existing bus users who make a small number of additional trips. • The scheme is perceived as making a positive impact on the cost of living.
3.4	<p>The survey work completed by Transport Focus, on behalf of DfT identified additional insights that underpin the 5 main conclusions in the interim report, noted above. The Transport Focus report Awareness and effect of £2 bus fare - March 2023 also identified</p> <ul style="list-style-type: none"> • More than half those who use buses at least monthly have used the £2 capped fare. Those in households without cars are more likely to have used the fare • Usage of the £2 capped fare is highest among under 24s and people with lower household incomes • People making more bus journeys due to the £2 fare have most often used the bus instead of the car or made extra journeys to places they have been to previously • Half of those who might make more journeys due to the £2 fare cap would replace car journeys. Four in ten might go to places they would not go otherwise.
3.5	<p>Local analysis of impact</p> <p>Feedback has been sought from local operators on the scheme. Operators highlighted the risk that the increase in the cost of fares, if they go up to £3 from January 2025, may result in lower patronage and therefore lower overall income and revenue for operators which may put pressure on viability.</p> <p>If this occurred it could result in some services ceasing to be commercially viable, or increasing the level of investment required on already subsidized routes.</p> <p>No further details of specific routes have been provided, and operators have not currently shared or completed additional analysis.</p>

4. Costs

4.1	<p>National arrangement for the fare cap</p> <p>The Department for Transport £2 fare cap reimburses bus operators, based on patronage and mileage operated pre 2023 (when the scheme commenced). The difference between a 'shadow' fare (i.e. what a passenger would have paid without the cap) and the £2 cap is paid to operators. This is subject to a 3-month review period, additional patronage does not draw further reimbursement (i.e. if a new passenger uses the bus, the operator receives the £2 paid by the passenger only). Additional mileage that the operator registers can draw additional reimbursement (incentivizing more services).</p>
4.2	<p>Following the announcement of the increase in the fare cap at the Autumn budget, officers have sought initial feedback on potential costs of a cap from local operators, particularly Stagecoach who operate approximately 90% of the Cambridgeshire and Peterborough network. The responses provided to date focused on the costs of maintaining a £2 cap and the estimated cost for the three month period from 1 January to 31 March 2025 is approximately £1m.</p>
4.3	<p>Options for the level of the cap</p> <p>If the Board is minded to fund a local cap at a lower rate than the national figure of £3, it has the discretion to do this; as reported above some MCAs across the country have stated plans for a cap that is below the £3 set nationally.</p>
4.4	<p>Cost estimates</p> <p>The estimated cost to provide a £2 single journey fare cap for the three months from 1 January to 31 March 2025 is approximately £1m.</p> <p>While estimates have only currently been obtained for a £2 single journey cap, providing up to £1 additional sum compared to the national £3 cap, it is reasonable to assume that a higher local cap would result in lower cost to fund the sum.</p> <p>It should be noted, however, that as the cap cost is relative to the 'shadow fare' and the number of journeys at that level, the cost of, for example, a £2.50 fare cap (i.e. a 50p cap compared to £3 national cap) is not necessarily half that of a £2.00 fare cap (i.e. £1 sum).</p>

5. Funding for a local fare cap

5.1	<p>As reported in the Board's November 2024 budget update, there is currently a forecast underspend of £1m on the BSIP funded projects within the Combined Authority's bus programme in 2024/25.</p>
5.2	<p>Due to the focus on precept routes and the bus reform work, the projects this BSIP funding was expected to pay for have not yet progressed to the point of delivery. Continuation in 2025/26 is funded within the pre-existing CPCA passenger transport budget. Therefore the underspend set out in this report could be used to maintain the cap without further impacting delivery of the services from January to March 2025.</p>
5.3	<p>There is an opportunity cost of investing the underspend BSIP in the fare cap. If it were not used for the fare cap, it would otherwise be available to deliver further bus service improvements in 2025/26 such as more real-time information screens across the network and enhanced better bus stop information and improvements.</p>
5.4	<p>Implications for 2025/26</p> <p>Any decision on the possibility of extending the cap beyond March 2025 will not be taken until January. The Combined Authority's Overview and Scrutiny Committee will be advised on the decision from this report and that it will form part of the budget setting discussions in January 2025.</p>

6. Appendices

6.1	None
-----	------

7. Implications

Financial Implications

7.1	The forecast cost of maintaining the £2 fare cap for the period 1 January to 31 March 2025 is estimated as c£1m. It is proposed that this is met from within the transport budget. Further information is set out in the body of the report.
-----	--

Legal Implications

7.2	<p>The Extraordinary meeting of the Combined Authority Board has been called in accordance with Chapter 5 of the CPCA Constitution, para 5.6 point (ii) states that the meeting can be called by, <i>'the Chair of the Combined Authority Board'</i>. The CPCA Board is considering an extension to the bus fare cap to the end of March 2025 and will need to approve the budget for this decision.</p> <p>As per Chapter 6, paragraph 6.8.30, <i>'Only the Combined Authority Board can take a decision that wholly or in part does not accord with the approved Budget or plans or strategies in the Policy Framework'</i>.</p> <p>The delegation to the Chief Finance officer under paragraph 8.7.1 Financial Planning is restricted as it states, <i>'the Chief Finance Officer, after undertaking consultation with the Mayor and Portfolio leads where appropriate, shall be authorised to approve virements between expenditure heads up to £500,000 to be reported at the next available meeting of the Board. Anything in excess of these limits shall be reported for approval to the Authority'</i>.</p> <p>In view of the above, it is essential for the extraordinary meeting to be called to consider this matter.</p> <p>As this expenditure is transport related funding, the Cambridgeshire and Peterborough Combined Authorities 2017 Order, Schedule (Constitution) part 4, sub section 7, Proceedings sets out:</p> <p><i>'A decision on a question relating to the following matters requires a vote in favour at a meeting of the Combined Authority, at which all members of the Combined Authority are present, by a majority of at least two-thirds of all members appointed by the constituent councils to include the members appointed by the councils for the local government areas of Cambridgeshire and Peterborough, or substitute members acting in place of those members, present and voting on that question to be carried—</i></p> <ul style="list-style-type: none"><i>a) the transport plan; and</i><i>b) any spending plans or plans for the allocation of transport-related funding'</i>. <p>The Combined Authority constitution, Standing Orders Chapter 5, para 5.17.8 also reflects this wording.</p> <p>The decision to be considered by the CPCA Board is a Key Decision as defined in Chapter 6 of the CPCA Constitution, para 6.3.1 which means a decision which is likely to, <i>'(a) result in the Combined Authority spending or saving significant amount, compared with the budget for the service or function the decision relates to; or (b) have a significant effect on communities living or working in an area made up of two or more wards or electoral divisions in the area'</i>.</p> <p>Further, at para 6.3.4 of the Constitution, <i>'a Key Decision cannot be taken by the decision maker unless: (a) it is in the Forward Plan on the Combined Authority's website; (b) at least 28 clear days' notice has been given, or if this is impracticable, the decision has complied with the provisions set out in paragraph 6.3 or 6.4 below as they may apply; and (c) notice of the meeting has been given in accordance with these rules'</i>.</p>
-----	--

	<p>The publication of the meeting did not comply with the 28 clear days' as required, however, as per para 6.5.1 (a – c) of the CPCA Constitution, the General Exception urgency procedure has been complied with and the notice was published on 3rd December 2024.</p> <p>Subsidy Control:</p> <p>The Bus Fare Cap Scheme typically falls under the Services of Public Economic Interest (SPEI) exemption within the Subsidy Control Act 2022 in the UK. This exemption applies when subsidies are granted to compensate for the costs of providing public services that would not be delivered adequately by the market alone, ensuring accessibility and affordability for the public.</p> <p>Under the SPEI framework, subsidies must meet specific conditions:</p> <ol style="list-style-type: none"> 1. Clearly Defined Public Service Obligations (PSOs): The scheme must address a legitimate public service need, such as providing affordable public transport. 2. Compensation Limits: Any financial support to bus operators must not exceed what is necessary to cover the cost of fulfilling these PSOs, including a reasonable profit margin. 3. Proportionality and Necessity: The intervention should be proportionate, avoiding over-compensation that could distort competition in the market. <p>By capping bus fares, the government provides financial support to operators to offset revenue losses, ensuring that the fare limits remain economically viable while serving broader public objectives, such as promoting equitable access to transportation and reducing car dependency.</p> <p>The SPEI exemption allows subsidies up to a maximum of £725,000 without having to comply with a majority of the Subsidy Control principles. A subsidy assessment would need to be undertaken with each operator to determine whether this threshold has been exceeded.</p> <p>There are special rules for larger subsidies or subsidies of Interest or Particular Interest (SSPOI) exceeding £1 million may be subject to referral for additional scrutiny by the Subsidy Advice Unit (SAU), exemptions can apply if the subsidy satisfies all the principles outlined in Schedule 1 of the Act, such as delivering a public benefit that outweighs potential negative impacts on competition.</p>
Public Health Implications	
7.3	Enabling a convenient, value for money bus network forms part of the Bus Strategy aimed at encouraging modal shift. Lower, easier to understand fares may encourage passengers to travel by bus rather than utilizing other modes such as the private car, thus reducing overall emissions.
Environmental and Climate Change Implications	
7.4	Enabling a convenient, value for money bus network forms part of the Bus Strategy aimed at encouraging modal shift. Lower, easier to understand fares may encourage passengers to travel by bus rather than utilizing other modes such as the private car, thus reducing overall emissions.
Other Significant Implications	
7.5	None
Background Papers	
7.6	None