



Overview and Scrutiny Committee

27 January 2025

Title:	Bus Reform Consultation Report
Report of:	Judith Barker, Executive Director of Place and Connectivity

Overview and Scrutiny Committee Key Principle:

To examine all decision-making through the lens of integrated decision-making, to drive out silo approaches and ensure CPCA strategy is not operating in isolation, considers wider impact across corporate plan priority areas, and considers future devolution opportunities and benefits.

Strategic Objective(s):

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

<input checked="" type="checkbox"/>	Achieving ambitious skills and employment opportunities
<input checked="" type="checkbox"/>	Achieving good growth
<input checked="" type="checkbox"/>	Increased connectivity
<input checked="" type="checkbox"/>	Enabling resilient communities
<input checked="" type="checkbox"/>	Achieving Best Value and High Performance

Delete as appropriate and include short explanation. Link to relevant sections in business plans.

Topic Scoring

	Numerical Score
Public Interest	3
Strategic Value	3
Risk to Combined Authority	3
Alignment to Corporate Priorities	3
Financial Value	3
Issue of concern for partners?	3
Will the CA be able to achieve an effective outcome?	3
Will there be potential benefits for a significant part of the Combined Authority area/partners/stakeholders?	3
Scrutiny Value Score [right click on the value and "update field" to total the score]	24

Rating Scores

1 = Low

2 = Medium

3 = High

1. Background

1.1 Buses and CPCA's Economy

Buses are the most used form of public transport in the Cambridgeshire and Peterborough region, with over 20 million journeys taken per annum (source: CPCA Bus Services Delivery Reform: Outline Business Case Assessment, June 2024). Buses play a vital role in the Cambridgeshire and Peterborough region, getting people to places, connecting our communities, supporting development projects and shaping our economy. They are an essential form of transport for our residents and businesses and also provide employment opportunities in themselves, for bus operators and their supporting businesses.

1.2 Passenger Trends

However, evidence shows overall passengers still face many challenges, resulting in fewer people choosing to travel by bus: services have been in decline for some time, particularly in the 2010s and then through the Covid-19 pandemic (see figure 1).

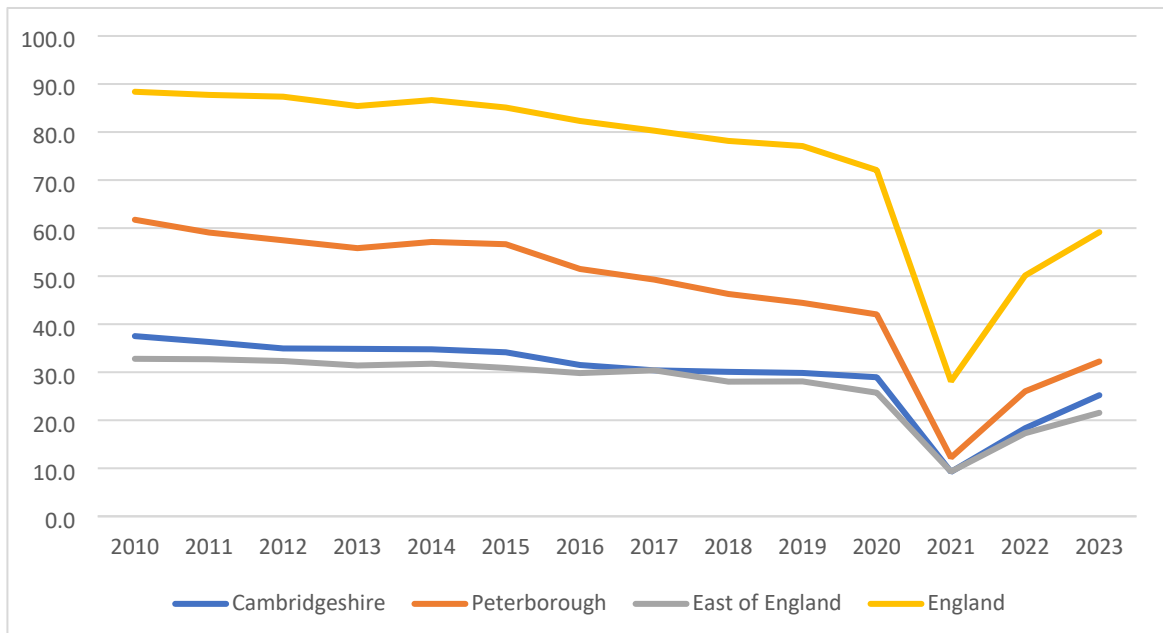


Figure 1: Annual average bus journeys per head in Cambridgeshire and Peterborough, 2010 - 2023. (Source: Department for Transport Annual Bus Statistics)

1.3 Challenges in a Deregulated Environment

Since 1986, bus services in England outside London have been deregulated, except in Greater Manchester which returned to regulation in September 2023. This means that buses are mainly run by private operators, either on a commercial basis or on a local authority financially-supported basis.

In the Cambridgeshire and Peterborough region, there are 14 different local bus operators (source: CPCA Bus Services Delivery Reform: Outline Business Case Assessment, June 2024). Approximately 88% of bus mileage is operated on a commercial basis by operators, where they have control over their routes, timetables, ticket options, fares, frequency and service standards.

Commercial bus services can be withdrawn with 70 days' notice to the Combined Authority and Traffic Commissioner. The remaining mileage is tendered supported services, subsidised by the Combined Authority. Bus operators own or lease their own vehicles and depots and are responsible for hiring drivers and ensuring bus services run on a day-to-day basis.

Alongside declining patronage, since 2010 the bus network has also got smaller in the Cambridgeshire and Peterborough region, with the number of miles being operated falling from 18.6 million miles in 2010 to 11.9 million miles in 2023 (source: Department for Transport Annual Bus Statistics).

1.4 Current Situation in CPCA

The way that buses are currently run gives the Combined Authority limited ability to influence the overall network. However, the Combined Authority supports local bus services in various ways:

- Paying for 'socially necessary' bus services, which would otherwise not be provided by bus operators. CPCA's budget for bus services for this financial year is £15.046 million, comprising

	<p>a Mayoral precept contribution of £11.041 million and a supported services budget of £4.005 million.</p> <ul style="list-style-type: none"> • Responsibility for managing the free bus pass scheme for older and disabled people (concessionary fares), as part of the English National Concessionary Travel Scheme including to extend this locally pre-0930 for eligible pass holders from April 2025. • Providing the Tiger pass £1 fare for young people from May 2024. • Providing real time information displays and helping to promote the use of buses generally. • Working with national government to secure new funding for investment in local buses and other projects to encourage more people to travel by bus. • Developing a comprehensive Bus Service Improvement Plan, in alignment with the last Government’s ‘Bus Back Better: National Bus Strategy for England’. • Developing the Cambridgeshire and Peterborough region Bus Strategy, which was adopted in 2023 with a strategic approach to revitalising public transport. <p>Bus operators and the Combined Authority currently work together to try to improve local buses through the Bus Operator Forum that has been set up, to which all operators and local highways authorities are invited. The Combined Authority arranges these meetings and takes actions, recognising its limited ability to influence 88% of the network.</p> <p>However the declining patronage and bus network mileage show that the way buses are run now, where private bus operators have primary control over routes, frequencies, fares and standards of our region’s buses, is failing to deliver our ambitions for better buses in the Cambridgeshire and Peterborough region and needs to change in order to meet the needs of bus customers, appropriately complement CPCA’s investment and achieve our targets.</p>
1.5	<p><u>Bus Service Improvement Plan 2021 and revised version 2024</u></p> <p>In October 2021, CPCA launched its Bus Service Improvement Plan (BSIP), following the previous Government’s National Bus Strategy. This was produced in the context of the impact of Covid-19, informed by CPCA’s 2018 Strategic Bus Review of all aspects of bus delivery and noted CPCA’s publication in 2019 of a Notice of Intent to pursue bus franchising.</p> <p>The 2021 BSIP Vision was that “everyone should have the opportunity to travel; their chances in life should not be constrained by the lack of travel facilities open to them”. It stated that there is a strong case in CPCA to support transformational improvement. Key elements of the BSIP vision were that road-based public transport should be best-in-class, support sustainable growth and provide opportunity for all.</p> <p>The 2024 revised version updated the BSIP baseline and set out the improvement programme for BSIP funding and other funding sources being used, as well as identifying a pipeline of high quality and flexible prioritised proposals for the four years from 2025/26 to 2029/30 that would be ready for development as opportunities for funding come about.</p>
1.6	<p><u>CPCA Bus Strategy</u></p> <p>CPCA launched its Bus Strategy in March 2023. The strategy has a vision 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”. It aims for a network of buses that are easy to use, attractive and convenient.</p> <p>In delivering the Bus Strategy, four main principles underpin CPCA’s approach: achieving a continuous cycle of passenger growth and service improvement; using the best operational model of bus provision; working in partnership with stakeholders; and multimodal integration. Regarding operational models, the Bus Strategy notes that “locally, there are concerns that the current approach does not deliver the best service for the whole Cambridgeshire and Peterborough region. Therefore, the Combined Authority is currently assessing whether bus franchising would be beneficial”.</p> <p>These ambitions align with the Local Transport and Connectivity Plan approved in November 2023.</p>
1.7	<p><u>Franchising</u></p> <p>Franchising is a legal model where buses are under the control of a local authority. A franchise-type model has been in operation in London as a result of the London Regional Transport Act 1984 and franchising was introduced in Greater Manchester from September 2023, under provisions in the Transport Act 2000 (as amended by the Bus Services Act 2017) (the “Act”).</p>

	<p>The legal process required to transition to franchising from a deregulated, commercial market is set out in the Act. The new Government has plans to introduce further legislation to extend the ability of upper tier authorities to franchise their bus services and to make the process of franchising easier.</p> <p>The final decision on whether to introduce franchising is a power that sits with the Mayor acting on behalf of the Combined Authority, under Section 123G(4) of the Act.</p> <p>Under a franchised model, a Combined Authority would set the routes, frequency, fares and overall standards of buses in our region. Bus services would instead be operated under franchise quality incentive contracts, where bus operators would bid to run the services through a competitive procurement process managed by the Combined Authority. The existing commercially led market would be replaced, with private bus operators no longer being able to run most services independently.</p>
1.8	<p><u>CPCA position</u></p> <p>CPCA published a Notice of Intent to assess the case for franchising in 2019 in accordance with section 123C of the Act, which sets out the statutory process authorities must follow. An internal Bus Reform programme was established to manage this process. The programme has since completed an Assessment in line with section 123B of the Act.</p> <p>In July 2023, the Combined Authority then determined that the Assessment had shown sufficient positive benefits for bus franchising that CPCA should proceed with the proposed scheme. In September 2023, the Combined Authority Board approved the recommendation by the Transport and Infrastructure Committee to undertake an independent audit of the Assessment under section 123D of the Act.</p> <p>The Auditor’s Report on the Assessment was produced by Grant Thornton, in accordance with Section 123D of the Act which concluded that, in Grant Thornton’s opinion, in all material respects:</p> <ul style="list-style-type: none"> • The information relied on by the Combined Authority in considering the matters referred to in section 123B(3)(d) of the Act (the affordability of the scheme) or section 123B(3)(e) of the Act (the value for money of the proposed scheme) is of sufficient quality • The analysis of that information in the Assessment is of sufficient quality • The Combined Authority had due regard to the Guidance issued under section 123B of the Act in preparing the Assessment. <p>On 24 July 2024, the Combined Authority then determined, in accordance with section 123E of the Act, to give notice of the proposed bus franchising scheme, and to make copies of the proposed bus franchising scheme, consultation document, Bus Reform Assessment and Audit Report available for inspection and to consult all statutory consultees as listed in section 123E(4) of the Transport Act 2000, and set out in this report, as well as the general public more broadly.</p>
1.9	<p><u>Consultation</u></p> <p>The CPCA Bus Franchising Consultation ran from Wednesday 14 August 2024 to 09.00 on Monday 25 November 2024. It was promoted as a chance to ‘have your say about the future of the region’s buses’.</p> <p>The consultation response was run and reviewed by Westco Communications, an external company specialising in customer research, overseen by CPCA Head of Communications. Westco Communications also undertook a separate, independent market research exercise with focus groups, to understand local views and priorities for bus reform. The results of Westco’s work directed the key themes of the CPCA consultation response report.</p> <p>CPCA consulted all the statutory consultees set out in the current Government guidance on Bus Franchising (March 2024 edition). This is in the Westco Communications Consultation Report, in Appendix 2. We also circulated consultation material to Parish Councils via the Cambridgeshire & Peterborough Association of Local Councils.</p> <p>Furthermore, the Combined Authority sought to consult widely with the communities of the region, including regular, infrequent and non-bus users. With Westco, it did this via</p> <ul style="list-style-type: none"> • Publication of an online consultation brochure, with corresponding long and short questionnaires with paper copies available at request and available at libraries • 10 Q&A ‘presentation’ events • 2 online webinars • 8 independently-facilitated focus groups

- PR, media and digital promotional campaigns.

Due to an IT fault (from approximately 15.30 on Friday 15 November 2024 until early on Monday 18 November 2024) an extension to the consultation period to 09.00 on Monday 25 November 2024 was agreed. Respondees who were mid-submission on Friday 15 November 2024 were contacted and made aware of the situation and invited to resubmit a comment if they so wished. Parties that had contacted CPCA to alert us of the fault were updated that the website was functioning again and were told of the extension in the consultation period.

The Consultation Document is Appendix 1 to this report. The Westco Consultation Report is Appendix 2 to this report with 8 appendices. The CPCA Response to Consultation report is Appendix 3 to this report with 1 appendix.

1.10 Response to Bus Franchising Proposals

1653 responses were received. A total of 1,468 participants in the consultation provided an answer to whether they supported or opposed the CPCA proposals for bus franchising. As set out in Figure 2, below, 63% of all respondents to the consultation either strongly support or tend to support the proposals under the Bus Franchising Consultation. 18% of all respondents are neutral and 12% of all respondents either strongly oppose or tend to oppose the proposals, while 7% of all respondents stated 'Don't know'.

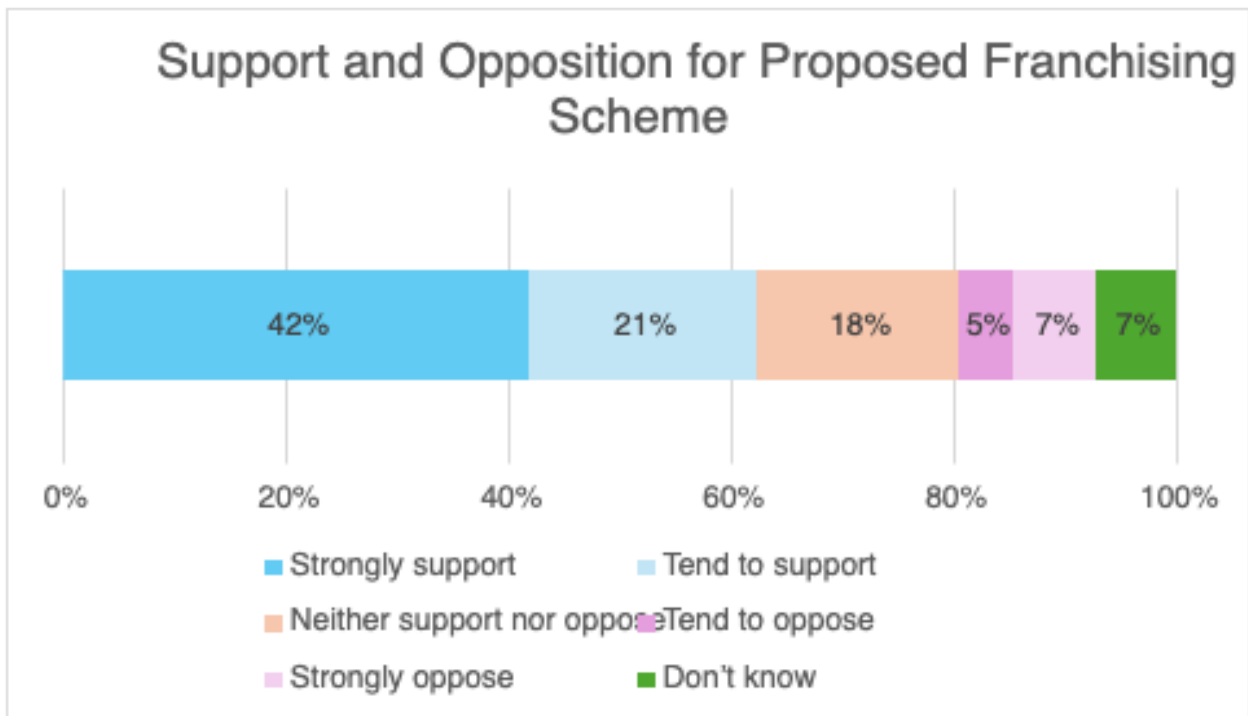


Figure 2: Support and opposition for the Proposed Franchising Scheme among all participants in the consultation

Focusing on organisational responses (65 respondents), as opposed to total response, raw support was higher with 75% supporting the proposals. Fifteen per cent were neutral and nine percent opposed the scheme.

1.11 Focus Groups

Westco Communications ran eight face-to-face focus groups of CPCA residents, conducted between October and November 2024, with participants recruited through online sampling, educational institutions, and the Federation of Small Business. This was in addition to the consultation and to help inform its conclusions.

The balance of opinion in the focus groups leaned significantly toward supporting the CPCA bus franchising proposals, with participants viewing it as an opportunity to address structural flaws in the current bus service. Supporters emphasised its potential to centralise public control, to provide a larger, stronger bus network, and introduce integrated ticketing systems. Many felt franchising was the only way to prioritise public needs over corporate profitability, including to protect vulnerable routes, particularly in rural areas, which were often neglected under the current deregulated model. Centralised control was seen as essential for creating a cohesive network that serves all communities, not just profitable ones.

	<p>While support outweighed opposition, a number of participants emphasised the need for transparent planning, firm financial control, robust oversight, and community engagement to ensure that franchising delivers tangible benefits where they are needed without exacerbating existing challenges.</p>
1.12	<p><u>Key Themes Emerging from Consultation and the Combined Authority's Response</u></p> <p>CPCA officers have analysed all consultation feedback and provided their own response to this. The CPCA Consultation Response is provided in full as Appendix 3 to this report.</p> <p>Officers were supported in preparing the CPCA consultation report by Jacobs, an consultancy with specialisms in transport and stakeholder engagement for local government. ITP (the authors of the Consultation Document and Outline Business Case Assessment) advice was also used.</p> <p>On considering the challenges raised in consultation responses, CPCA is satisfied that the Strategic Case addresses the themes appropriately and that the objectives for the bus system and that the Proposed Franchising Scheme represents a better opportunity to achieve the Combined Authority's ambitions for the bus network than the Enhanced Partnership reaffirming the conclusions of the Strategic Case of the Assessment.</p> <p>CPCA is confident that the findings of the Economic Case remain robust. Both bus reform options represent 'high' value for money because they are forecast to generate benefits higher than the costs required to implement them, when compared to the reference case. The advantages of franchising include the greater control the Combined Authority would have over the bus network under this option. However, both options are justified interventions and the decision between the two options should be based upon wider considerations set out in the other Cases of the Assessment.</p> <p>Whilst CPCA remains confident following the consultation feedback that from a commercial perspective, either bus reform option is deliverable, it maintains the recommendations from the assessment that the objectives can be better met with the Proposed Franchising Scheme due to the control and certainty it provides over outcomes across the bus network.</p> <p>However, specific comments provided in relation to the details of contracting, the approach to asset acquisition, the approach to cross boundary services, to facilitating SME operator participation and the final allocation of routes through the lotting strategy will be taken on board in refining these approaches should a decision be taken to introduce the proposed franchising scheme. CPCA recognises that further market engagement on all of these matters would also be essential to mitigating risks during implementation.</p> <p>As highlighted in the Assessment's financial case conclusions, CPCA would carry more financial risks under franchising, both in terms of carrying cost and revenue risks and more asset risk. These concerns are recognised; however, consideration of these points has not altered CPCA's view that based on the assessment, the scheme remains affordable within the budget available and under different scenarios as assessed, with the CPCA having means by which future funding requirements can be managed. Furthermore, as highlighted in the summary of public responses in the Westco consultation report (Appendix 2), the risks are recognised as being necessary to deliver the benefits of bus reform, with the assessment suggesting franchising is forecast to provide greater passenger journeys than the alternative options.</p> <p>Recognising the comments and advice shared by consultees, CPCA recognises the importance of ensuring resourcing requirements are in place to manage the issues identified. As with the delivery of any service or project, the Combined Authority will keep resourcing requirements under review. Should it at any point determine that additional resource could offer further benefits to the delivery or operation of the Proposed Franchising Scheme it will consider this, including by assessing any impact on the assumptions underpinning the Management Case. The Combined Authority would also follow its usual corporate processes to consider how to meet that requirement, including determining funding sources, roles and responsibilities and benefits against business objectives.</p> <p>The feedback received during the consultation reinforced the key role that the local bus network performs for communities in the Cambridgeshire and Peterborough region and the residents who depend upon it for everyday travel. Nine per cent said that the service is good and a further five per cent said that it is adequate. The remainder of the feedback on service quality was negative (86%).</p> <p>The feedback also points to the strategic importance for bus in future development and economic growth in the Cambridgeshire and Peterborough region, as well as the significant challenges faced in respect of the currently predicted long-term decline in bus use and a declining network. Franchising provides a much greater level of control to enable CPCA to respond to these challenges, in comparison</p>

with an Enhanced Partnership, supporting its identification as the preferred option for bus reform in the assessment.

CPCA acknowledges that a decision to implement the Proposed Franchising Scheme would have implications beyond the Cambridgeshire and Peterborough region and that CPCA will need to continue close engagement to work with bus operators, bus workers, bus users, constituent and district council partners and community groups to ensure that the scheme successfully delivers on the bus reform objectives. The Proposed Franchising Scheme would also need to be supported with other transport policy and infrastructure interventions to maximise the benefits of an integrated, reliable and attractive bus service.

Based on the content set out throughout the CPCA response to consultation report, the CPCA's response reaffirms the bus reform assessment's conclusion and recommends to the Mayor that CPCA proceed with the Proposed Franchising Scheme as the preferred option for bus reform in the Cambridgeshire and Peterborough region.

1.13 Small and Medium-sized (SME) Bus Operators

The CPCA response document 'Bus Franchising: Facilitating the involvement of small and medium-sized operators.' (Appendix 4) presents eight options set out through the consultation document to enable SME involvement. These are listed below:

- Contracts procured in mixed-sized packages to drive competition and to help SMEs compete for contracts
- Procure services through multiple area packages, split into groups of services procured under separate contracts of differing sizes
- Services would be procured competitively, and procurement process would support the involvement of small and medium sized operators
- Extended compliance dates in the transition to zero emission buses for SMEs
- A commercially viable delivery model encouraging competition on a 'level playing field', and enabling the participation of SMEs, and new entrants
- A bus network provided by several bus operators including SMEs by introducing contracts in a staggered programme of introduction and end
- To open the market to more competition and encourage SMEs to bid, utilise geographically based packages with requirements ranging from 1 to 60 buses
- Larger operators will be able to tender for smaller packages, but with restrictions on the number of smaller contracts awarded to single large operators

The consultation asked operators and stakeholders to comment on the proposed way of introducing franchising, including considering the needs of SMEs in providing suitable contract opportunities.

Feedback from SME operators raised concerns about financial risks, staff retention, bidding costs, procurement processes, costs of transitioning to a zero-emission fleet, and the impact on existing services like school-only transport.

The CPCA 'Bus Franchising: Facilitating the involvement of small and medium-sized operators' report (Appendix 4) highlights the potential for longer-term contracts, clarifies that certain services are outside the franchising scheme, and outlines support mechanisms like the CPCA Growth Hub. CPCA also noted that SME bus operators are already well experienced at bidding for supported service local bus contracts in the region, while CPCA (like many local transport authorities) has experience in replacing services that are withdrawn at short notice.

Key measures to facilitate SME involvement (outlined in the SME paper at Appendix 4) include:

- **Commercial Success Factors:** As part of assessing the commercial case and procurement strategy for bus reform, the CPCA highlighted the need to facilitate involvement of SMEs as part of the commercial success factors. The options set out in the consultation documents facilitate the participation of SMEs by removing unnecessary barriers to entry, encouraging competition to enable quality and value for the CPCA. The plan for the commercially viable delivery model encouraging competition on a 'level playing field', and enabling the participation of SMEs has been developed, and will be refined overtime.
- **Lotting Strategy:** Offering mixed-sized, multiple area, and geographically based contract packages to suit different operator sizes.
- **Procurement:** Adapting pre-qualification and tendering processes to support SME participation.

	<ul style="list-style-type: none"> • Mobilisation: Supporting a staggered commencement program with potentially flexible compliance dates for zero-emission vehicles. <p>Further work will focus on developing rules for consortia bidding and sub-contracting, identifying suitable routes for SMEs, and continuing engagement with the Competition and Markets Authority. CPCA believes its proposed options address the concerns raised and will continue to refine its approach during the planning and implementation phases.</p>
1.14	<p><u>Equality Impact Assessment (EqIA)</u></p> <p>Formal public and stakeholder consultation has been undertaken on the Bus Reform Assessment, which included the publication of the draft EqIA. Consultees were invited to respond on the draft EqIA alongside the wider Bus Reform Assessment.</p> <p>The Westco Consultation Report outlines the feedback received as part of the consultation, with the main focus by members of the public on disability access and the importance of inclusive transport and design, as well as more accessible services for all user groups. Inclusivity and accessibility in the bus network were key themes emphasised in many responses, from both key and wider stakeholders, as well as the general public. The importance of improvements to the current situation and continued connectivity as part of either bus reform option were outlined in the responses on the Assessment. These provided further insight into current bus passenger experiences and expectations for the future bus network.</p> <p>No comments have been raised by consultees relating to the draft EqIA on the Proposed Bus Franchising Scheme which would result in any material changes being required to the EqIA at this time.</p> <p>The CPCA Consultation Response Report outlines the Combined Authority’s response to public and key stakeholder comments regarding the draft EqIA and the wider Bus Reform Assessment relating to people with protected characteristics. Generally there is a level of agreement on the importance of ensuring continued access to bus services for people with protected characteristics, in particular when no other transport option is available.</p> <p>It should be noted that this EqIA (Appendix 7) is a live document and that if the Proposed Bus Franchising Scheme is made, the EqIA will be reviewed as part of the implementation planning process, as further data and information is made available and through associated ongoing engagement with the public and stakeholders. In the implementation of a Proposed Bus Franchising Scheme, EqIA considerations will be incorporated as fundamental to all the workstreams listed in section 2.4 above, learning from best EqIA practice elsewhere, including operations in Brighton and London, as well as CPCA’s HR team.</p>
1.15	<p><u>Alternatives Considered</u></p> <p>The previous Government’s National Bus Strategy (2021) mandated local transport authorities in England to set up either a franchising scheme (under the terms of the Transport Act 2000) or an Enhanced Partnership with local bus operators (under the terms of the Bus Services Act 2017). If they did neither then they would not be eligible for future discretionary bus funding from the DfT. The new Government is understood to have a similar position in that it expects local transport authorities to pursue either a franchising scheme or an Enhanced Partnership.</p> <p>The Bus Reform Consultation Document and Outline Business Case (OBC), published in July 2024, provide a proposal and undertake an assessment for an Enhanced Partnership with a mid-level of investment (the investment level is also mid-level with the Proposed Franchising Scheme). It noted that this option would bring some strategic benefit due to investment in the bus network, but limits on the control of the outcomes of investment may reduce the benefit for residents and other users. As an option it was felt to have good value for money and deliverability. It was not as transformative as the franchise option and held the political challenge of providing large amounts of investment to the private sector with less control on outcomes.</p> <p>It should be noted that an Enhanced Partnership requires the agreement of over 50% of the bus operators in an area, based on mileage. This means that in the case of the CPCA area the agreement of the largest operator would be essential in developing and implementing every aspect of a CPCA Enhanced Partnership.</p> <p>The OBC also assessed a ‘No decision’ outcome. This would result in a declining network with falling patronage and reduced services. CPCA budgets would increasingly be strained and require above-inflation increases to retain the current network and communities affected by bus service cuts would likely present significant reputational challenges.</p>

2. Proposal

2.1	<p>In July 2024, the Board approved the Bus Reform Assessment and noted the Audit Report and commenced the Bus Reform Consultation with the statutory consultees as listed under section 123E(4) of the Act, as well as the general public of the region.</p>
2.2	<p>Section 1 (Background) of this paper provides context to the Bus Reform Consultation, provides information on the consultation response from stakeholders and provides a summary of CPCA's response to key stakeholder feedback.</p> <p>It also summarises our proposals for working with small and medium-sized operators to ensure they can meaningfully participate in a franchised local bus market.</p> <p>Appendices to this document are:</p> <ol style="list-style-type: none">1. Consultation Document2. Westco Bus Franchising Consultation Report 2025 with eight appendices3. CPCA Bus Reform Consultation Response Report and an appendix4. CPCA Small and medium-sized (SME) Operators Paper5. CPCA Franchising Scheme6. CPCA Bus Franchising Transitional Notice7. Bus Reform Equality Impact Assessment (EqIA)
2.3	<p>The purpose of this paper is for the OSC:</p> <ul style="list-style-type: none">• To consider and note the report on the public and stakeholder consultation held from August to November 2024 and the CPCA response to the consultation.
2.4	<p><u>Changes made in response to consultation</u></p> <p>As part of the reflection on the results of the consultation, the Combined Authority propose actions to be undertaken alongside Proposed Franchising Scheme in response to consultation. These are:</p> <ul style="list-style-type: none">• Investigate the benefits for longer mobilisation periods for some contracts, where this will support greater competition, allowing operators time to prepare franchising tenders• Continue to consult and engage stakeholders of franchising during the implementation phase, through mobilisation and then moving on to the ongoing operation phase• Ensure full and ongoing engagement with the Community Transport sector to ensure any franchising model considers the opportunities and risks for this vital sector• Work with the CPCA's Growth Hub in the implementation phase to help it develop knowledge and expertise in prequalification and bidding support and strategic skills so that it can make available to all SME operators a toolkit to assist them• Include 'safety' as a clear separate pillar in our implementation planning, benchmarking with best practice elsewhere, including Manchester, London and other Combined Authorities. <p>We will ensure transparency in this development of these implementation plans through ongoing reporting to Transport and Infrastructure Committee and full CA Board if proposals are moved forward.</p> <p>CPCA does not consider any of the above proposals to be of significance to the franchising scheme or the franchising process and therefore does not intend to consult again on any of the changes brought about by the proposals.</p>
2.5	<p><u>Next steps in the event of a Mayoral decision to approve bus franchising</u></p> <p>If the Proposed Franchising Scheme is approved, CPCA officers will move quickly to a programme of implementation over the coming months, in addition to pursuing interim agreements to improve bus operation and support investment.</p> <p>Eight workstreams have been identified that will be required to be delivered on an ongoing basis if CPCA proceeds with bus franchising. These are:</p> <ul style="list-style-type: none">• Policy and governance• Commercial and procurement

	<ul style="list-style-type: none"> • Finance and resources • Infrastructure (including stops, ticketing systems and depots) • Customer relations and customer research • Network development and performance • High quality data • Safety <p>CPCA proposes to establish this using in-house teams on a longer-term basis, although on some of the workstreams experienced external advice and consultancy support will be required to boost resource numbers in the 'sprint' set-up phase. The Project Board (described as the Bus Management Group in the Assessment) will be chaired by the Executive Director of Place and Connectivity reporting to Transport and Infrastructure Committee and full CA Board.</p> <p>CPCA will continue its engagement and benchmarking with colleagues at Greater Manchester CA as their new bus franchising scheme is rolled out, to learn from their experiences, as well as from other Mayoral Authorities and other areas, such as Jersey, Kent Fastrack (which has moved to a quality incentive contract-type model with a new operator) and the Netherlands.</p>
2.6	<p><u>Next steps in the event of a Mayoral decision not to approve bus franchising</u></p> <p>If the Mayor decides not to pursue bus franchising in CPCA, we will quickly follow a route in CPCA to advance an Enhanced Partnership, based on that in the Bus Reform Assessment, and following the requirements set out in sections 138A to 138J of the Act, the DfT Guidance on Enhanced Partnerships, relevant supporting legislation and best practice elsewhere.</p> <p>This will require negotiations with all current bus operators in CPCA in order to develop an enhanced partnership plan and enhanced partnership schemes. We would hold a consultation exercise with relevant stakeholders before the finalisation of a negotiated legal agreement of duties and commitments under an Enhanced Partnership, between CPCA, bus operators in the area and the local Highway Authorities, under the Act and competition law. CPCA staffing will be required to grow and develop in order to carry out its responsibilities under an Enhanced Partnership and to monitor and assess agreed improvements achieved over time.</p>
2.7	<p><u>What will success look like?</u></p> <p>Bus patronage</p> <p>The Outline Business Case (Assessment) that went through the independent Audit forecasted total bus patronage being 13% higher in 2031 than in 2023 under franchising. Under an Enhanced Partnership, forecasted total bus patronage is 10.6% higher in 2031 than in 2023. CPCA recognises this is a significantly more cautious approach to forecasting than CPCA's ambition in the Bus Strategy to double bus patronage by 2030.</p> <p>It is also worth noting that the majority of the increased costs to the Combined Authority included within the OBC are not directly driven by the decision on bus reform. These costs, of supporting the network, are driven by decisions on which bus routes which will be supported/delivered; these are future decisions of the Combined Authority in terms of network design (under franchising) or subsidised routes (under an Enhanced Partnership or 'No decision').</p> <p>If the Mayor decides to approve bus franchising, CPCA (taking on board comments from consultation respondents) will then move to an implementation stage. There are several workstreams identified to be delivered on an ongoing basis, if CPCA proceeds with bus franchising. These are:</p> <ul style="list-style-type: none"> ▪ Interim agreements to improve bus operation and support investment during implementation and mobilisation ▪ Policy and governance structures for franchising ▪ Commercial and procurement ▪ Finance and resource review ▪ Infrastructure (including stops, ticketing systems and new depots) ▪ Customer relations and customer research ▪ Network development and performance ▪ High quality data management

- Safety (including operator safety, road safety and passenger security)

CPCA proposes to establish this and build expertise using in-house teams on a longer-term basis, although on some of the workstreams we shall need experienced external advice and consultancy support to boost staff numbers in the 'sprint' set-up phase. CPCA proposes to reach out to people with extensive experience in implementing and running franchised services and growing networks from Transport for London and Transport for Greater Manchester, as well as from elsewhere where forms of franchising or contracting are in place, such as Jersey (which has just awarded a new franchise contract) and Kent Fastrack (which has just moved to a quality incentive contract-type model). CPCA will also work closely with operators during the implementation phase to stabilise and grow the bus operator workforce to fit the network growth that franchising would bring.

We also note the importance of safety, in terms of operator safety, road safety and passenger security, particularly for vulnerable groups. Along with a commitment to high-quality customer relations under a franchising model, we have included 'safety' as a clear separate pillar in our implementation planning, including benchmarking with best practice elsewhere, including Manchester and London.

CPCA has a clear commitment to ensure an appropriate approach to monitoring and evaluation and transparency of that data. A structured framework of Key Performance Indicators (KPIs) will be integral to the bus franchise contracts, focusing on:

- Patronage;
- Operational efficiency and cost management;
- Service quality and reliability;
- Customer satisfaction and engagement; and
- Environmental sustainability and innovation.

Regular assessments against these KPIs will facilitate ongoing dialogue between CPCA and operators, ensuring that performance targets are met and that any deviations are promptly addressed.

If the Mayor decides not to pursue bus franchising in CPCA, we will follow a route to advance an Enhanced Partnership, based on that in the Bus Reform Assessment, and following the requirements set out in sections 138A to 138J of the Act, the DfT Guidance on Enhanced Partnerships, relevant supporting legislation and best practice elsewhere.

This will require negotiations with all current bus operators in CPCA to develop an enhanced partnership plan and enhanced partnership schemes. We would hold a consultation exercise with relevant stakeholders before the finalisation of a negotiated legal agreement of duties and commitments under an Enhanced Partnership, between CPCA, bus operators in the area and the local Highway Authorities, under the Act and competition law. CPCA staffing will be required to grow and develop to carry out its responsibilities under an Enhanced Partnership and to monitor and assess agreed improvements achieved over time.

CPCA is currently pursuing discussions with Transport Focus (the independent watchdog for transport users) to include the CPCA region in the national 'Your Bus Journey' survey programme for 2025, as a means of obtaining further passenger satisfaction benchmarks for bus reform.

3. Appendices

3.1 Appendix 1: Consultation Document

3.2 Appendix 2: Westco Bus Franchising Consultation Report 2025

To Appendix 2 there are 8 appendices in a separate report:

- Appendix A: Bus Consultation Plan
- Appendix B: Full list of events and attendance
- Appendix C: Short Form Codeframe
- Appendix D: Long Form Codeframe
- Appendix E: Questionnaire Questions
- Appendix F: Key and Wider Stakeholder List
- Appendix G: Focus Group Composition
- Appendix H: Focus Group Discussion Guide

3.3	Appendix 3: Bus Reform Consultation Response Report <ul style="list-style-type: none"> Appendix A: Key Stakeholder Consultation Response
3.4	Appendix 4: SME Operators Paper
3.5	Appendix 5: CPCA Franchising Scheme 4.2
3.6	Appendix 6: CPCA Bus Franchising Transitional Notice
3.7	Appendix 7: Bus Reform Equality Impact Assessment (EqIA)

4. Implications

Have the following been taken into account?

Financial Implications

Yes No

Costs of Bus Reform

The costs of implementing either the Proposed Franchising Scheme or an Enhanced Partnership, including the transition costs, are set out within the Financial Case of the Bus Reform Consultation Document (Appendix 1).

The financial modelling compares the provision of the bus network under the following two scenarios, with the additional investment made over and above the main costs of providing the existing bus network:

- Mid-level investment with Franchising (around £41 million capital investment, plus £1.4 million per annum for running costs, and additional bus service support starting at £8.5 million in the first year).
- Mid-level investment with an Enhanced Partnership (around £10 million capital investment, plus £600,000 per annum for running costs and additional bus service support starting at £7.5 million in the first year).

These costs, of supporting the network, are driven by decisions on the routes that will be supported/delivered; these are decisions of the Combined Authority in terms of network design (under Franchising) or subsidised routes (under an Enhanced Partnership).

The immediate direct financial implications of this decision are the transition costs for Franchising, along with the capital and operational costs under either option.

Specific transition costs incurred under Franchising, relating to procurement and professional fees, are forecast at £1.7m over four years. Along with system, borrowing and other staffing costs the total operational costs for franchising are £9.65m compared to £2.79m for an Enhanced Partnership.

The Franchising option requires the Combined Authority to acquire bus depots, which would not be acquired under an Enhanced Partnership. The capital costs of depots in the OBC is £31m, funded by £5m un-ringfenced capital grant, £4m ringfenced capital and £22m borrowing.

While the £4m ringfenced grant would be spent supporting a depot in the Peterborough area, regardless of which option was chosen, the £5m un-ringfenced capital, and the borrowing costs of c. £1.7m p.a, would not be incurred under Enhanced Partnership

It should be noted that the OBC was completed before the Combined Authority was awarded £6.60m capital funding for passenger transport for 2025/26 which, if applied to the capital costs in the OBC, would reduce the required borrowing under both options and correspondingly reduce the operational costs relating to the borrowing as well.

The budget being proposed to the Combined Authority on the 22nd January 2025 is balanced over the four year period and includes funding to meet the forecast costs for the modelled Franchising option during that period – this gives the Authority the confidence that there is sufficient resource to deliver the required capacity following either decision.

OSC are asked to note that, should the Mayor make the decision not to proceed with the franchising scheme, that the “*franchising implementation budget*” within the budget proposed on the 22nd January be utilised to fund the initial work on developing the

	<p>Enhanced Partnership, and a more comprehensive revision to the MTFP will be brought back to a later meeting.</p>
	<p><u>Financial Risks of Bus Reform</u></p> <p>The main risk surrounds forecasts for the usage of the bus network which will impact on revenues. Under an Enhanced Partnership, outside of a relatively small number of subsidised services, if there is a drop in ridership and reduced fare income, the cost pressures will fall on the private sector operators providing the bus service, which may ultimately lead to changes to the service. Under a franchised network the Combined Authority would be responsible for this financial risk and making subsequent decisions on services.</p> <p>This can be partially mitigated by contractual arrangements, which could share some of the risk with operators, but this could result in higher baseline contract costs as operators would 'price in' the risk.</p> <p>The OBC demonstrates the affordability of the proposed franchise model under a reasonable set of assumptions, and this reasonableness was assessed through an independent external audit. However it is recognised that the model is based on forecast numbers and that actual activity, costs and/or revenues could be higher or lower than the forecast.</p> <p>The Combined Authority has a legal duty to set a balanced budget and this will include assumptions around bus patronage, costs and revenues based on the best information available at the time of setting the budget. Where necessary mitigations will be sought to address financial pressures throughout the year and as part of the annual budget setting process.</p>
<p>Legal Implications</p>	
<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p>	<p>The first edition of the DfT's Bus Franchising Guidance was issued on 17 September 2019, which was the reference version used to support the bus services assessment and the audit by Grant Thornton. This Bus Franchising Guidance was updated on 27 March 2024 and the processes for consultation on a bus franchising scheme followed that in the March 2024 edition. A further version of the Bus Franchising Guidance was issued on 17 December 2024. As the Combined Authority had published its statutory notice of intent to develop a franchising scheme assessment before 17 December 2024, the Bus Franchising Guidance expects the Combined Authority to have regard to the March 2024 Guidance in respect of its next steps, although the Combined Authority could choose to have regard to specific sections of the December 2024 Bus Franchising Guidance. In order to maintain consistency in managing its consultation process and response, the Combined Authority is continuing to have regard to the March 2024 edition of the Bus Franchising Guidance.</p> <p>As set out in Section 123G(4) of the Act, states that where a Combined Authority is considering introducing bus franchising the function of deciding whether to make a franchising scheme is a function of the Combined Authority exercisable only by the Mayor acting on behalf of the Combined Authority.</p> <p>Under its constitution, the Combined Authority is expected to make a recommendation to the Mayor on the decision to be taken regarding making a bus franchising scheme, but the Combined Authority does not have the power to mandate the Mayor to act in a particular manner.</p> <p>In making any recommendation to the Mayor that he should make a franchising scheme Members need to be satisfied that:</p> <ul style="list-style-type: none"> • The process followed is lawful and meets the requirements of sections 123B to 123G of the Act and the DfT's Bus Franchising Guidance, namely: <ul style="list-style-type: none"> • a notice stating an intent to prepare an assessment of a franchising scheme was issued by CPCA (s123C of the Act) in accordance with sections 123C(1) and (2) of the Act. As a Mayoral combined authority the Combined Authority was free to publish such notice without the consent of the Secretary of State for Transport and did so in May 2019. The form of notice was at the discretion of the Combined Authority as section 123C(4) of the Act permits the notice to be

published in such manner as the Combined Authority considers appropriate, so is not required to fit to any specific template;

- an Assessment of the proposal to make a franchising scheme has been carried out in accordance with section 123B of the Act. It should set out, as specified by section 123B(2) of the Act, the effects that the proposed scheme is likely to produce and comparing the making of the proposed franchising scheme with another course of action;
- the assessment has also been designed to meet the requirements of section 123B(3) of the Act including:
 - consideration of how the Combined Authority would make and operate the proposed franchising scheme;
 - whether the Combined Authority would be able to afford to make and operate the franchising scheme;
 - whether the proposed franchising scheme would represent value for money; and
 - the extent to which the Combined Authority is likely to be able to secure local services under local service contracts;
- the Assessment considers the 5 business cases (strategic, financial, economic, commercial and management) as set out in the Bus Franchising Guidance, allowing an assessment of the impacts of the options on both capital spending and revenue spending, value for money of the leading option, the extent to which the Combined Authority is likely to be able to secure local services under local service contracts and how the Combined Authority would make and promote a franchising scheme
- the Assessment was subject to an independent audit (as required by section 123D of the Act). The independent auditor provided a conclusion that in the opinion of the auditor:
 - the information relied on by the Combined Authority in considering the matters set out in sections 123B(3)(d) and (e) of the Act (ability to afford to make and operate the proposed franchising scheme and proposed franchising scheme representing value for money) is of sufficient quality;
 - the analysis of the information in the Assessment is of sufficient quality; and
 - the Combined Authority had due regard to the relevant Bus Franchising Guidance when preparing the Assessment;
- following the issue of the audit report, the Combined Authority considered the audit report (which was done at its Board Meeting in July 2024) and in accordance with section 123E(1) of the Act resolved to proceed with the proposed franchising scheme set out in the Assessment;
- the proposed franchising scheme was subject to consultation in accordance with section 123E of the Act and included with all parties identified in section 123E(4), namely:
 - all persons operating local services in the area to which the proposed scheme relates;
 - all other persons holding a PSV operator's license or community bus permit who would in the opinion of the Combined Authority would be affected by the proposed franchising scheme;
 - such persons as appearing to the Combined Authority to represent employees of the persons operating local bus services in the area to which the proposed scheme relates;
 - such organisations appearing to the Combined Authority to be representatives of users of local bus services;
 - any other relevant local authority whose area would, in the opinion of the Combined Authority, be affected by the proposed franchising scheme;

- a traffic commissioner;
- the chief of police of each police area to which the proposed franchising scheme relates;
- the Passengers' Council; and
- the Competition and Markets Authority;
- all information set out in s123F of the Act was included in the consultation documentation issues to consultees, namely:
 - a description of the area to which the proposed franchising scheme relates;
 - a description of the local services that are proposed to be provided under the local service contracts;
 - a description of the local services to be excepted from regulation arising because of the proposed franchising scheme;
 - the date on which the proposed franchising scheme is to be made;
 - the date or dates by which it is proposed that local service contracts will first be entered into;
 - the period proposed to expire between the awarding of local service contracts and the provision of local services under such contracts;
 - a description of the Combined Authority's proposed plans for consulting in order to seek views on how well the franchised scheme is working;
 - a statement about how the procurement process will facilitate the involvement of small and medium sized operators in the provision of local services; and
 - the date by which consultation responses must be received;
- alongside the consultation document on the proposed franchising scheme, the Assessment document and the audit report were published as required by section 123(E)(2) of the Act and notice of the proposed franchising scheme was given in a manner that the Combined Authority considered appropriate to bring it to the attention of persons in the Combined Authority area
- a response to the consultation has been prepared by CPCA (in accordance with section 123G of the Act);
- With respect to the consultation undertaken by CPCA:
 - the consultation process was fair and enabled respondents to consider all relevant issues and provide an intelligent response;
 - the responses to the Consultation have been appropriately considered and taken into account;
 - there is sufficient information provided by respondents to enable the Combined Authority and the Mayor to make such a decision;
 - the report has balanced the issues set out by respondents;
- That they have had due regard to the matters set out in section 149 of the Equality Act 2010 (the Public Sector Equality Duty);
- Members will note that the issues relating to the consultation and the Public Sector Equality Duty are addressed in the CPCA Consultation Response Report attached as Appendix 3;

Stage 4 of the Bus Franchising Guidance requires the decision whether to franchise to be reached by reviewing the overall conclusions of the Assessment alongside the audit report and the consultation response. The governance process should allow sign off with a full understanding of the potential risks identified in the audit report and mitigations proposed by the Combined Authority. This is a balanced judgement to be taken across all of the available evidence and particular weight does not need to be given to individual elements of the Assessment.

Stage 4 of the Bus Franchising Guidance also notes that the relevant legislation, including the Act, does not require the Combined Authority to pass a particular test to introduce bus

	<p>franchising. Nor does the Secretary of State for Transport need to be consulted or give any kind of approval.</p> <p>The Mayor will also need to consider those matters set out here when taking a decision as to whether or not to make a franchising scheme.</p> <p>Once a decision to make a franchising scheme has been made, variations to the scheme and ultimately the scheme's revocation are permitted provided the requirements set out in sections 123M (Variation of scheme) and 123N (Revocation of scheme) of the Act are followed. For any revocation of a franchising scheme, relevant conditions need to be met and an Assessment produced, an audit report obtained and a public consultation exercise undertaken following the same procedure as for the making of the franchising scheme. The decision to revoke a franchising scheme must be taken by the Mayor acting on behalf of the Combined Authority.</p>
Public Health Implications	
Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	Give detail if any significant implications identified
Environmental & Climate Change Implications	
Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	Give detail if any significant implications identified
Other Significant Implications	
Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	Give detail if any significant implications identified