



**CAMBRIDGESHIRE  
& PETERBOROUGH**  
COMBINED AUTHORITY

# BUS REFORM CONSULTATION RESPONSE REPORT

January 2025





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## Acronyms and abbreviations

AVL	Automatic Vehicle Location
BSIP	Bus Service Improvement Plan
CA	Combined Authority
CMA	Competition and Markets Authority
CPCA	Cambridgeshire and Peterborough Combined Authority
CPT	Confederation of Passenger Transport
CTA	Community Transport Association
DfT	Department for Transport
ETM	Electronic Ticket Machine
EV	Electric Vehicle
FACT	Fenland Association for Community Transport
GVA	Gross Value Added
LTA	Local Transport Authority
TfL	Transport for London
UK	United Kingdom

## Glossary

Assessment	The bus reform assessment required to be prepared by the franchising authority under s123B Transport Act 2000
Automatic Vehicle Location (AVL)	A technology that uses GPS and other data to track and monitor the real-time location of vehicles
Benefit-Cost Ratio (BCR)	A financial measurement that compares the overall benefits of a project to its costs to determine its value for money
Bus Franchising Guidance	Statutory and explanatory guidance provided by the DfT relating to how a franchising authority will approach bus franchising <sup>1</sup>
Bus gate	A short section of road where only buses and authorised vehicles are permitted
Bus priority	Measures introduced to benefit buses over private vehicles in terms of journey times on the road network (e.g. bus lanes, bus gates, priority at junctions)

<sup>1</sup> <https://www.gov.uk/government/publications/bus-services-act-2017-bus-franchising-creation/setting-up-a-bus-franchising-scheme>

Bus Recovery Grant (BRG)	DfT initiative to support commercial bus operators in England by providing financial assistance to mitigate the revenue impacts of reduced passenger numbers due to COVID-19
Bus Services Act 2017	A Parliamentary Act, extending the ability of local transport authorities to introduce franchising or an Enhanced Partnership
Bus Services Bill 2024	A Parliamentary Bill, the Bus Services (No.2) Bill introduced into the house of Lords on 17 December 2024, designed to give local authorities new powers for greater control over bus services
Bus Service Operators Grant (BSOG)	A grant paid by the Department for Transport to operators of eligible bus services and community transport organisations, to help recover some of their fuel costs
CAPEX	Capital expenditure – investment in assets
Cost-based contract	A contract where the authority collects all passenger fares and an operator retains a fixed fee for the contract
Cost-plus contract / Quality Incentive contract	A contract that allows for additional payments or penalties based on performance, which can allow for a sharing of risk and therefore incentivisation of higher performance
CPCA Local Transport and Connectivity Plan	A long-term strategy to make transport in Cambridgeshire and Peterborough better faster, greener and more accessible for everyone <sup>2</sup>
CPCA Bus Strategy	An ambitious vision and strategy to improve the bus network in a way that will benefit the residents and businesses of our region and to deliver the goals and objectives of the Combined Authority’s Local Transport and Connectivity Plan <sup>3</sup>
Demand-Responsive Transport (DRT)	Flexible, shared transport, providing point to point transport without a fixed timetable
Depreciation	The accounting process of allocating the cost of an asset over its useful life, reflecting the asset’s gradual decrease in value
Eligible Liabilities Indicator	A measure used to determine the amount of liabilities that are subject to regulatory requirements
Enhanced Partnership (EP)	An agreement between an authority and bus operators setting out commitments to improve bus services
Equality Impact Assessment (EqIA)	A process designed to ensure that a policy, project or scheme does not unlawfully discriminate against any protected characteristic
Franchising	An authorisation by a public transport authority to a bus operator enabling them to operate local bus services in a specific area
Green Book Guidance 2022	Guidance issued by HM Treasury on how to appraise policies, programmes and projects, considering costs, benefits and trade-offs <sup>4</sup>
Gunning Principles	Key elements of a fair and worthwhile consultation including the timing, content and consideration
Independent Audit	The audit of the Assessment undertaken by an independent auditor in accordance with s123D Transport Act 2000 and the Bus Franchising Guidance (2019 edition) which was the applicable guidance at the time of the audit.
Key Performance Indicator (KPI)	A quantifiable measurement to monitor progress toward a specific goal, allowing for success to be evaluated and areas for improvement to be identified

<sup>2</sup> <https://cambridgeshirepeterborough-ca.gov.uk/what-we-deliver/transport/local-transport-plan>

<sup>3</sup> <https://cambridgeshirepeterborough-ca.gov.uk/bus-strategy>

<sup>4</sup> <https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government/the-green-book-2020>

Key stakeholders	Statutory consultees as outlined within the Bus Services Act 2017 and Bus Franchising Guidance (March 2024 edition)
Lot	A sub-division of the overall bus network franchising exercise, which could be one service or a package of numerous services
Mayoral precept	A portion of council tax that is allocated to the Mayor's budget
Mobilisation	A process undertaken over an agreed period, to ensure that all parties are ready to begin operations once a franchise contract is awarded
National Bus Strategy 2021	A vision and strategy to improve bus service provision in England outside of London <sup>5</sup>
Net Present Value (NPV)	A way of equally comparing the benefits and costs expected over time for different options, by accounting for factors such as inflation and interest rates
OPEX	Operating expenditure – regular expenditure on running a system
Outline Business Case (OBC)	A preliminary document providing a high-level overview of a proposed project, including objectives, benefits, costs and risks. It is a foundation for decision-makers to determine whether to proceed with a more detailed business case
Performance Management and Periodic Review Mechanism	Regular assessments of contractual performance against pre-defined metrics and stakeholder engagement, aimed to support successful implementation and ongoing management
Procurement	The process of purchasing goods and services from an external source
Protected Characteristic	Personal characteristics defined in the Equalities Act 2010 comprising age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation
Peak Vehicle Requirement (PVR)	The maximum number of buses required to operate a scheduled service
Section 106 agreement	A legal agreement between a local planning authority and a developer, setting terms that bind the developer to mitigate the impact of a development on the local community and infrastructure
Section 19 permit	A permit granted to organisations that operate vehicles without a view to profit, to transport people whom the organisation exists to help and not the general public
Section 22 permit	A permit granted to organisations that operate vehicles for the social and welfare needs of one or more communities, without a view to profit. This can include the general public
Small and Medium Enterprise (SME)	A business (bus operator) with a limited number of employees and revenue
Subsidy-based contracts	A contract where the operator collects all passenger fares and a fixed fee for the contract (which usually accounts for passenger fares)
Transport Analysis Guidance (TAG)	Department for Transport guidance and information on the role of transport modelling and appraisal
Tender	A formal invitation for potential suppliers of a service to submit offers
Transport Act 1985	A Parliamentary Act, primarily focused on regulatory aspects of road passenger transport, as amended from time to time
Transport Act 2000	A Parliamentary Act, primarily focused on regulatory and operational aspects of transport, as amended from time to time, including by the Bus Services Act 2017

<sup>5</sup> <https://www.gov.uk/government/publications/bus-back-better>



Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE)	A UK law that protects employees' rights when a business or service is transferred to a new employer, as amended from time to time
Wider stakeholders	Consultees other than those outlined within the Bus Services Act 2017 and Bus Franchising Guidance (March 2024 edition)
Zero Emission Bus Regional Areas (ZEBRA) scheme	This scheme provided capital funding to local transport authorities to support the introduction of zero emission buses and associated infrastructure



# 1. Introduction

Cambridgeshire and Peterborough Combined Authority (CPCA or the Combined Authority) believes it needs to change the way local buses are run to achieve its ambitions for better buses across the area.

Buses play a vital role in Cambridgeshire and Peterborough, getting people to places, connecting our communities and supporting our economy. Evidence suggests that passengers face many challenges in travelling by bus, resulting in fewer people choosing this mode and a desire for improvements to bus services. The way that buses run now, where private companies decide where and how often to run buses, gives CPCA limited ability to make these improvements.

CPCA has followed the statutory process set out by the Transport Act 2000 to assess the bus reform options and has provided opportunity for both key stakeholders and wider stakeholders, including the general public, to participate in the consultation.

CPCA prepared an Assessment which considered two options available to reform the way buses are run - a Proposed Franchising Scheme and an Enhanced Partnership, compared against the current situation (reference case). The Assessment concluded that franchising would be the optimum way to achieve the change needed and following an Independent Audit by Grant Thornton, CPCA went out to public consultation to obtain views on the bus reform options.

The Assessment:

- Describes the effects the Proposed Franchising Scheme could have
- Compares the Proposed Franchising Scheme to an Enhanced Partnership
- Considers whether the Proposed Franchising Scheme would contribute to the Combined Authority's policies (and those of neighbouring authorities)
- Considers how the Combined Authority would make and operate the Proposed Franchising Scheme
- Considers whether the Combined Authority would be able to afford to make and operate the Proposed Franchising Scheme
- Considers whether the Proposed Franchising Scheme offers value for money for the public sector
- Considers how the Combined Authority would seek to secure the provision of bus services under the Proposed Franchising Scheme through local service contracts (franchise contracts)

## 1.1 Purpose and background

This report is required by the Transport Act 2000 in response to Cambridgeshire and Peterborough Combined Authority's Bus Reform Consultation. Following the consultation, CPCA must prepare and publish a report setting out The Combined Authority's response to the consultation.

It is the Mayor of Cambridge and Peterborough Combined Authority that takes the decision as to whether or not to progress with the Proposed Franchising Scheme.

A Consultation Report has been prepared by Westco Ltd (Westco), CPCA's external analysis partner, who carried out independent verification and coding of responses to the consultation. The Consultation Summary report has informed the identification of issues and concerns raised as part of the consultation.

This Consultation Response report forms part of the wider response to the consultation, aiming to address issues and concerns raised as part of the consultation by both wider stakeholders and from key stakeholders. Key stakeholders are statutory consultees as outlined within s123E(4) Transport Act 2000 and the version of the

Department for Transport Bus Franchising Guidance (March 2024<sup>6</sup> edition), which was current at the time that the consultation was initiated. This report will be published and used to inform the Mayor's decision on bus reform.

This report sets out:

- CPCA's approach to analysing the responses received as part of the consultation.
- CPCA's response to the independent report and analysis undertaken by Westco including:
  - A breakdown of main themes across the consultation, including responses from key stakeholders.
  - Any proposed changes to the Proposed Franchising Scheme.

The Assessment of bus franchising was developed in line with requirements stipulated by the Transport Act 2000 and the Bus Franchising Guidance (2019 edition), which was current at the time the Assessment was initiated. The 2019 guidance was applicable following CPCA's publication of its Statutory Notice of Intent to consider bus franchising in May 2019. This has ensured a consistency of approach throughout the process.

This report is part of CPCA's response to the consultation and will support further considerations of:

- Whether CPCA believes the Proposed Franchising Scheme should be made, with or without modifications.
- If the Proposed Franchising Scheme should be made with modifications, what these modifications should be and whether any further consultation is required.

## **1.2 Structure of report**

This report reflects the structure of the Bus Reform Consultation Document and accompanying questionnaires used within the consultation. It includes the following sections:

- Section 2 - Consultation response review
- Section 3 - Proposed Franchising Scheme
- Section 4 - Strategic Case
- Section 5 - Economic Case
- Section 6 - Commercial Case
- Section 7 - Financial Case
- Section 8 - Management Case
- Section 9 - Equality Impact Assessment
- Section 10 - Support, opposition and changes to the Proposed Franchising Scheme
- Section 11 - Conclusions and Final Recommendation to the Mayor

## **1.3 Consultation overview**

Members of the CPCA Board met on 24th July 2024, where they discussed a report about bus reform. Following the discussion, the Board approved the Assessment and the Independent Audit report and agreed to hold a formal franchising consultation that would enable residents, businesses, wider stakeholders and key stakeholders (also known as statutory consultees) to share their views.

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<sup>6</sup> It is noted that this guidance was updated on 17<sup>th</sup> December 2024, following CPCA's bus reform consultation. However as CPCA undertook its consultation in Autumn 2024 prior to the change in guidance, the March 2024 guidance remains valid for managing the consultation responses.

The purpose of the consultation was for CPCA to engage widely on the proposed bus reform options included within the Assessment, following the Gunning Principles to enable all stakeholder views to be heard. This fulfils the statutory requirement for consultation prior to the Mayor making a decision on whether or not to implement the Proposed Franchising Scheme. Further details of the Consultation are provided in the Westco report .

The public consultation ran from Wednesday 14<sup>th</sup> August 2024 for 14 weeks and closed at 09:00 on Monday 25<sup>th</sup> November 2024. To inform consultees and as required by Section 123(E) of the Transport Act 2000, the following documents were published on the launch of the consultation:

- The Consultation Document, detailing the information required under Section 123(F) of the Transport Act 2000.
- The Assessment which assessed the Proposed Franchising Scheme.
- The Independent Audit report on the Assessment - produced by Grant Thornton as the Independent Auditor.
- Supporting documents to the Consultation Document and the Assessment including a draft Equality Impact Assessment (EqIA), Consultation Summary document and CPCA’ s response to the Auditor’ s report.

### 1.3.1 Consultation methods and response

A number of response channels were set up so participants could provide feedback on the proposals. These response channels were:

- An online survey form, accessed via CPCA’ s consultation platform. The long and short-form versions of the survey form were available to complete. CPCA drafted the survey forms, which were reviewed and quality assured by the Consultation Institute prior to publication. The content of the survey forms is shown in Appendix E of the Westco report.
- PDF versions of the questionnaires that could be downloaded from the consultation webpage. These could be printed out and sent as a hard-copy response through the post. A freepost address was provided in the consultation documents to enable members of the public and organisations to post their response, either as a completed questionnaire or a letter. These responses were then copied into the online questionnaire by CPCA officers.
- A dedicated consultation email address ([consultations@cambridgeshirepeterborough-ca.gov.uk](mailto:consultations@cambridgeshirepeterborough-ca.gov.uk)) was used to enable people to respond via this method if they preferred.

In addition, some responses to the consultation were sent through other channels (e.g. directly to officers employed by CPCA). Where such correspondence was received during the advertised consultation period, it was forwarded by CPCA to Westco. These responses were processed and included within the Consultation Log and included in the consultation analysis as a consultation response.

In total, 1,653 participants submitted a response to the consultation. The responses were received through various channels, as set out in Table 1-1.

**Table 1-1: Responses received to the consultation by response channel and consultee type**

Response Channel		Members of the public	Shareholder Organisations	Overall Total
Online Questionnaire	Short	1,496	49	1,545
	Long	58	20	78
Email		5	25	30
Total		1,559	94	1,653

Of those who responded to the consultation, 1,559 were from individual members of the public and 94 were from stakeholder organisations (including elected representatives). These stakeholder organisations were also sub-categorised into two groups:

- Key stakeholders - those organisations classified as ‘statutory consultees’ ; and
- Wider stakeholders - all other organisations (or individuals/elected representatives responding in an official capacity) providing a response.

CPCA received 27 key stakeholder responses and 67 wider stakeholder responses. A full list of organisations can be found in Appendix F of the Westco report.

### 1.3.2 Questionnaire

#### The Consultation Hub

For consultation responses, CPCA created a landing page on its website specifically for the bus reform consultation. This page acted as a single source of information for the consultation and included all key documents needed to be informed about the consultation. The list of documents on the website included:

- **The Consultation Document**, which explained the options of an Enhanced Partnership and Franchising and why CPCA was recommending bus franchising as its preferred way forward, based on its assessment of the Proposed Franchising Scheme.
- **A Consultation Summary**, which provided a summary for the contents of the much longer Consultation Document, for those who did not wish/did not have time to read the full document.
- **An Equality Impact Assessment (EqIA)**, which provided an in-depth analysis of the impact bus reform would have on those with protected characteristics as prescribed under the Equality Act 2010.
- **A range of appendices** which provided more detail about the conclusions presented in the Assessment of the Proposed Franchising Scheme and the Draft Franchising Scheme.
- **An independent audit**, conducted by Grant Thornton, of the Assessment.
- **Details of consultation engagement events**, which included stakeholder events, protected characteristic events, drop-in events and webinars that were held throughout the consultation period and which were delivered to provide residents and interested stakeholders with the opportunity to hear more about the proposals and ask specific questions.

Alongside the documents set out above, the landing page provided people with two survey forms they could fill in once they were ready to respond to the consultation. These were:

- **A short-form survey**, comprising 10 ‘core’ questions on the proposed changes to bus services, set out in the companion Consultation Document and focused on key areas presented in the Consultation Document and to gain respondents’ views regarding their support or opposition to the Proposed Franchising Scheme.
- **A long-form survey**, comprising a wider set of 31 questions set out throughout the Consultation Document and deemed more appropriate for participants who have a good level of knowledge and interest in the bus market and how it runs.

As mentioned, the survey asked a number of questions to gather views on the detail contained within the Consultation Document. Both the short and long-form surveys contained a set of core questions linked to the key sections in the Consultation Document, specifically on the ‘Five-Case Model’ of the Assessment. These included questions on:

- The Strategic Case
- The Economic Case
- The Commercial Case
- The Financial Case

- The Management Case

In addition, the long-form survey included questions asking for further detail on elements of the ‘Five-Case Model’. This included questions describing the Proposed Franchising Scheme but asked a range of additional questions around issues such as impact on neighbouring authorities, exempted bus services, implementation timetable, the lotting of contracts, engaging small and medium-sized operators, impact on employees, depots, affordability and funding, as well as the approach to transitioning to and managing the Proposed Franchising Scheme.

The consultation questionnaire comprised predominantly open-ended questions, allowing participants to articulate their responses in their own words. No questions were mandatory and were structured to align with the Consultation Document.

Both surveys included supplementary questions about bus usage and demographics – which covered many protected characteristics, such as gender, age, disability, ethnicity and being a parent to young children. These were included to help identify communities of interest that might benefit from targeted engagement strategies. Participants had the flexibility to respond to as many or as few questions as they chose and not every participant responded to every question.

A stakeholder letter was sent to 421 stakeholders at the outset of the consultation period to make them aware of the consultation and how they could engage with the survey. In addition, a reminder was sent four weeks before the end of the consultation period to remind them to engage with the consultation, as well as a further call to understand if they planned to respond.

### **1.3.3 Alternative ways of responding**

#### **Other ways in which participants could respond**

The landing page set up by CPCA was just one way in which participants could respond to the consultation.

Participants were able to respond to the short and long-form surveys via a link on the consultation website, but also by filling out hard copies of either the short or long-form survey, which were made available in a range of public sector venues including libraries.

Participants could also take part in the consultation by submitting a letter or email. This option is described as a “written response” return – this allowed all participants to provide their general views around the consultation without being constrained by the survey format or the survey questions.

Finally, feedback was sought through physical events hosted throughout the consultation period. This was principally through two types of event: consultation events hosted by CPCA and focus groups delivered by Westco. More detail on both these event types is set out in Section 1.3.4 of this report and Appendix B of the Westco report.

### **1.3.4 Events**

For the consultation, CPCA held two series of events; one were a series of consultation events for particular stakeholder groups and a set of selected focus groups, representing under-represented groups in CPCA's constituency.

#### **Consultation events**

These events were held from the second week of September, aligning with people returning from summer holidays. CPCA, supported by Westco, arranged three different kinds of events: invite-only meetings for key stakeholders, meetings focussed on sharing information about the Consultation with protected characteristic groups and pop-up events in locations across Cambridgeshire and Peterborough to raise awareness with the general public.

- **Key stakeholders:** Six events were held for key stakeholders, inviting them to a detailed presentation by CPCA officers and providing them with an opportunity to ask questions. Each event was held in a different

part of the region and attended by the senior team at CPCA; Judith Barker, Executive Director of Place & Connectivity and Andrew Highfield, Assistant Director of Public Transport Services. Key stakeholders were encouraged to attend the event in their area but could also attend one of the other five if required. A meeting was also held with all bus operators, to listen to their specific concerns and questions. Each event was advertised on the online event management and ticketing website, Eventbrite. This enabled Westco and CPCA to monitor expected attendance. CPCA also advertised the events through the Constituent Councils' internal channels and directly to key stakeholders.

- **Protected characteristics:** Seven events were held to engage with people from protected characteristic groups that would be more likely to use the bus network or be more likely to be impacted by any changes to the bus network. The events were also for people who would be classed as 'hard-to-reach' for the broader consultation outreach operation for this consultation. Events under this category included events at and/or with:
  - A food bank
  - A child and family centre
  - A retirement village
  - An ethnic society
  - A disabled peoples' group
  - The Royal National Institute of Blind People
  - The Deaf Association

These events were attended by at least one of CPCA's senior team, plus support from Westco. Each event was tailored to the specific needs and requirements of the groups in attendance.

- **Drop-in events:** 16 drop-in events were run by Westco at locations across the region throughout the consultation period. The locations were strategically chosen to ensure as wide a range of bus users and potential bus users could be reached by the drop-in events. These events also ensured that public events took place in every district council area within CPCA. Drop-in events were advertised in advance to ensure anyone who wanted to attend had sufficient notice to plan to come along and ask questions or get help in filling out the surveys. Specific spaces which were picked for advertising drop-in events included:
  - Bus stations
  - Railway stations
  - City and Town centres

At the drop-ins large numbers of summary leaflets were handed out while a small number of people were supported to complete survey forms.

- **Additional events:** Several requests were made during the consultation period for additional events. Following requests from the public, The Consultation Team attended the Parish Council Association Conference. As well as this, Westco also organised additional drop-in events in Cambridge and St Neots and at Addenbrookes Hospital. An online meeting was conducted with staff from Cambridge University and the Cambridge Care Association were supported by providing them with materials so they could engage with looked-after children. Finally, two online events were organised by CPCA, which took place in the last two weeks of the consultation period, to provide an opportunity for elected members with any final questions about the consultation to ask them.

Appendix B of the Westco report provides a full list of events and attendance.

Presentations at these events were undertaken by the senior team at CPCA: Judith Barker, Executive Director of Place & Connectivity; Andrew Highfield Assistant Director of Public Transport Services; Rob Emery, Assistant Director of Finance; and Edward Colman, Head of Communications and Policy.

CPCA speakers invited questions from those in attendance. A summary of the key questions asked during the events is included in the Westco report at the end of the qualitative research section.

### Focus Groups

To support the findings from the consultation survey, qualitative research was also commissioned to gather information on the attitudes and opinions of resident groups underrepresented in the consultation survey, as well as from Protected Characteristic groups. Communities identified by the Combined Authority as ones of interest for this qualitative research exercise included:

- Frequent bus users (specifically: Students; Commuters; People under the age of 25; People over the age of 65; People in areas of deprivation; People in rural communities; and people in minority ethnic communities); Infrequent bus users; Former bus users; Potential public transport users; Other road users - including car drivers (both as private vehicles and as taxis), cyclists and pedestrians; Council taxpayers; Owners of small and medium-sized businesses; Younger people, disabled people, those from minority groups and parents of young children; People who are willing and not willing to engage with surveys online.

Substantial overlap was identified among some of the above cohorts, meaning that when focus groups were delivered, they included participants with overlapping characteristics. Westco conducted eight focus groups to deliver the qualitative research programme. They were as follows:

- **Under 16s focus group:** 11<sup>th</sup> October 2024 (10.30am-12:00pm).
- **Disabilities focus group:** 5<sup>th</sup> November 2024 (10:00am-12:00pm).
- **Under 18s focus group:** 6<sup>th</sup> November 2024 (12:30-2:30pm).
- **Minority Ethnic Women focus group:** 6<sup>th</sup> November 2024 (7:15-9:15pm).
- **Businesses focus group:** 7<sup>th</sup> November 2024 (10:00am-12:00pm).
- **Students & Taxi Drivers focus group:** 7<sup>th</sup> November 2024 (3:30-5:30pm).
- **Lower income focus group:** 12<sup>th</sup> November 2024 (7:00-9:00pm).
- **Parents & no/low bus usage focus group:** 13<sup>th</sup> November 2024 (7:00-9:00pm).

Ten participants were recruited to join each focus group – meaning a total of 80 participants were recruited for the focus group exercise. Out of this 80, 54 participants attended focus groups. Further details of focus group recruitment and methodology can be found in Chapter 3 and Appendix G of the Westco report

The groups were moderated by Russell Pask, Associate Director of Research at Westco. Russell is a trained qualitative researcher who has extensive experience of group moderation having run several hundred focus groups in his time at Westco as well as working for The Research Unit, Ipsos-MORI and a range of local authorities.

An analytical summary of the key findings of the focus groups are included in Chapter 11 of the Westco report.



## **2. Consultation response review**

### **2.1 Introduction**

This section of the report summarises Chapters 2 and 3 of the Westco report covering the methodologies used by Westco for the analysis of the consultation responses and the approach to reviewing the qualitative research.

### **2.2 Analysis of consultation responses**

The handling of consultation responses was subject to a rigorous process of checking, logging and confirmation to ensure a full audit trail to the Consultation Log.

Cambridgeshire and Peterborough Combined Authority (CPCA) securely transferred all electronic responses, with paper versions of the questionnaire inputted into the online questionnaire template once received and included in the live transfers. Data was transferred and stored in line with requirements of the Data Protection Act 2018.

The consultation questionnaire comprised of predominantly open-ended questions, allowing participants to articulate their responses in their own words. None of the questions were mandatory and they were structured to align with the Consultation Document. This setup facilitated targeted feedback on the Five Case Model, particularly regarding opinions on the Proposed Franchising Scheme and the Enhanced Partnership option.

Responses gathered through the questionnaire were analysed according to the specific questions they addressed. For those who submitted their feedback via email or letter, their comments were carefully mapped to corresponding questions in the questionnaire. For example, any remarks about the Commercial Case submitted outside the questionnaire format were analysed in conjunction with responses to the related questionnaire item.

The questionnaire also included a closed question to understand the extent to which each participant supported or opposed the Proposed Franchising Scheme.

There were also a number of demographic questions that were included to capture data on protected characteristics and which helped identify communities of interest that might benefit from targeted engagement strategies. Participants had the flexibility to respond to as many or as few questions as they chose and not every participant responded to every question.

The written responses were sent by email to the CPCA consultation email or were received by post. The CPCA's secretarial support team inputted any postal surveys and sent any electronic responses through to Westco. All responses received by CPCA were collected and securely transferred to Westco at regular intervals to analyse.

The survey forms asked participants to indicate whether they were responding on behalf of an organisation or as an individual member of the public. Those who said they were responding on behalf of a group or organisation were classified as a stakeholder. CPCA reviewed the list of those responding as organisations and sub-categorised participants as either key (statutory consultees) or wider stakeholders. The classification of statutory consultees was based on requirement of the Transport Act 2000, which sets out the franchising assessment process, including consultation. A full list of the organisations that took part, including those classified as key stakeholders (statutory consultees), can be found in Appendix F of the Westco report.

Those who said they were providing their own response in the online or paper questionnaire were generally classified as 'members of the public'. However, some responses were from individuals working for an organisation, or councillors from local authorities. These were private responses and not organisational responses, i.e. they were not providing a response representing the organisation.

In conjunction with CPCA officers, it was determined which of these responses represented a general public response and which represented an organisation's response.

Given that the consultation period was extended to 25<sup>th</sup> November 2024, very few late responses were received. There were 14 postal survey responses from the public that arrived in the week commencing 25<sup>th</sup> November 2024 and a couple of written responses. All of these have been included as consultation responses.

## 2.3 Approach to reviewing qualitative research

The process of analysing the content of each response was based on thematically coding specific words or phrases. This was carried out by the Walnut Unlimited coding team on behalf of Westco. For those who submitted their feedback via email or letter, their comments were carefully mapped to corresponding questions in the questionnaire.

The code frame was developed using a theme and sub-theme methodology aligned to each question. For example, under the Strategic Case, responses clustered around twelve different themes ranging from bus operators to safety and a thirteenth 'Other' theme.

Under each of these themes, there was a smaller or larger set of 'sub-themes', reflecting the points and sentiment of the consultation respondent's points. Sub-themes were created when at least three participants made the same point.

The exception to this was when a participant made a point which required a consultation response. In these cases, even if only one person made the point, it is included in the code frame to be identifiable to the consultation response team.

The Westco team used the thematic outcomes from previous bus consultations, along with specific tailored elements, to encapsulate the distinctiveness of this consultation. This enabled the development of an initial coding framework based on:

- Previous bus consultations outside the CPCA area
- The contents of the Consultation Document
- Each survey question
- Text responses to individual questions from first 500 survey responses

The initial set of codes were crafted by identifying common themes and insights from the participant responses. As the consultation period progressed, the coding framework evolved to accommodate the growing diversity of responses. Participants often expressed similar sentiments with varied expressions, requiring nuanced adjustments to the coding structure.

Whenever recurring themes emerged in the responses, they were integrated, or "back-coded", into existing categories to ensure even subtle differences in phrasing were captured. This process allowed for the refinement of the coding categories to include nuances, ensuring that each response, while perhaps echoing a broader theme, retained its unique perspective and depth of detail.

This process was supported through the use of Ascribe, an AI coding software. This was used in conjunction with a dedicated team of coders, who prior to commencing any analysis, underwent a comprehensive briefing to fully understand the consultation's objectives and scope. Similarly, all coders were made to familiarise themselves with the Consultation Document, to ensure they could provide well-informed and accurate analysis of responses.

After the test framework was completed, specialist consultation advisers and Jacobs provided further feedback to improve the coding framework. These elements were then introduced into the structure. This was achieved through a process of validation by checking the text statements mapped onto with the appropriate codes in the framework.

Once a thousand responses had been analysed, colleagues again provided further feedback on the code frame where, at this stage with Jacobs having completed their workshop analysis for the CPCA consultation response report, new codes were added to capture additional dimensions. With these included, all the survey responses

were reprocessed and recoded, where necessary, for final input from Jacobs and CPCA for final quality check and sign off.

It has been important to recognise a number of distinct points when interpreting the responses received in a consultation, including the following:

- **Participants in the consultation are typically self-selecting**, driven primarily by personal stakes or concerns related to the issues at hand. As such, it is often those who feel most impacted, either positively or negatively, by the proposed changes who choose to respond. This dynamic can also spur local campaigns that either support or oppose the initiatives, reflecting a heightened level of engagement among those with a direct interest.
- **Due to the above, responses collected cannot be considered representative of the broader population of Cambridgeshire and Peterborough**, unlike what might be achieved with a statistically representative sample survey. The feedback obtained, therefore, predominantly represents the views of those actively engaged in the consultation and should not be extrapolated as a comprehensive representation of wider public and organisational opinions across the region. This is perhaps most important to understand in the context of the closed question to gauge support or opposition to the Proposed Franchising Scheme.
- **This approach does not capture the intensity or the nuanced perspectives of the general public, organisations, or elected representatives on specific issues**. It is common for participants to express general approval of the proposal while simultaneously providing critical feedback on specific aspects.
- **The analysis is qualitative in nature, emphasising the diversity and richness of the responses rather than quantifying support levels**. The real value lies in the substance and thematic depth of the responses, which offer critical insights into the various perspectives and concerns of those engaged. This qualitative breadth ensures that even when participants do not fully articulate their views, the essence of their input is captured and considered, providing an illustrative understanding of public and stakeholder sentiment. And here, it is illustrative of the perceptions of those likely to engage in such a consultation. This said, we would expect the consultation to highlight many of the issues that are important to wider society: the areas of key focus are likely to be same.

While the analysis primarily adopts a qualitative approach, tracking the frequency of specific points raised is also instrumental. The occurrence of each theme, as detailed in the code frame, informed the structure of both the Westco report and this report.

While the sections delineate variations among different audiences, it is crucial to recognise that the responses are telling us different things. Participants engaged with varying degrees of technical understanding and information about the proposals, influencing the depth and perspective of their responses. Consequently, some participants provided responses based on a broader information set, reflecting diverse levels of interest and understanding of the subject matter. In analysing these responses, each has been regarded as equally valid and this should be understood in this wider context.

## 3. The Proposed Franchising Scheme

### 3.1 Introduction

The Proposed Franchising Scheme for Cambridgeshire and Peterborough aims to cover all local bus services within the boundary of Cambridgeshire and Peterborough Combined Authority, other than services exempted from the Proposed Franchising Scheme and services subject to the Service Permit regime. Services to be exempted include:

- Schools or works registered local bus service that are not currently eligible for Bus Service Operator Grant
- Services operated under Section 22 of the Transport Act 1985
- Registered local bus services that are an excursion or tour
- Services operated by vehicles that by law do not permit standing
- Services that are fully funded and arranged by a third party, such as the Universal service operated under contract to University of Cambridge (which is designed specifically to meet the requirements of university students and staff, but also available for use by the public)
- Services operating under contract to neighbouring Local Transport Authorities
- Services with more than 90% of their registered mileage in a neighbouring area

Contracts would be procured in mixed-sized geographically based packages, to drive competition and to help small and medium-sized bus operators compete for contracts. Requirements for these would range from 1 to about 60 buses. It is envisaged that contracts will initially be awarded for periods of up to 7 or 8 years, with a potential to extend for a further 1 or 2 years based on good service performance from the perspective of users. This contract length aims to incentivise investment on contracts and to encourage network stability.

Bus operators would continue to be responsible for providing depots and suitable buses in line with the service specifications set out by the Combined Authority, with CPCA looking to also provide two additional depots – one in the Peterborough area and one in the Cambridge area.

The Proposed Franchising Scheme for Cambridgeshire and Peterborough bus services will look to share responsibilities and risks with operators, working collaboratively to define and design provision and incentivising operators to increase usage and benefit from increasing revenue. By planning routes, setting fares and managing operator contracts, CPCA proposes to create a more comprehensive network that enhances connectivity, improves passenger experience and enabling modal shift towards sustainable transport.

The timeline envisions procurement beginning in 2025 and franchised services launching in 2027, with key considerations including long-term financial viability, effective stakeholder engagement and performance monitoring. Ultimately, the Proposed Franchising Scheme represents an ambitious attempt to achieve a step-change in regional bus services, transforming the current system into a more integrated, reliable and user-friendly bus network.

In the long questionnaire, the following two questions were asked specifically about the Proposed Franchising Scheme:

- L9. Do you have any comments on the draft Franchising Scheme covering the entire Cambridgeshire and Peterborough Combined Authority area and including all bus services, apart from those exempted?
- L10. Do you have any comments on the proposed timescale for introducing franchised bus services?

This section outlines the themes raised in line with these questions, as part of the responses from key stakeholders to the long and short questionnaires, as well as correspondence received by email. Additionally where issues have been raised as part of the responses to the Commercial Case questions (Section 6 of this report) and other questions which the Combined Authority considers to having a bearing on specification of the Proposed Franchising Scheme, these have also been outlined.

A range of viewpoints were recorded from key stakeholders and the public regarding the details of commercial models envisaged for either bus reform option. Key focus of the responses include:

- Application of franchising or other types of bus reform to CPCA geographies
- The proposed approach to tendering of lots at a range of scales
- The franchising model chosen and the inclusion of certain types of road transport providers, routes and cross-boundary services
- The anticipated length and phasing of different periods of the transition to franchising, including the decision date, date of entry into first contracts and mobilisation periods
- Plans for consultation with key stakeholders and the public regarding the performance of franchised contracts and of the franchised network as a whole.

## **3.2 Theme 1: Applying franchising to Cambridgeshire and Peterborough geography**

### **3.2.1 Diversity of CPCA geography**

Transport UK, First Bus, Go-Ahead, Whippet, Stagecoach and the Confederation of Passenger Transport (CPT) specifically commented agreeing that applying franchising to the whole of the CPCA area is appropriate. However, some concerns were raised around applying franchising to Cambridgeshire and Peterborough's geography. Specifically, Go-Ahead identified concerns around geographical complexities, stating that the region encompasses extremely diverse operating environments including urban centres, with the associated congestion and journey reliability issues and rural hinterlands where population density is low. Go-Ahead suggest that this will present challenges around network delivery. Whippet raised that the *“urban vs. rural composition of the Cambridgeshire and Peterborough region will present various challenges”*, for example that SME operators currently perform particularly well at operating rural services, whereas larger operators are often better equipped to run urban services. Rural connectivity was mentioned by five public responses, with feedback pointing to current service gaps and calls to restore previously discontinued routes. The responses indicated that rural areas may need different operational approaches from urban centres.

#### **The Combined Authority's response**

CPCA recognises that the unique geography makes developing a uniform regional transport network more challenging and requires a nuanced approach to service provision across different geographical contexts.

CPCA already contracts a substantial portion of the rural bus services in the region through supported service contracts, which are not dissimilar to a franchise model. When conducting the Assessment, consideration was given to how franchising would work within CPCA's specific geographic context. The modelling data and analysis within the Assessment concluded that franchising is the optimal solution for the region to achieve its aims to create a more comprehensive network that enhances connectivity, improves passenger experience and promotes sustainable transport.

CPCA acknowledges that additional bus priority and infrastructure capacity will be required to meet existing and latent bus demand, as well as future demand as a result of population growth. The Assessment considered that both franchising and Enhanced Partnership options would require additional bus priority and infrastructure capacity. It concluded that the Proposed Franchising Scheme provided the better opportunity to maximise the benefits of such infrastructure investment. The responses from key stakeholders have not provided any additional evidence which would change this conclusion.

### **3.2.2 Mixed Enhanced Partnership and franchised model**

A number of responses from key stakeholders, as well as wider stakeholders and the public queried whether a mixed Enhanced Partnership and franchising solution could be considered as part of bus reform options, particularly in relation to the differing geographies of the region.

In particular, bus operators such as Delaine Buses outlined that *“the CA is very diverse area, having two cities, Cambridge with an historic footprint which is located within the Greater Cambridge Partnership area and Peterborough which enjoys the benefits of a post war new town model. Together with a number of Market Towns with vast areas on rural fenland communities in between. DfT guidance recognises a one size fits all model is not necessarily the best approach and that multiple models may be more appropriate within an LTA area. This Strategic Case has not been made to identify the benefits and disadvantages of applying each model in the different types of area within the CA. Unlike some areas of Cambridgeshire where there is a lack of connectivity, Peterborough has an established and thriving network of services as I set out in [my response to question] L1 and there is no reason why an Enhanced Partnership Model could not deliver the CAs aspirations in this area.”*

Additionally, Go-Ahead stated *“As outlined under 7.76 of the Consultation Document, the Bus Services Act 2017 stipulates transport authorities should adopt either an Enhanced Partnership and/or a Franchising model. However, we note there are variations on the binary choice between Enhanced Partnerships and franchising, for example the Busway could lend itself to specific route or corridor franchising, in case there were insufficient funds for region-wide franchising.”*

### **The Combined Authority’s response**

At an early stage of considering bus reform, the Combined Authority looked at both Enhanced Partnership and Franchising, considering the relative benefits associated with each. Equally, consideration was given to whether franchising was a suitable option for all or just part of the area, with an Enhanced Partnership covering the remainder of the Authority area. Options were considered with the information available at the time including attitudes of the bus industry within CPCA and the wider national context. CPCA wanted to ensure that any Enhanced Partnership options proposed for consideration as part of the Assessment could be achievable and that any blended option could have implications on the viability of routes – particularly when considering bus priority infrastructure.

Workshops held with CPCA officers and Lead Members concluded that any franchising option should be considered across the entire area of CPCA, as it would provide consistency and the ability to achieve the greatest levels of integration, including interchange and network-wide fare products and ticketing. The overarching desire was to achieve service enhancements across the entire network, with improved connectivity and greater frequency.

Having two or more schemes in operation long term could result in increased administrative costs. CPCA would also need to administer two smaller schemes, limiting the potential for economies of scale. It is also likely that CPCA would have to cover the management of service permits for more cross-boundary services that would intersect the different areas (as well as those crossing CPCA boundaries).

The splitting of the network into a mixed scheme would also limit the opportunity for cross-subsidisation (of the more profitable routes against those less commercially viable), which is a key driver in the case for franchising.

Progressing an Enhanced Partnership in some areas within CPCA would not meet the Mayor’s bus strategy objectives to gain the opportunity to plan and control the bus network centrally for the area. The outcomes in the Enhanced Partnership area compared to the franchised area could exacerbate, rather than helping to tackle, regional inequitable access to services.

The CPCA welcomes the responses offering constructive views on taking a more blended approach but based on the above, reaffirms the bus reform options that were chosen for the Assessment (an Enhanced Partnership or franchising), with both options covering the entire Cambridgeshire and Peterborough area.

## **3.3 Theme 2: Lotting strategy**

Key stakeholders expressed a range of views around the lot sizes in the Proposed Franchising Scheme. The Community Transport Association support the range of lot sizes from 1 to 60 buses due to the opportunities afforded to community transport operators. Peterborough City Council also noted the potential for smaller lots to provide opportunities for SMEs, while also observing that smaller lot sizes could be less commercially attractive for larger operators and that lot phasing would need to be carefully considered to avoid disruption to services as contracts start.

Transport UK's response highlighted their concerns that "lots ranging from 1 to 60 buses may not be large enough to encourage bids from operators from outside the CA region". This is driven by concerns that outside operators would not see sufficient economies of scale from these lot sizes to support provision of competitive bids due to the need to establish a local presence for mobilisation, management and engagement with CPCA. Go-Ahead set out a related query concerning Paragraph 5.32 of the Assessment which notes that "there will be plenty of opportunities for operators – indeed, it is the desire to maintain all existing operators" and Go-Ahead references that "contract packaging will be designed to achieve this". Go-Ahead expressed concern that this could suggest that procurement processes would favour incumbent operators.

### **The Combined Authority's response**

CPCA acknowledges the range of feedback provided by key stakeholders and welcomes input on the lot sizes being considered for the Proposed Franchising Scheme, while recognising the concerns that some stakeholders have expressed about the lot sizes and phasing.

The indicative lotting strategy outlined in the Assessment was developed to align with the commercial objectives to support delivery of best value and competition between bus operators, as well as the requirement under the Transport Act 2000 to facilitate the involvement of SMEs. The lot sizes from 1 to 60 buses being considered for the Proposed Franchising Scheme are considered by CPCA to achieve an optimal balance between these factors.

The lot sizes are not expected to materially limit the competition between bus operators as both CPCA's previous engagement with operators and the feedback to this consultation shows that there is interest in competing for lots from operators not currently in the area. CPCA's depot strategy includes provision of depots for the larger lots, which will open these up to competition.

As noted in Paragraph 5.32 of the Assessment, CPCA's approach to franchising is to secure the ability to plan and deliver a comprehensive integrated network through forming a more balanced relationship with operators. Under franchising this relationship can be achieved with both existing operators and with operators new to the area. CPCA's preference is for existing operators to continue to play a part in bus service provision but recognising the benefits of providing a level playing field for fair competition between operators. The specific text referenced by Go-Ahead "contract packaging will be designed to achieve this" refers to the provision of "plenty of opportunities for operators" and not to retention of incumbents.

With respect to Peterborough City Council's comment regarding lot phasing, if the Mayor makes the decision to proceed with the Proposed Franchising Scheme, then this feedback will be taken into account in developing the full tenders and contracts during the procurement design phase.

## **3.4 Theme 3: Services to be franchised**

### **3.4.1 Community transport impacts and involvement**

The Community Transport Association requests further information on how new alternatives will impact community transport. They highlight that community transport operators heavily rely on local government funding and question whether this support will continue under a new system. They also sought clarification on the inclusion of current demand responsive transport contracts within the franchising scheme.

The Community Association also questioned whether Section 19 providers should be introduced as an additional exemption. These organisations operate bus services in the CPCA area that are not open to the public and may be put at risk without an explicit exemption.

### **The Combined Authority's response**

CPCA acknowledges the Community Transport Association's comments and recognises the key role that community transport operators perform for communities in Cambridgeshire and Peterborough. CPCA is committed to continuing to support the community transport sector and ensuring that it continues to thrive. If the Mayor makes the decision to proceed with the Proposed Franchising Scheme, then CPCA intends to develop a robust strategy to set out the future for community transport within a franchised model.

CPCA would take on the role of registration for local bus routes, but licensing of operators under Section 19 or Section 22 permits remains under the role of the Traffic Commissioner. It is intended that community transport services operated under Section 19 permits will not be included within the Franchising Scheme, as they are not registered local bus services. Furthermore, Section 22 community bus services that are not currently run under contract to CPCA, will also be exempted from the Proposed Franchising Scheme.

Community transport providers will be seen as SMEs in the context of tendering, with specific engagement proposed to understand how to encourage participation. However any services that they provide under a Section 22 license which do not fall under the category of regular, fixed route local bus services will be exempted from the governance of the Proposed Franchising Scheme. The important role that Section 22 providers play in the transport sector is recognised by CPCA, particularly for individuals and groups whose specific needs may not be suitably served by conventional public transport .

### **3.4.2 Approach to cross-boundary services**

Proportionately very few stakeholders commented on the criteria for exempting cross-boundary services from the Proposed Franchising Scheme, compared with the number of comments received highlighting the importance of collaboration with neighbouring authorities to maintain and enhance these services, including responses from Lincolnshire County Council and Suffolk County Council. In particular, Lincolnshire County Council asked for more information about the service permit regime and its impacts, as well as the meaning of ‘strategic bus links’ in the assessment of impacts for policy impacts on neighbouring authorities.

Stagecoach provided a response querying the criteria, noting that routes with 10% or more of their mileage in the CPCA area will be included in the scheme and that this is a lower threshold for inclusion than has been used for other schemes. Stagecoach went on to note that this seemed inconsistent with the other criteria, particularly that services that “*largely serve markets outside*” of the CPCA area would be exempted the scheme and that the cross-boundary proposals needed to be clarified and confirmed.

#### **The Combined Authority’s response**

CPCA acknowledges the requests for clarification and welcomes the opportunity to further explain the approach to inclusion or exemption of services from the Proposed Franchising Scheme.

In response to Lincolnshire County Council’s queries, if the Mayor makes the decision to proceed with the Proposed Franchising Scheme, the details of the service permit regime will be further developed as part of detailed design of the Proposed Franchising Scheme. CPCA have consulted with neighbouring authorities and operators to ensure that cross-boundary services continue to meet the needs of residents of both, ensuring that service levels and standards in neighbouring authorities are not impacted negatively by the franchising process and taking up opportunities to enhance customer satisfaction and patronage on these services.

The assessment of policy impacts for bus reform on neighbouring authorities provided in Table 2-14 in the Assessment took an approach that examined the levels of cross-boundary bus operations, as well as shared ambitions for these operations between CPCA and each authority and the expected and potential impacts. CPCA confirms that the strategic bus links referred to are cross-boundary services that provide regular opportunities to travel between the authorities.

CPCA does not wish to control or manage bus services that essentially serve markets outside of its area. These should be looked after by those neighbouring authorities in which they mainly operate. As such, the Assessment suggested that services where more than 90% of their registered mileage was in a neighbouring area should be exempted from the Proposed Franchising Scheme. This threshold was also used in the Enhanced Partnership scheme described for Cambridgeshire and Peterborough in the Assessment. It therefore provides a like-for-like comparison against which to compare these options.

It is, however, important that all operators of bus services have a clear understanding of whether their routes are included in the proposed Franchising Scheme or will fall under the Service Permits scheme in order for them to manage the potential needs of their business. The main principle applied is that services included in the Proposed Franchising Scheme are ones that are of strategic importance to the overall network within the Cambridgeshire and Peterborough area and to meeting the needs and demands of the residents of the



Combined Authority. Services that mainly serve the needs of communities in neighbouring areas have been exempted from the Proposed Franchising Scheme. CPCA has considered the criteria for cross-boundary services and will therefore be including as exempt services those services that operate 90% or more of their mileage in neighbouring areas.

### **3.4.3 Proposed inclusion of specific cross-boundary services**

Responses were received from a range of stakeholders enquiring about the proposed inclusion or exclusion of specific cross-boundary services and the impacts on these services. Stagecoach queried the status of the routes they operate cross-boundary with Suffolk, Bedford, Essex and Lincolnshire. Lincolnshire County Council requested confirmation that their CallConnect services in the Peterborough area would be exempt. Both Stephenson's of Essex and a member of the public (formerly an SME operator) queried the inclusion of the route 12 from Newmarket to Cambridge when similar routes such as the 101 and 102 are exempted.

#### **The Combined Authority's response**

CPCA acknowledges the level of interest in the inclusion or otherwise of specific cross-boundary services in the Proposed Franchising Scheme. Many of these services make key contributions to the public transport network within and between CPCA and neighbouring authorities.

The details of which services will be included or exempted from the Proposed Franchising Scheme have been finalised in preparation for the publication of the Proposed Franchising Scheme. This will take account of any representations made during this consultation on the Assessment and Proposed Franchising Scheme document. However, the main principle applied is that services included are those that are important to the overall network within the Cambridgeshire and Peterborough area and to meeting the needs and demands of the residents of the Combined Authority. Services that mainly serve the needs of communities in neighbouring areas (such as the routes 101 and 102 from Bourne to Peterborough), or which operate under contract to neighbouring authorities (such as the CallConnect services in the Peterborough area) have been exempted from the Proposed Franchising Scheme.

Those services that form part of the strategic bus network across Cambridgeshire and Peterborough have been included within the Proposed Franchising Scheme. Such services include a number that operate mainly in Cambridgeshire and Peterborough, but cross into neighbouring areas to serve significant destinations a short distance beyond the boundary. This includes those services between Cambridge and Newmarket, Cambridge and Haverhill, Cambridge and Saffron Walden and Cambridge and Royston. CPCA considers these services to be important parts of the bus network that should be managed as part of a franchised network, in order to ensure consistent levels and standards of service as those services operating wholly within Cambridgeshire and Peterborough.

In all instances of cross-boundary services, whether included in the Proposed Franchising Scheme or operating under the proposed permit regime, CPCA will work closely with neighbouring authorities to ensure that services continue to meet the needs of residents of both, ensuring that service levels and standards in neighbouring authorities are not impacted negatively by the franchising process and taking up opportunities to enhance customer satisfaction and patronage on these services.

## **3.5 Theme 4: Exempt services**

### **3.5.1 Universal Service**

A number of consultation responses discuss the Universal (U) Service which serves the University of Cambridge. Whippet compares the Universal contract with the University to a small bus franchise, emphasising that a fixed contract has allowed them to invest in electrification. Go-Ahead suggests that close collaboration and alignment of specifications on this route could bring consistency and benefits to local communities. Girton Parish Council stresses the critical role of the Universal service for Girton and suggests combining the franchising and funded model to meet the needs of both University and non-University residents. Dews Coaches and a member of the public believe that this service should not be exempted from the scheme.

### **The Combined Authority's response**

CPCA notes that Section 4.52 of the Commercial Case specifies CPCA may deem to exempt services that are fully funded and arranged by a third party from the Franchising Scheme. It will decide this by considering several criteria, including:

- The objectives and purpose of the service
- Level and proposed duration of funding provided and influence over service design and requirements made by the third party
- The importance of the service to the overall strategic franchised network
- Level of public use made of the service, as opposed to users associated with the funding body

The Universal Service is operated under contract to University of Cambridge, which specifies the route, timetable and other operating arrangements. While the service is an important and integral part of the Cambridge city bus network, it has not been included in the Proposed Franchising Scheme because its existence is totally reliant on a third party and its purpose is predominantly for transporting university staff and students.

Although it is intended to exempt the service from the Proposed Franchising Scheme, CPCA would require the service to operate as part of an overall integrated network. The service will need to operate under a Service Permit regime implemented by CPCA, which will impose a number of requirements on the service, such as inclusion in network-wide ticketing arrangements and certain vehicle specifications. CPCA will work in close collaboration with the University and service operator during the implementation and transition phase in order to ensure that the service continues to meet the needs of the communities served, ensuring that service levels and standards reflect a common requirement for bus services in the CPCA area and supporting opportunities to enhance customer satisfaction and patronage on this service.

It is recognised that other local bus services may exist within the CPCA area which are funded and arranged by a third party, such as routes funded through Section 106 agreements with developers. If the Mayor makes the decision to proceed with the Proposed Franchising Scheme, then these routes will be reviewed on a case-by-case basis against relevant service exemption criteria and, where applicable, will be subject to the relevant service permit regime.

### **3.5.2 School services**

Several operator stakeholders raised the inclusion of school services within the Proposed Franchising Scheme as a potential enhancement. They noted that *"There would likely be enormous benefit in including education transport services within the CPCA remit and integrating them to the bus network as a whole"* (Whippet) and both CPT and Stagecoach observed that inclusion of school services would bring benefits in the form of flexibility, synergies with other services and cost savings. Education transport was an issue raised nine times by the general public, focusing on integrating school, college and university services into the broader transport network.

#### **The Combined Authority's response**

CPCA recognises the potential benefits associated with integrating school transport provision with the wider network and consequently intends to include school bus services which are available to the general public and are eligible for Bus Service Operator Grant ('open' services) within the Proposed Franchising Scheme.

School bus services which are not available to the general public and are not eligible for Bus Service Operator Grant ('closed' services) would remain the responsibility of Peterborough City Council and Cambridgeshire County Council (Paragraph 3.38 of the Assessment). In general such services are not considered to be local bus services and do not fall within the scope of the franchising powers provided under the Transport Act 2000.

Opportunities for co-ordination between closed school services and local bus services could be more easily sought under Franchising. CPCA is currently working with Cambridgeshire County Council's school transport team to investigate opportunities for the integration of local bus services and home to school transport services

where there is overlap (Paragraph 6.14 of the Assessment). The inclusion of these services in the future as a variation to the scheme would be considered.

### 3.6 Theme 5: Decision date

In response to question L10 of the long questionnaire about proposed timescales for implementation of franchised bus services, a comment was raised by East Cambridgeshire District Council that indicated a preference for delaying the final decision on bus reform until after the Mayoral election in May 2025, so as to reduce the risk of a change in decision if there were to be a change in Mayor. Three distinct perspectives from the public emerged on the implementation timeline, each receiving equal attention with 11 responses: those who view the timeline as reasonable and realistic; those who consider it too slow; and those emphasising urgent local needs for immediate improvements.

#### **The Combined Authority's response**

The decision on whether to authorise bus franchising is governed by specific provisions in the Transport Act 2000. According to these provisions, for a Mayoral Combined Authority such as CPCA the Mayor is legally empowered to make the franchising decision at any point during their term, providing that the necessary conditions are met. This is designed to allow sufficient time for an incoming Mayor to undertake all of the steps required under the Transport Act 2000 and make a decision on bus franchising within their term of office, supporting the ability to meet such a manifesto pledge. It should be noted that this approach was outlined in the current Mayor's manifesto, with the ambition for and delivery of a decision on bus franchising being consistent with the original electoral commitment.

Revocation of a Franchising Scheme is considered in Paragraph 6.169 of the Commercial Case of the Assessment. After a Franchising Scheme has been made, CPCA may consider that the scheme is not viable in its current form and look to make changes. However, if it considers that the Franchising Scheme should be revoked, it can only do if it is satisfied that one of the following applies:

- Local bus services in the area to which the scheme relates are likely to be better if the scheme did not apply. Continued operation of the scheme is likely to cause financial difficulties for the authority.
- The burdens of continuing with the scheme are likely to outweigh the benefits of doing so.

The Act sets out a minimum period of time for operators to prepare for tenders and CPCA believes that the points raised about the need to allow sufficient time for operators to prepare for tenders are recognised and has been addressed through the proposed timetable for implementation of a franchising scheme.

### 3.7 Theme 6: Entry into first contracts

A question that was posed by Stagecoach in response to the consultation was whether there was potential to accelerate franchising implementation by awarding interim contracts to incumbents. They state that if *“CPCA were able to consider awarding interim contracts to the current bus operators, for a transitional period. This could be achieved at agreed rates that provide acceptable levels of return for operators and the CA, allowing consistency and early adoption and implementation experience in relation to key CPCA objectives in the short term whilst long term contracts are awarded over a longer period.”*

#### **The Combined Authority's response**

While the Transport Act 2000 and the Bus Franchising Guidance (March 2024 edition) do permit the introduction of interim franchise contracts, these are primarily to permit the relevant authority to secure the continued provision of a local bus service where a service may otherwise be withdrawn prior to the starting of bus franchising. It is generally expected that the provision of such services would be established with a bus operator which is different from that which is withdrawing the relevant service.

The Transport Act 2000 and Bus Franchising Guidance (March 2024 edition) anticipate the provision of franchised bus services through the letting of public service contracts via a fair and transparent public tendering process in accordance with the applicable procurement legislation. The Competition and Markets Authority

(CMA) have also indicated that they expect the tendering of bus franchising contracts will be undertaken through a transparent competitive tendering process. This will require fair competition, ensuring value for money and equal opportunities for potential operators. The CMA has a mandate to ensure fair competition occurs and may intervene if it believes that this is not the case.

In its recent advice note *Bus Franchising: Advice for Local Transport Authorities* (11<sup>th</sup> September 2024), the CMA indicated at paragraph 3.20 that it "*encourages LTAs to avoid structuring franchising in a way that intentionally maintains market structure or protects incumbents, as this is likely to reduce the intensity of competition and the benefits it can bring*".

Whilst recognising the view that interim contracts could accelerate the delivery of the benefits of Franchising, CPCA does not consider this approach to be consistent with the CMA's advice nor that it would provide sufficient benefits to CPCA and does not intend to implement interim contract awards as part of its franchising procurement strategy.

### **3.8 Theme 7: Mobilisation period**

A number of stakeholders raised queries or concerns around the proposed 9-month mobilisation period which would follow contract awards.

Stagecoach, Transport UK and Whippet believe that an 8-month mobilisation period might be appropriate only if no new vehicles or depots need to be acquired. First Bus suggests that a 9-12 month period is suitable, even when vehicles are involved. They reference their successful mobilisation within an 8-month period for Transport for Greater Manchester as evidence that this timeline can work under certain conditions. Whippet also suggest a 10-12 month period would be enough to source new buses or takeover a new depot. Stagecoach highlight that a longer mobilisation period could create issues such as an increased likelihood that a new operator inherits a staff and cost base or greater likelihood of reduced investment or exit by an incumbent. They also raised that a longer mobilisation period would continue to cost more money to CPCA in terms of additional resource required and would cost more to the public by delaying the delivery of benefits to customers.

Stephensons of Essex, Go-Ahead, Transdev and Transport UK all however express concerns that an 8-9 month period may not be long enough if new vehicles or depots are required. They argue this would necessitate more time, especially for zero-emission vehicles and charging infrastructure at depots. Delivery times for new buses were generally considered to be at least 12 months for diesel buses and longer for electric vehicles. Transport UK highlighted that concurrent orders from other operators across the industry could increase the procurement timescales.

Stagecoach highlight depot upgrades as particular drivers for longer mobilisation timescales, citing experience of delays in obtaining planning permission. Stephensons of Essex highlight the particular challenges for SMEs and new entrants needing to develop new depot sites, suggesting that a longer period would be more feasible for these smaller contracts if new vehicles are required.

#### **The Combined Authority's response**

CPCA welcomes feedback from the bus industry regarding the challenges of mobilisation. The 9 month period envisaged in the Proposed Franchising Scheme appears to be broadly in line with the observed or proposed practices suggested by industry responses. CPCA realises that larger, more complex contracts may require longer lead-ins. The timescales envisaged in the consultation document offer some flexibility for an extended mobilisation period where this might be appropriate. The implementation planning stage will investigate the benefits of longer mobilisation periods for some contracts, with confirmation of how longer lead-in times might impact upon delivery dates and the sequencing of this.

It is expected that operators would do some pre-planning work as part of their investigations into whether to tender in the first instance. Equally, as the two-stage procurement process proceeds, operators will start to gauge how likely they are to be successful and ultimately get to preferred bidder stage. These will again give operators confidence to start to plan their mobilisation prior to ultimate contract award. The length of time for a pre-procurement process will be confirmed during the implementation stage.

To help the mobilisation process, it is not stipulated that all vehicles will need to be new at contract commencement. Some contracts will allow existing vehicles to be used, with fleet upgrades occurring during the period of the contract. It is recognised that supply chain issues currently affect procurement timescales for new vehicles, particularly for zero-emission buses.

It is recognised that leasing models can also offer a flexible solution with a shorter procurement time than purchasing new vehicles. This model will be considered by CPCA during the implementation stage.

### 3.9 Theme 8: Consultation and Performance Review

A number of consultation responses were received which highlighted points regarding consulting with stakeholders on the performance of franchising after implementation.

Go-Ahead and England's Economic Heartland both highlight the importance of ongoing engagement with stakeholder groups. Go-Ahead recommends that engagement includes *“key stakeholder groups including accessibility and passenger groups”*, while England's Economic Heartland suggests that bus network design should be done *“in partnership with local communities, employers and services”*.

Whippet and Transport Focus both advocate for regular reviews of franchising performance. Whippet suggests, *“periodic reviews of franchising will be required both to benchmark and monitor performance and pick up key learnings from the first implementation stages”*, recommending annual reviews. Transport Focus adds that the engagement strategy should include *“gathering passenger satisfaction data, consulting on changes to timetables and routes and providing performance data”*. Fenstanton Parish Council call for flexibility to modify services at any stage, not just at specified review periods.

Suffolk County Council stresses that *“KPI reporting must be understandable by passengers”* to ensure transparency and accountability. Similarly, Transport Focus believes it is important for passengers to have access to performance information, stating, *“Our research in 2014 found that passengers should have access to information about the performance of their bus services and to key actions being taken by operators and local authorities to improve this”*.

Cambridgeshire County Council highlighted that it wishes to be fully engaged as part of the development of any further, more detailed proposals. It wishes to understand the processes that would be in place for reviewing, monitoring and quality control of services that would operate under any proposed franchising agreements.

East Cambridgeshire District Council raises concerns about fair representation on the Bus Board, questioning how the CPCA will ensure that each local authority area is fairly represented and that decisions benefit the entire geography. They ask, *“how will the CPCA ensure that each local authority area be fairly represented on the Bus Board and that decisions taken are in the interests of the geography as a whole?”* Stagecoach echoes the need for fair representation, emphasising that consultations should include *“a fair and proportional representation of all passengers, particularly under-represented groups such as commuters and young adults”*.

Transdev support the collaborative approach to performance review, but caution that the amount of change permitted at early stages of a contract could generate risks for both the CPCA and operators in terms of less favourable contract renegotiations. Transdev reiterate the importance of careful legal framing of this review.

#### **The Combined Authority's response**

The Transport Act 2000 states that a franchising scheme must include a description of the franchising authority's plans for consulting organisations and representatives of users of local services in order to seek their views on how well the scheme is working. This is acknowledged in the Assessment and consultation materials, with initial plans for this developed for modelling purposes within the Assessment.

CPCA agrees with suggestions that ongoing consultation and engagement with stakeholders, including residents, is an important aspect of implementation. The Combined Authority understands that the opportunity to provide residents with greater control and say over the bus network would be a key benefit of implementing the Proposed Franchising Scheme. Listening to and understanding the views of key stakeholders and the public has been the primary objective of the consultation undertaken on the Assessment. A detailed plan to ensure that

all stakeholders, relevant parties and passenger representatives continue to be engaged with in an appropriate manner is anticipated as part of the implementation planning process.

The suggestions on who could be consulted are in line with the broad proposal within the scheme. It is intended that this will be wide-ranging, including appropriate stakeholders such as council representatives, bus users and non-users and representatives of vulnerable or interest groups. The results of the consultations would be used to shape subsequent definition, packaging and provision of franchised services through a network review process.

It is recognised that a balance will need to be found between allowing the scheme to be in delivery for a period and not waiting too long to get feedback to understand how the scheme is perceived. CPCA will consider an ongoing programme of engagement with communities of interest on the operations of contracts that have commenced in the first round. A full picture of the landscape following implementation of franchising may only be understood some time after implementation of the final rounds of contracts.

In addition, as part of the Performance Management Framework, a Periodic Review Mechanism will be introduced involving stakeholder engagement. This would allow for more focussed engagement with local stakeholders, representative groups and the public, when reviewing particular bus services. Operator engagement would also be informed by these regular contractual reviews as per the terms of any franchising contracts. Users and partners will be provided with clear information on contract performance against KPIs so they can provide informed feedback on specific routes and contracts. Collation of this wide range of perspectives would generate the best position for CPCA and operators to assess any need for future changes to specific routes or timetables. CPCA agrees that under-represented groups will require specific attention in engagement to ensure the needs of passengers and potential passengers are fully understood.

Paragraph 4.69 of the Assessment highlights that any significant mid-contract changes to services will be agreed within set procedures and governance arrangements, through a formal contract variation mechanism. Comments suggesting that this process must be legally framed are recognised by CPCA and will be considered during the implementation phase.

### **3.10 The Proposed Franchising Scheme Conclusion**

This section summarises the challenges of implementing a bus franchising scheme in Cambridgeshire and Peterborough, highlighting the delicate balance between operational feasibility and strategic change.

Of the 1,468 respondents who answered question 8 on the short questionnaire, almost two-thirds 63% (915 respondents) expressed support for implementing the Proposed Franchising Scheme. Almost one in five people (18%, 266 respondents) were neutral; neither supporting nor opposing. About one in eight opposed (12%, 183 respondents) expressed opposition to the Proposed Franchising Scheme. Another 7% (104 respondents) said they don't know whether or not they support or oppose the statement. Taking only organisational responses (65 respondents), support was higher with 75% supporting the Proposed Franchising Scheme. Fifteen percent were neutral and nine percent opposed the scheme.

While key stakeholders raised concerns about geographical diversity, rural service provision and implementation timelines, CPCA remains committed to the overall approach to the Proposed Franchising Scheme in the Assessment. CPCA has considered comments from operators like Go-Ahead, Stagecoach and Transport UK, addressing potential challenges around network delivery, contract allocation and market competition. By maintaining principles to prioritise value for money, fair market access and long-term network improvements, CPCA aims to create a more integrated and efficient bus network that can adapt to the region's unique demographic and geographical characteristics.

Key stakeholders expressed a range of views around the lot sizes in the Proposed Franchising Scheme, exploring the impacts of this on new entrants compared to incumbents and larger operators compared to smaller operators. The proposed lot sizes are considered by CPCA to achieve an optimal balance between these factors to encourage the greatest level of competition, though feedback would be evaluated alongside operators during the implementation planning phase.

Both key and wider stakeholders provided responses on how community transport, school services, cross-boundary services and the Universal service are considered within the Commercial Case, with feedback centring around the overall approach to the inclusion of services in the Proposed Franchising Scheme and querying the inclusion of specific services. CPCA's response to this feedback noted that its focus is on services that are of strategic importance to the overall network within the Cambridgeshire and Peterborough area and that whether a service is included or exempted from the Scheme, CPCA will work with the relevant stakeholders to optimise each service for its passenger market.

Responses were also raised regarding the timeline envisaged for the Proposed Franchising Scheme. This included a suggestion to delay the decision date until after the 2025 Mayoral election and another to accelerate implementation by awarding interim contracts sooner. It is reiterated that the electoral calendar would not limit the ability for the Mayor to make a decision to implement franchising and that interim contracts were not considered a feasible or practical approach to deliver improvements earlier. Several stakeholders raised a range of views around the proposed nine-month mobilisation period which would follow contract awards, which CPCA recognises and would consider in greater detail during the implementation planning phase.

A number of stakeholders (including the CPCA constituent authorities and neighbouring LTAs that responded) highlighted issues regarding consultation on bus reform post-implementation and the role of stakeholders in shaping future networks under franchising. CPCA agrees with that ongoing consultation and engagement with stakeholders will be key to shaping the scheme and bus networks to maintain alignment with requirements and intends to develop a detailed stakeholder engagement plan as part of the implementation planning process.

CPCA welcomes and is grateful for the responses received as part of the consultation process on the Proposed Franchising Scheme. It has carefully considered the feedback provided on each theme and provided a set of responses in this report. CPCA considers that the feedback received does not provide any significant new information requiring a material change of approach in its Assessment. It remains of the view that the Proposed Franchising Scheme is the right approach overall for the provision of bus services in Cambridgeshire and Peterborough based on the themes.

As a result of changes to the bus network since the Assessment was produced, the final Proposed Franchising Scheme in relation to the 'services to be franchised' and the 'exempt services' and the lists of services in each category has been updated. A summary of these changes is outlined in Section 11.8 of this report. Further detailed work on the main themes outlined in this section will be conducted as part of the implementation phase if the Mayor makes the decision to proceed with the Proposed Franchising Scheme.



## 4. Strategic Case

### 4.1 Introduction

The Strategic Case outlines the rationale for alternative bus delivery options in Cambridgeshire and Peterborough, aiming to achieve a substantial transformation of the bus network in the region.

The Strategic Case aligns with HM Green Book Guidance and Bus Franchising Guidance (2019 edition) which includes:

- An understanding of the current situation
- Details of the proposed delivery options
- A description of the expected outcomes and how these fit with the local and national government policies and objectives

The Strategic Case highlights the need for significant change to the bus network, in order to achieve the ambitions outlined in CPCA's Local Transport and Connectivity Plan (2023) and the supporting Bus Strategy (2023). Additionally, it sets out why bus reform is needed and emphasises the fact that buses play an important part in the transport system. However, the market has seen long term decline in bus use and a reduction in the size of the bus network. More public sector funding has been necessary to maintain and develop services.

The Strategic Case identifies that the current arrangement has resulted in the following challenges:

- **Network improvements** - bus routes don't always go where and when people need or want them to. Some bus services are not financially viable without public sector funding.
- **Fares and ticketing** - each bus operator sets its own fares and ticket products, resulting in an overall confusing situation and the inability to use the same ticket for travel on different operators' services.
- **Bus fleets** - the significant capital cost of low and zero emission buses is currently a barrier to fleet replacement, without public sector intervention.
- **Customer experience** - The user experience across the network varies and there is no single point of contact for customer information or feedback.
- **Funding** - the current focus is for services to be profitable, rather than to meeting wider social, economic and environmental objectives.

Before reviewing the responses in this section, it is important to reiterate the overall vision of the bus strategy and the objectives of bus reform:

*"The Strategy's vision is 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".*

Objectives include:

1. Maximise the ability of the Combined Authority to achieve a significantly enhanced and integrated bus network as quickly as possible.
2. Maximise the contribution of bus services to the achievement of a range of wider economic, social and environmental policy objectives and goals.
3. Maximise bus user benefits by co-ordinating services, integrated ticketing, service stability and how information is provided.
4. Maximise the value for money and benefits from investment in the bus network.

The Strategic Case presents an assessment of six scenarios, considering three levels of investment (business as usual, medium investment, high investment) under two different bus reform options - Enhanced Partnership and



Franchising. The Strategic Case highlights the Proposed Franchising Scheme as the more promising option for CPCA due to its potential to provide greater control over strategic outcomes, particularly in the medium investment scenario. This control is deemed crucial for achieving the step-change envisioned for the bus network and CPCA's broader ambitions.

In the short questionnaire, the following two questions were asked specifically about the Strategic Case:

- S1: Do you have any comments generally on how well bus services are currently performing in Cambridgeshire and Peterborough?
- S2: The Strategic Case says that reforming the bus market is appropriate to address the challenges facing the local bus market. Do you have any comments on this?

In the long questionnaire, the following six questions were asked specifically about the Strategic Case:

- L1: Do you have any comments generally on how well bus services are currently performing in Cambridgeshire and Peterborough?
- L2: The Strategic Case says that reforming the bus market is the right thing to do to address the challenges facing the local bus market. Do you have any comments on this?
- L3: The Strategic Case has identified two options under which buses might run - an Enhanced Partnership or Franchising. Are there other options you would have liked to have seen considered?
- L4: Do you have any comments on the Combined Authority's overall objectives, as set out in the Strategic Case?
- L5: Have you any comments on the potential impacts of either Franchising or an Enhanced Partnership on the achievement of the objectives of neighbouring authorities?
- L6: Do you have any comments on the impacts of introducing the Proposed Franchising Scheme or the alternative of an Enhanced Partnership?

This section outlines the themes raised in line with these questions, identified within the responses from key stakeholders to the long and short questionnaires, as well as correspondence received by email.

This section also considers key themes from the public responses to the bus reform consultation, which again have a bearing on the Strategic Case, that are captured and quantified in the Westco report. Section 5 of the Westco report includes a summary of the responses to the questions relating to the Strategic Case. It outlines that a total of 1,183 participants responded to the question S2 on the Strategic Case, as part of the short questionnaire, with between 63 and 74 participants responding to the six questions within the long questionnaire. These questions asked respondents to comment about specific elements of the Strategic Case. Additionally, a number of key and wider stakeholders provided responses via email, which have also been captured in the Westco report and this report's Appendix (for key stakeholders).

## **4.2 Theme 1: Challenges facing the bus industry and evidence of the need for reform**

The Westco report outlines that a total of 1,541 participants made comments in relation to the existing bus network and the need for bus reform. Out of all the feedback responses, 1,452 of the responses focussed on general service quality. 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%). Respondents were most likely to say that the service was generally poor or inadequate (284), poor or inadequate for commuters (163), for colleges / schools (152) and for rural areas (149).

### **4.2.1 Existing challenges**

As part of the consultation, a number of bus operators (including larger and Small and Medium-sized (SME) operators), local authorities and other key stakeholders identified challenges facing the bus industry. These challenges consisted of national, regional and local bus concerns. These stakeholders also highlighted the need

for CPCA to place more emphasis on these challenges throughout the Assessment. Across the majority of responses, it was highlighted that the bus services in Cambridgeshire and Peterborough have been in long-term decline and that significant change is required to address this downwards trend. Many of the main issues identified below were reported in the Assessment (Section 2.152), which not only indicates key challenges but evidence of the need for reform. These included:

- Network enhancements
- Fares and ticketing
- Bus fleets
- Customer experience
- Funding

The key challenges and evidence of the need for reform that were identified in key stakeholder and wider stakeholder responses are detailed below.

### **Declining bus patronage**

Many responses consistently highlight the issue of declining bus patronage in Cambridgeshire and Peterborough. England's Economic Heartland notes that passenger journeys on local services per head of population declined by over 55% between 2010 and 2023, compared to a 33% decline for England as a whole.

Fenland District Council also points out that bus use in Fenland has been steadily declining since 2008/09 and that even doubling 2019/20 passenger numbers by 2030 would still represent low levels of bus use.

### **Congestion and lack of bus priority**

Congestion and the lack of bus priority measures were identified as significant challenges impacting service reliability and punctuality. Stagecoach highlighted the ongoing challenges with punctuality due to increasing congestion and frequent roadworks. They argued that investment in bus priority measures is important as it could be the single largest factor in driving patronage growth and financial stability. England's Economic Heartland notes that congestion, particularly in urban centres like Cambridge, significantly impacts journey times and reliability for bus services. Additionally the Cambridge University Hospital stated that there were no direct bus routes to the biomedical campus from outside of Cambridge.

Stagecoach stated "*the biggest challenge to buses in Cambridgeshire is effective use of road space. Stagecoach is consistently delivering over 99% of scheduled mileage and an Enhanced Partnership Plus mechanism could formalise this*". Stagecoach suggests that an Enhanced Partnership Plus would build on the work of the CP Bus Alliance, create faster implementation, reduce risk and lower cost. "*In the case of punctuality, whilst we can offer good running times, maintaining punctuality is dependent on how CPCA controls the road space*".

Transdev noted that congestion, poorly planned roadworks and minimal bus priority are major challenges. They argued that these issues, along with poor bus passenger infrastructure, require political will to address and are not solved by franchising alone. Further, Dews Coaches highlighted the need for improvements to rural bus routes, noting that there is no clear proposal for quantifying these improvements in the proposed strategies. Dews Coaches also pointed out the difficulties in transitioning to a low-emission bus fleet in rural areas as a result of supply chain issues post-COVID, leading to long lead times for new vehicles.

### **Competition from private vehicles**

The responses suggest that the affordability and convenience of private vehicles pose a significant challenge to the bus industry. Fenland District Council highlighted the need for a bus network that is a viable alternative to the car, especially for the 15.9% of households in Fenland without access to a car. They express uncertainty about whether the proposed changes will deliver a convenient network that can compete with the car. Stagecoach also recognises the importance of making bus travel more attractive than car use, especially considering factors like journey time.

The responses further highlight the need for greater integration and coordination within the bus network and with other modes of transport. Fenland District Council also noted the lack of integration between bus and railway services in Fenland, despite the presence of railway stations. Stagecoach advocated for a more integrated and efficient public transport system, also suggesting that an 'Enhanced Partnership Plus' model could improve integration by addressing congestion through investment in bus priority measures, information provision and by ensuring bus, rail, school transport integration.

### **Meeting the needs of rural communities**

Providing adequate bus services for rural communities was a common challenge amongst responses. Fenland District Council stressed the importance of considering the relationship between bus reform and community transport in Fenland, where community transport plays a significant role due to the limited availability of other public transport options.

Go-Ahead highlighted the difficulties of delivering a consistent, high-quality service across a region with such diverse operating environments, ranging from dense urban centres to sparse rural hinterlands. Stephenson's of Essex further emphasised this complexity by pointing out the limited funding available for economically unstable bus services, with financial support typically constrained to specific services such as evening routes, Sunday services and rural bus connections.

Stagecoach also commented on the unique operating area and the challenges that it presents stating "*the CPCA region has a high rural/urban ratio. In big metropolitan areas like Manchester, South Yorkshire and Liverpool the mix is more urban/rural, resulting in a different financial case for franchising, as they have a lot more residents who have the potential to use the bus. This is possibly evidenced by the decision of Claire Ward, Mayor of East Midlands – a similar rural/urban ratio mix area as Cambridgeshire, to try and pursue improvements through an Enhanced Partnership Plus approach and only considering a move to Franchising if this fails*".

The financial viability of bus services, particularly in rural areas, was also a recurring theme. Fenland District Council emphasised the challenge of making rural bus services profitable and noted the difficulty of achieving a convenient network in a rural area like Fenland. They expressed concerns about the financial risks and implications associated with the bus franchising option, particularly the reliance on increases in the Mayoral precept. Stagecoach acknowledged that the commercial viability of bus services in rural areas is more challenging. The challenge to rural services was further highlighted by the MP for Huntingdon who noted that the current model offers irregular services, limited rural connectivity and rising fares.

Finally, it was noted by bus operators, namely First Bus, Dews Coaches, Go-Ahead and Whippet that many of the challenges noted in this section came about due to, or were exacerbated by the pandemic (e.g., post-pandemic patronage recovery levels) and have yet to be resolved.

### **The Combined Authority's response**

CPCA acknowledges the challenges of the current bus market, the limitations of the existing delivery model and the need for significant change to achieve the ambitions of the Bus Strategy. The issues identified in the Assessment underscore both the severity of the situation and the necessity for reform.

CPCA agrees that declining bus patronage is a concern. The Assessment notes that declining bus patronage is linked to changes in customer needs, increased journey times, rising bus fares, lack of integration and the COVID-19 pandemic. In order to address this CPCA recognises the need to address issues raised by bus users and non-users, including reliability, frequency, interchange and integrated fares and ticketing. CPCA acknowledges the importance of better integration with rail, as suggested by Fenland District Council, which could be better achieved through a franchised bus network. The Proposed Franchising Scheme seeks to attract more passengers to bus services, however it is important to note that whilst the Assessment offers the potential to address declining bus patronage, its success will depend on effective implementation.

CPCA recognises that congestion and lack of bus priority is a challenge in the region. The Assessment summarises ways in which CPCA propose to tackle these issues through the Proposed Franchising Scheme and wider strategies including the Local Transport and Connectivity Plan (2023) and the supporting Bus Strategy. CPCA acknowledges that for congestion to decrease and bus priority to be successful across the network, there

is a need to actively implement and manage these measures in close cooperation with bus operators and local highway authorities. CPCA also recognises the need to be responsive to the unique challenges of both urban and rural areas, working with stakeholders, monitoring performance and utilising data to ensure bus services are reliable, punctual and attractive to passengers.

While CPCA acknowledge a number of key stakeholders' opinions regarding opportunities of an 'Enhanced Partnership Plus' to deliver bus reform, additional details as to how this differs from the Enhanced Partnership option in the Assessment have not been provided. Any form of Enhanced Partnership arrangement would require extensive work and financial commitments from all parties to develop and finalise the legal agreements and operational structures between CPCA and bus operators, in order to deliver any meaningful benefit.

Finally, the Assessment considers the challenges of meeting the needs of rural communities. Particular focus was given to this aspect in the Assessment as it was appreciated that the demographics of the CPCA area meant that it was different to the majority of Mayoral combined authority areas, which are primarily urban in nature. The high rural to urban ratio makes it financially challenging for commercial bus operators to implement a comprehensive rural bus network and currently many rural communities rely heavily on community transport and other bus services which have financial support from CPCA. Under the Proposed Franchising Scheme, CPCA would have greater control over the bus network, allowing it to plan routes and services to meet the specific needs of rural communities through a more comprehensive and integrated approach. The ability to direct public funding in a more effective method through franchising, rather than requiring negotiations under an Enhanced Partnership (where a specific outcome could not be guaranteed under any valid Enhanced Partnership model) was developed and tested in the Assessment and further validated through the Independent Audit process. As a result, CPCA considers that as the Assessment concludes, franchising is the better option to support its rural communities.

Table 2-6 in the Assessment details the Case for Change, delineating the critical factors driving the need for strategic transformation, including:

- A struggling commercial market for bus provision
- Increasing public sector financial support required to maintain the bus network
- Ambition for significant bus network enhancements and more attractive service proposition
- Delivery of an enhanced and integrated bus network that is locally accountable

#### **4.2.2 Existing operator initiatives**

The CP Bus Alliance was referred to by operators and transport industry representatives, namely Stagecoach, Dews Coaches and the Confederation of Passenger Transport (CPT) in their consultation responses. The CP Bus Alliance currently comprises of eight operators: A2B, Delaine Buses, Dews Coaches, FACT, Stagecoach, Stephenson's of Essex, Vectare and Whippet. Not all bus operators that service the CPCA area are members of the CP Bus Alliance. Some of the initiatives highlighted that the CP Bus Alliance supported to deliver include:

- **Tiger Pass** - which offers £1 fares for individuals under 25 years old.
- **Multi-Operator Ticketing Schemes** - The Alliance has advanced multi-operator ticketing schemes, enhancing the convenience and user-friendliness of public transportation for passengers who use multiple bus services.
- **Infrastructure Improvements** - The Alliance works with CPCA to advocate for infrastructure improvements and bus priority initiatives. These include traffic signal priority, bus lanes and bus gates, all of which are aimed at reducing journey times and improving the overall efficiency of bus travel.

There were several comments from bus operators, namely Stagecoach and Dews Coaches, who outlined their opinions on the success of the CP Bus Alliance. Stagecoach suggested that many of the objectives and outcomes detailed in the Assessment could be or have already started to be achieved through the Alliance. They also suggested that the Alliance demonstrates operators' willingness to cooperate. It was further suggested that in their opinion, the Alliance proves that if an Enhanced Partnership were to be implemented, it would not be lengthy process or one uncertain of success.

Dews Coaches stated that “by forming the Bus Alliance, we have shown commitment to provide the best possible service and a willingness to improve with a collaborative approach to the network. The Alliance acknowledges having a reliable and attractive network will improve economic growth. Achieving an Enhanced Partnership with CPCA would ensure the shared goals of a robust, reliable and sustainable transport network that can be achieved for all users.”

Stagecoach’s response outlined what they see as evidence of the CP Bus Alliance success, including “a shining example of proactive collaboration is the formation of the CP Bus Alliance. Comprising eight key operators (A2B, Delaine Buses, Dews Coaches, FACT, Stagecoach, Stephenson’s of Essex, Vectare and Whippet), this Alliance underscores a shared commitment to elevating bus services. Their initiatives, like the Tiger Pass which offers £1 fares for under 25s and the advancement of multi-operator ticketing schemes, are making public transport more accessible and user-friendly.

*The Alliance not only champions the collective interests of operators but also works closely with CPCA and The Mayor to champion infrastructure improvements and bus priority initiatives, such as traffic signal priority, bus lanes and bus gates. According to a KPMG report for Greener Journeys 2017, such measures can yield nearly six times their investment in benefits, including health and carbon reductions”.*

Stagecoach also stated that “It is felt that Franchising is the only model that can currently enforce the delivery of fully integrated, multimodal ticketing across the region. However, commencing in November 2024, multi bus operator ticketing is being introduced across all bus operators within the CPCA region through the good work of the CP Bus Alliance”.

In the responses received, those members of the CP Bus Alliance illustrate the positive examples of how collaboration between bus operators can lead to improvements in service quality and accessibility. Stagecoach highlighted its success and suggested that it provides a case for exploring Enhanced Partnership further as a means to achieve CPCA’s objectives for bus reform.

### **The Combined Authority’s response**

CPCA acknowledge that the CP Bus Alliance has made valuable progress since its establishment in January 2024, delivering several key initiatives in partnership with CPCA. However an Enhanced Partnership represents a substantial step beyond these current arrangements. The CP Bus Alliance has successfully advanced some of the local transport ambitions, supported by funding and resources from CPCA, including the development of multi-operator ticketing following the publication of the Assessment and Consultation Document, although this full scheme is yet to go live. However, it is also important to note that some operators have raised questions about the Alliance’s long-term benefits and sustainability.

An Enhanced Partnership would establish a more formal, legally binding framework that differs from the current voluntary approach as part of the CP Bus Alliance. If the Mayor decides not to pursue the proposed franchising scheme, thus an Enhanced Partnership would become the option the CPCA would pursue. Implementing this arrangement would require extensive work to develop and finalise the legal agreements and operational structures. Initial engagement conducted by CPCA with operators on Enhanced Partnership options prior to the development of the Assessment indicated a limited appetite from operators to sign up to an Enhanced Partnership. While CPCA acknowledge the positive foundations laid by the CP Bus Alliance, particularly in areas requiring close collaboration between operators and CPCA, an Enhanced Partnership would introduce new levels of commitment and accountability from all parties involved and it is by no means clear that the CP Bus Alliance demonstrates that the initiatives to achieve CPCA’s objectives for bus reform can be consistently negotiated with operators under an Enhanced Partnership.

CPCA maintain the conclusions of the Strategic Case, which are that the strategic objectives of bus reform can be better delivered under the Proposed Franchising Scheme as it offers the control and certainty to the Combined Authority and does not rely on operator negotiation.

## **4.3 Theme 2: Consideration of objectives presented**

Table 2-8 in the Assessment details the scheme objectives that are proposed for bus reform. CPCA has identified four main objectives that underpin its desire to consider different models of bus network delivery.

Essentially, it seeks to adopt a model that will most effectively and efficiently deliver the ambitions of the Bus Strategy and maximise the benefits achieved. The objectives comprise:

- Maximise the ability to achieve a significantly enhanced and integrated bus network as quickly as possible
- Maximise the contribution of bus services to the achievement of a range of wider economic, social and environmental policy objectives and goals
- Maximise bus user benefits in respect of coordinated service provision, integrated ticketing, service stability and information provision
- Maximise the value for money and benefits from investment in the bus network

### **4.3.1 Achieving objectives**

Many of the responses stated that they generally agreed with the objectives that have been presented in the Assessment. The majority of bus operators agreed that the objectives were appropriate for the Assessment. Stagecoach explicitly states that they *‘agree with all of the objectives as set out in the Strategic Case’*.

Transport Focus highlighted the need for a stronger emphasis on passenger needs and experiences within the objectives, stating that *“the key challenge is whether the proposal reflects the needs and priorities of both existing and potential passengers. The closer that the specifications and targets reflect people’s needs, the better the chance that they will deliver the type of services that people want and value and will draw in new users to grow the market”*. Cambridge City Council noted its bus services have been *“chopped and changed”* too frequently, with residents in some parts of the city left feeling disconnected from amenities and services in other parts of the city and its hinterland. A user-centric addition to the objectives was supported by England’s Economic Heartland, as well as bus operators.

Regarding the achievability and monitoring of the objectives, Transport UK identified that the objective of doubling passenger trips by 2030 is ambitious and is not reflected in the forecasting in the Economic and Financial Cases. *“Transport UK’s main observation on the CA’s ultimate objective (of doubling bus passenger trips by 2030) is that it does not appear to be followed through in the other four business cases (economic, commercial, financial and management)”*. Stagecoach states that *“patronage never gets close to [the Bus Strategy] aspiration, Franchising delivering only 23% increase and the ‘do nothing’ approach achieving 14% increase by 2040 with all three options showing a decline in patronage post 2040.”*

Wider stakeholder responses highlighted the importance of addressing equity and accessibility in the objectives, namely Cambridge University Hospital, Cambridge Biomedical Campus and the University of Cambridge. These stakeholders, with the addition of the Confederation of Passenger Transport also advocated for greater CPCA control of the bus network.

While there was general agreement on the need for improvements to service quality, network coverage and passenger experience, differing opinions emerged regarding the level of control that CPCA should have, the financial risks involved and the most effective approach to achieve these goals. Some stakeholders advocated for a more collaborative approach through Enhanced Partnerships, while others stated that they believe the Proposed Franchising Scheme is necessary to deliver the desired level of change.

#### **The Combined Authority’s response**

The target outcomes of the proposed bus reform options include achieving better bus services for users and a level of quality that will attract people out of cars. This aligns with CPCA Local Transport and Connectivity Plan (2023) which seeks to deliver modal shift to sustainable transport. Any solution should deliver against the five overarching goals that define the vision and aims for the Bus Strategy, to provide a bus network that:

- Attracts car users
- Supports sustainable growth
- Protects and enhances the environment
- Supports community health and wellbeing

- Creates opportunity for all

The CPCA response to the treatment of patronage growth linked to the objectives has been provided in more detail in Section 5.2.3 of this report (Economic Case) and Section 7.2.8 of this report (Financial Case). In particular, as part of economic assessment, CPCA have modelled patronage using the best available analytical tools, data and benchmarking, which was subsequently approved by the Independent Audit. However, CPCA recognise that there remains uncertainty around whether the forecasting reflects all factors that could influence patronage over a 30-year appraisal period. The forecast decline in patronage in the second part of the assessment period for all three options, as mentioned by Stagecoach, is driven by assumptions around population change and fare elasticity. CPCA note that even taking this decline into account, the Do Something options perform better than the reference case, with Franchising forecast to deliver the highest patronage growth by the end of the assessment period (23% by 2054, compared to 19% growth by 2054 with an Enhanced Partnership). Franchising would also provide the most scope for CPCA to manage or avoid patronage decline through control of fares, delivering a wider network across the entire region or by allowing further interventions.

CPCA acknowledge that there remains a need to boost passengers on the bus network. CPCA will mitigate and reduce the risk of franchising not contributing to the desired outcomes, in whatever model of operation/management is employed, through good governance and the risk management strategy, as set out in the Management Case of the Assessment. Through embedding Performance Management and the Periodic Review Mechanism, CPCA will seek to ensure that the Proposed Franchising Scheme not only meets its initial (commercial) objectives but continues to adapt and improve over time to meet the aims of the bus strategy to deliver a successful network.

On-going monitoring and evaluation will be built into franchise contracts and regular activities of CPCA as part of a periodic review process, which forms an important element of the Proposed Franchising Scheme's governance by focussing on continuous improvement and stakeholder engagement. As set out in Paragraph 4.121 of the Assessment, the periodic review process mandates regular assessments of contractual performance against predefined metrics, aligning operational activities with strategic objectives, as well as helping to mitigate known risks associated with the assumptions that inform longer-term bus operating costs. These will include a structured framework of Key Performance Indicators (KPIs). These will help to identify any shortcomings of services against contract requirements and expectation/target outcomes early and provide the opportunity to address them and ensure operators and the authority continue to learn and improve through the process.

The Proposed Franchising Scheme and the emerging approach to contracts and service specifications will be designed with a degree of flexibility. This will provide an operational framework whereby proportional changes can be made within a contract period to enable CPCA and operators to respond to changing conditions and deliver better outcomes. This approach will be developed by CPCA officers who will apply the understanding of successes and lessons learnt from similar processes being developed elsewhere.

Where there are known risks (such as inflationary cost and operating cost increases, roadworks or uncertainty around government bus subsidies) these can, to a certain extent, be planned for. CPCA acknowledge there may be unknown risks in the delivery of the bus reform options. In both options, the Management Case in the Assessment outlines the respective governance models which would be responsible for identifying and mitigating any risks as they develop. Where there are known risks, CPCA will seek to make appropriate provision to ensure they are carefully managed and mitigated through to contracts and operations.

However, if operators continue to fail to deliver against their performance metrics as part of the Proposed Franchising Scheme, ultimately CPCA would have the power to terminate a contract early and appoint an alternative operator. Section 6.8.1 of this report provides further details on the responses received and The Combined Authority's response to contract termination.

While mitigation measures aim to manage the risk of franchising not meeting the objectives, there will always be some residual risk from external impacts outside CPCA's or bus operators' control (both known and unknown). 'Shock' events such as the COVID-19 pandemic is an example of this, where patronage and revenue outcomes could not be achieved. In such a situation this would impact any model of operation. Whether privately or publicly operated (or a mix) bus operations would likely need central government support to sustain them.

## 4.4 Theme 3: Bus Reform options

The Westco report shows a total of 1,227 members of the public made comments in relation to bus reform options. A quarter (25%) of this feedback was related to service quality. Out of all the responses, 466 of the responses focussed on bus reform in general. 84% of this group said that they either agreed with reform or that it was worth trying (391). 5% did not agree with bus reform or did not think it would make a difference (25).

### 4.4.1 Full public ownership

A number of comments from the consultation, predominantly by members of the public stated that a publicly owned bus company should have been considered as part of the bus reform options. This approach would involve direct public sector ownership and operation of bus services, potentially offering greater control over route planning, pricing and service quality.

#### **The Combined Authority's response**

Since the passage of the Transport Act 1985, bus services outside London have been deregulated. This means that most bus services have been run on a commercial basis by private bus companies which can determine routes, timetables and fares.

The role of local transport authorities has been limited to:

- Providing infrastructure, such as bus stops and bus lanes
- Providing some finance, such as reimbursing bus operators for concessionary bus travel by older or disabled passengers
- Funding some 'supported' services which are not commercially viable

The Transport Act 1985 required all municipal bus operations to be re-formed into stand-alone companies, still under Local Authority ownership. Since then, the majority of these bus companies have been sold to private sector operators and Local Transport Authorities have been specifically prohibited from setting up new bus companies.

In 2021, the National Bus Strategy required Local Transport Authorities to set up either a franchising scheme, or an Enhanced Partnership with local bus operators. This requirement applies to all Local Transport Authorities, irrespective of whether they had ownership of a bus company. A key driver of whether to follow the franchising or Enhanced partnership route was whether the franchising route had already been started. Prior to the launch of the National Bus Strategy, in May 2019, CPCA had published a Notice of Intention to consider franchising and following the announcement of the national Bus Strategy CPCA decided to continue to develop its franchising assessment. The Assessment has been developed in line with the guidance and processes as defined by the Transport Act 2000, noting the implications of the Transport Act 1985 which limits Local Transport Authorities legally able to operate publicly owned bus companies to those that have retained them from historic operational models.

While it is noted that the Bus Services Bill (announced in Autumn 2024 and subsequently introduced on 17<sup>th</sup> December 2024) proposes to include a reversal of the ban on setting up new publicly-owned bus companies. It is not yet law and is subject to change during its progress through Parliament. CPCA has to undertake its Assessment based on existing laws, therefore the option of a publicly owned bus company is not material to the Assessment.

In addition, CPCA are keen to harness the experience and innovation of private sector bus operators which would be gained through a franchise system but would be severely limited under public ownership.

### 4.4.2 Adoption of London or Manchester franchising model

Responses from the consultation, predominantly by members of the public also questioned why the Proposed Franchising Scheme model did not reflect the established approaches used in London or Manchester. It was noted that the London model, characterised by Transport for London's comprehensive network control and



Manchester's franchising system have both been viewed as successful alternative approaches to bus service delivery.

### **The Combined Authority's response**

Every franchising scheme in the UK has been developed for the specific characteristics of the market and area it covers, as well as the objectives of the Combined or Local Transport Authority.

In Greater Manchester this means the authority takes on control of network design, fares and ticketing (linked with tram operation), service frequency, branding and marketing, depot ownership, fleet specification and deployment and onboard technology. Services have been franchised (under the Transport Act 2000) in three tranches based largely on geography, contracted under ten large contracts and around 25 smaller ones. In London, a similar level of authority control is in place and bus services are reviewed and tendered on a five-year cycle using multiple smaller tranches of routes. London's franchising model is enabled by the London Regional Transport Act 1984, with powers transferred to the Mayor of London under the Greater London Act 1999.

London and Manchester present slightly different franchising models, in terms of legislative basis, contract size, asset ownership and contract length. Compared to the current deregulated bus market, the Proposed Franchising Scheme could certainly be viewed as a London-style or a Manchester-style model. Like London and Manchester, CPCA will design the network, control the level of service, incentivise operators to improve performance and create a competitive market for more operators. However, there are elements where the nature of the network and area of CPCA as a whole, as well as the powers available under legislation, mean a bespoke alternative approach has been developed to effectively and affordably achieve local objectives.

CPCA is a much smaller authority than either the metropolitan Combined Authorities or London and does not have the level of financial support or resource to adopt the same level of risk and investment that those authorities are able to. As Paragraph 4.48 of the Assessment states, the model proposed for CPCA seeks to share risk and responsibilities with operators, working collaboratively. This would include operators having responsibility for assets such as vehicles but with shared responsibilities for some of the depots (see Section 6.4.4 for more information). The Proposed Franchising Scheme also allows for a range of contract sizes, recognising the role of smaller operators and the different characteristics of bus services in urban and rural areas. It is considered that this is a balanced approach to risk for CPCA, balancing financial risk with scale, efficiency and control.

The Proposed Franchising Scheme has been developed to reflect the likely way forward but can be shaped as the process continues through consultation with stakeholders. While there are to be minor changes arising from the consultation which are covered in later sections of this report, the changes are relatively minor and in CPCA's opinion do not warrant any further consultation on the Proposed Franchising Scheme.

### **4.4.3 Non-user benefits**

A number of key stakeholders commented that the benefits of bus franchising to non-users were unclear in the Strategic Case, with questions asked about whether non-users should be expected to contribute to bus reform if they do not use bus services. East Cambridgeshire District Council demonstrated that "*the assessment focuses on user benefits only and does not address the financial impact on bus users and other residents of the funding of the Proposed Franchising Scheme*". This was echoed in some of the public responses to the consultation from non-users which queried why they should fund bus improvements via the Mayoral precept.

### **The Combined Authority's response**

CPCA identifies that bus reform options are expected to increase the number of users, including attracting those currently not using the bus network to consider travelling by bus. Research conducted in 2019 by CPCA found that non-users cited problems with the current bus network as a barrier to use more often than the convenience of car use. Therefore, the proportion of non-users contributing to bus reform is likely to decrease if bus reform removes the barriers to bus use and subsequently increases patronage.

In addition, public transport does not solely benefit the user, but also has wider social, economic and environmental benefits for the local area, meaning that its cost should be equitably distributed. These benefits

are highlighted in the CPCA Local Transport and Connectivity Plan (2023)<sup>7</sup> which includes information on how improved connectivity combats social isolation by making it easier for people to connect with their community. The wider local area would also benefit from reduced road congestion and pollution, leading to a cleaner and healthier environment.

## 4.5 Theme 4: Issues with bus priority and highways management

Multiple responses emphasised the need for bus priority measures to improve bus services across Cambridgeshire and Peterborough, indicating that congestion and unreliable journey times are major issues (see Theme 1). Fenland District Council notes that accessibility is fundamental, especially for the 15.9% of households without a car. Stagecoach highlights that reliability and punctuality are key concerns for customers and that journey times must be reduced through bus priority. They also state that, if priority measures are not carried out, passengers will see no improvements to force a modal shift from cars.

Transport UK states that CPCA's strategic objective of improving reliability is more likely to be delivered under franchising. The CPT highlights that bus priority measures are key to achieving the objectives of both CPCA and bus operators and that they should be implemented through a collaborative approach. England's Economic Heartland also agrees that bus priority is essential to speed up journey times and improve customer experience. In particular, they note that targeted interventions such as bus priority can generate at least £5 in economic benefits for every £1 of public funding spent.

Cambridgeshire County Council notes future Greater Cambridge Partnership public transport schemes and asks for further discussion at the appropriate time on how franchising will impact them.

### **The Combined Authority's response**

CPCA recognises that congestion and unreliable journey times are significant issues that need to be addressed and acknowledges the points made by Fenland District Council regarding accessibility for those without cars and by Stagecoach and other operators regarding the need to improve reliability and punctuality. CPCA have a commitment to prioritising investment in bus priority measures to significantly improve bus journey times and reliability, as outlined in the Assessment and which is applicable to both bus reform options (Franchising or Enhanced Partnership),

CPCA also fully supports the Greater Cambridge Partnership public transport schemes, which look to provide new bus priority and reduce journey time on important corridors and will work with Cambridgeshire County Council on the development of these local bus services.

CPCA will look to clearly communicate to the public and all stakeholders the benefits of bus priority measures. This should include highlighting how these measures will result in improved reliability and reduced travel times, which in turn will encourage more people to use buses and help achieve mode shift. CPCA will regularly monitor the impact of bus priority measures and make adjustments as necessary. Finally, CPCA will gather and analyse data on service punctuality, journey times and passenger satisfaction to ensure that bus priority measures are achieving their intended outcomes.

## 4.6 Theme 5: Fares and ticketing

Many of the responses highlight the importance of fares and ticketing in improving bus services and increasing ridership.

Stagecoach and Dews Coaches note that improved ticketing capability, such as tap on/tap off systems that accurately charge graduated fares and cap day/weekly tickets, can be achieved under both Enhanced Partnership and Franchising models. They also point out that multi-operator ticketing is already being

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<sup>7</sup> [CPCA Local Transport and Connectivity Plan \(2023\) Available at: https://cambridgeshirepeterborough-ca.gov.uk/wp-content/uploads/CPCA-LTCP-Strategic-Document.pdf](https://cambridgeshirepeterborough-ca.gov.uk/wp-content/uploads/CPCA-LTCP-Strategic-Document.pdf)

introduced across the CPCA region through the CP Bus Alliance and that a graduated fare system is fairer for the travelling public (see Section 4.2.2 of this report).

Transport UK agrees that the strategic objectives of integrated fares are more likely to be delivered under franchising. They also suggest that CPCA should ensure that ticket machines and ticketing systems are protected from becoming 'stranded assets' at the end of a franchise.

Transport Focus states that key priorities for bus passengers are an affordable, frequent and reliable bus service. They also mention that franchising could help provide simplified ticketing and fares. The CPT states that under franchising, there would be the same ticket options across the whole region set by CPCA, making tickets easier to understand. Stagecoach also note that the fare structure under 'do something' is not clearly defined and that if franchise tickets cost more than those previously offered, many customers who only use one or two services will not appreciate an increase in prices. Stagecoach also recommended that consideration should be given to the impact that franchising will have on Plusbus, the nationally recognised integrated rail and bus ticket.

Peterborough City Council outline the importance of flexibility to set fares, as well as the reinvestment of fares *"Through Franchising the CPCA will have greater flexibility to set fare levels and instigate cross ticketing this should as a result see an increase in bus patronage resulting in a greater income from fares. It is key we look to reinvest the fares into the services and not overburden the taxpayer to fund these services, as this could be seen as having to pay twice, tax and tickets"*.

### **The Combined Authority's response**

CPCA recognises that that fares and ticketing are critical factors in attracting and retaining bus passengers and that this is a key concern of stakeholders such as Transport Focus. CPCA also recognises that current fares and ticketing systems are confusing and often costly for passengers and that this impacts on the overall customer experience, acknowledging the points made by Peterborough City Council regarding the flexibility to set fares and the importance of reinvestment of fare income.

Through greater control granted by franchising CPCA will look to implement a simplified fares and ticketing system that will be easy to understand and use, including a smaller number of standard products and fare capping. This is in line with the priorities of Transport Focus who emphasise the need for an affordable service, as well as the desire of the CPT for the same ticket options across the whole region, which would be set by CPCA.

CPCA are mindful of the implications of price increases, as noted by Stagecoach, as well as those around inflationary factors and fare caps. Additionally in the Assessment, fares have been assumed to increase at the rate of inflation, according to GDP forecasts in TAG Databook plus 1.58%, further information is available in the Financial Case (Section 7.3.3). CPCA consider that franchising provides greater control over ticket pricing and closer integration opportunities with other modes, when compared to the current bus network or an Enhanced Partnership option.

CPCA will actively engage with bus operators, passenger groups and the public to develop fair and effective fare and ticketing policies and will consider concerns raised by Transport Focus regarding the potential for the quality of service to worsen and ensure that any proposals for change are carefully considered.

Under the Proposed Franchising Scheme, CPCA will be able to set standard fares across the network and will develop a fare structure that balances affordability for users with the need for ongoing investment and financial sustainability. This should include the maximum age and level of discount for young people, as well as other groups.

Finally, the CPCA will promote the benefits of simplified, integrated ticketing to encourage more people to use buses. This should also include clear and simple information regarding how the ticketing system works, including any multi-operator and inter-modal ticketing options.

## 4.7 Theme 6: Network

### 4.7.1 Impacts on neighbouring authorities

Comments raised by key stakeholders pointed out that bus network improvements are essential to enhance the appeal to both current and potential passengers. Though CPCA believes that bus reform is an appropriate way to do this, operators raised concerns about potential unintended consequences of the Proposed Franchising Scheme. Specifically, they expressed apprehension that it might inadvertently draw operators away from existing commercial operations in neighbouring local authorities.

Responses from Stagecoach, Suffolk County Council, Fenland District Council and Transport UK identified potential economic disruption and reduced service coverage that could result from operators redirecting their resources and attention to the newly franchised network. These organisations stated in their responses that such a shift could potentially compromise the existing bus services in adjacent areas, potentially leading to reduced connectivity and service reliability in regions outside the immediate franchising area. Suffolk outline their concern *“the ongoing resourcing of bus services within Suffolk. Most routes in the west of the County are operated by bus companies based outside the county. If these operators are able to win longer-duration franchise contracts, giving them security of income for 7-8 years, they may be reluctant to continue with commercial operations in Suffolk where margins are small, or to bid for Suffolk contracts that tend to be only 3-5 years in duration. Without a significant increase in fleet sizes and driver recruitment we may be left with gaps that cannot be filled”*.

Lincolnshire County Council, a neighbouring authority, did not raise concerns regarding these risks specifically, only that they wanted to *“ensure there are no adverse impacts on any cross-boundary operations and to seek clarity on your [CPCA’s] future DRT plans”*. Additionally Lincolnshire County Council hoped that *“no changes have an impact on the number of commercial cross-boundary routes which in turn may have a financial impact on LCC. Likewise we expect no increase in costs of our tendered cross boundary bus services”*. Similarly Suffolk County Council stated their *“prime concern is not losing any current cross-border routes or the journeys that such routes provide solely within Suffolk (town services in Haverhill and Newmarket)”*

#### **The Combined Authority’s response**

CPCA acknowledge the concerns outlined by key stakeholders, regarding impacts on neighbouring authorities. However CPCA believes that a franchising approach creates new market opportunities, allowing operators to expand their business across different parts of the region rather than simply redistributing existing market share and resource. We also note that a number of bus operators without a current presence in the region have responded positively to our consultation, suggesting that there is an interest in investment in bus operations in the region as a result of CPCA franchising.

CPCA have consulted with neighbouring Local Transport Authorities, ensuring that CPCA is not just looking at the immediate area, but creating a transport environment that supports growth for both small, medium and large operators and people wanting to access CPCA area from neighbouring authorities. However, the risk is acknowledged by CPCA, particularly for neighbouring authorities where contracted work has shorter lengths than the franchising model.

In response to the operators' concerns, CPCA therefore suggests that the franchising model could actually present a business expansion opportunity rather than a limitation. CPCA also acknowledge that other authorities are expected to have directly accessible franchising powers when the new Bus Services Bill becomes law, indicating a broader transformative context for bus services. While acknowledging a potential risk to competition for supported service contracts, CPCA believes this can be effectively mitigated through careful sequencing of implementation. To address these concerns comprehensively, CPCA plans to conduct a consultation on the permit regime, demonstrating a proactive approach to engaging with neighbouring authorities and operators and addressing potential challenges in the franchising process.

## 4.7.2 Rural service targets

A number of responses suggest that the Proposed Franchising Scheme lacks clarity regarding targets for service frequencies on rural routes. Fenland District Council stated that the table (Table 3-1 in the Assessment) outlining desired service frequencies for both bus reform options *“is not as clear as we would like it to be, so we cannot fully understand the impact for the Fenland area. Equally though, it doesn’t seem to address known gaps in the network such as evenings and weekends”*.

East Cambridgeshire District Council stated that it is important that targets are applied and achieved equally across the CPCA area and that rural areas receive the same level of service as urban areas.

Stagecoach, Stephenson of Essex and Whippet also reflected this sentiment around providing further clarity, with Stagecoach stating that *“Although the consultation documents mention an increase in bus services, clarity on the inclusion of new rural services, highly desired by the public but currently not commercially feasible, is needed”*.

Additionally the Confederation of Passenger Transport states that *“The consultation seeks to increase mileage on already heavily serviced urban routes, with little mention of increasing mileage to rural routes. We would like to see CPCA’s proposals for increasing and supporting rural services.”*

### **The Combined Authority’s response**

Within the Assessment, services have not been classified as 'rural' or 'urban' instead a more disaggregated network hierarchy approach has been adopted with types of primary, secondary and local services defined to better reflect the different situations that buses operate in and the areas to which they connect. The strategic aim of network improvements is to provide some consistency for the treatment of similar types of services. The Assessment has been developed so that frequencies are adjusted throughout the appraisal period, forecasting to scale up the network and adjusted for funding constraints.

The Assessment considers that (across all routes) the forecast 'do something' route frequencies are at least as good as the baseline levels. The model has been developed to assess the principles of CPCA’s aspirations. Target route frequencies for different categories of route are proposed to reflect the strategic priorities and objectives, providing some flexibility in how and where the improvements come forward. For example, improvements in overall bus kilometres may be focused on extending operating hours in some areas/routes, whereas others may seek to improve peak frequency, expand Sunday services or geographically extend routes. The type of improvement will be subject to further network reviews and shaped by the feedback collected as part of consultation activities.

Routes classified as 'secondary - town' and 'secondary - link' services scale up to target an average hourly service (where this is an improvement on the existing). However, constraints mean that these are modelled to reach average frequencies of every two hours and every three hours respectively. To allow for a consistent calculation for all services throughout the model, this is considered as an average number of services per day over an 18-hour period and therefore does not necessarily reflect the timetabled frequency of a particular service. Subject to timetabling and assessments of specific route demands, a concentration of services may be scheduled within the most popular hours of operation (and therefore result in a higher observed frequency of service).

Figure 3-2 in the Assessment presents what increases could look like (as a proportional change from a 2023 baseline which resembles average service levels at the time) for each type of route. On average, a 15% increase in network mileage overall is modelled as part of this assessment. All service improvements presented/modelled in the Assessment are for the purpose of the Assessment and subject to actual timetable development and on-going network review and planning work as part of implementation planning phase to propose viable operations and improvements.

## 4.8 Strategic Case Conclusion

Responses from key stakeholders outlined they were generally happy with the Strategic Case and its findings. In particular they were supportive of the case for bus reform and objectives to improve bus service provision within

the Cambridgeshire and Peterborough area. However some stakeholders highlighted that the success of either bus reform option was linked to tackling the barriers to improved bus services including urban congestion, lack of bus priority measures and strong competition from private vehicles, particularly in rural areas. CPCA is proposing bus franchising as a potential transformative solution, with strategic objectives to attract car users, support sustainable growth, protect the environment and create opportunities for all.

The proposed approach includes performance management, flexible contract designs and the ability to adapt and modify services, demonstrating a proactive strategy to address the complex systemic issues facing public transportation. Despite challenges, the ultimate goal remains ambitious, doubling bus passenger trips by 2030 (from 2023 numbers) through innovative collaboration, infrastructure investment and a commitment to creating a more responsive and efficient public transport network.

The consultation revealed a diverse range of perspectives on bus reform, with stakeholders having split views on bus reform options - Enhanced Partnership and Franchising. Despite differing opinions, there was a shared commitment to improving bus services, with bus operators expressing willingness to work constructively with CPCA regardless of the chosen model. The Consultation highlighted the multifaceted nature of delivering bus reform, emphasising the need for flexible, passenger-focused approaches that balance operational efficiency, financial sustainability and service quality.

The consultation also outlined concerns about the potential impact on regional transport networks of the Proposed Franchising Scheme. Some key stakeholders, including Stagecoach, Confederation of Passenger Transport and Fenland District Council, expressed apprehension about potential unintended consequences, particularly regarding service coverage in rural areas and cross-boundary market disruption. CPCA responded by proposing an approach that emphasises network flexibility and strategic service improvements.

The Proposed Franchising Scheme aims to increase network mileage by approximately 15%, with an improved classification of routes into primary, secondary and local services. Critically, CPCA plans to maintain service frequencies at or above baseline levels, with potential improvements focusing on extended operating hours, peak frequency enhancements, Sunday services and geographical route expansion. While acknowledging potential risks, CPCA views franchising as an opportunity for market growth and service optimisation, as well as being committed to addressing operator concerns through ongoing consultation and careful implementation.

After consideration of these responses it is felt that the findings do not significantly alter the findings of the Strategic Case.



## 5. Economic Case

### 5.1 Introduction

This section outlines the responses received through the CPCA Bus Reform Consultation regarding the Economic Case.

The Economic Case compares the benefits and costs over 30 years, with focus on passengers, bus operators, CPCA and wider society. Within the Economic Case improvements have been identified and presented in relation to network operations, fares and ticketing and customer experience.

The results show that both bus reform options create social, environmental and economic benefits, although the Proposed Franchising Scheme allows CPCA more control over the bus network and delivers a higher performance in key value for money (VfM) metrics like Net Present Value (NPV) and Benefit to Cost Ratio (BCR), making it the stronger option. It was concluded that both options (the Proposed Franchising Scheme and Enhanced Partnership) offer value, but the Proposed Franchising Scheme provides slightly better economic benefits and represents better value for money.

The Consultation document included a summary of the full Economic Case. Stakeholders were asked the following question within the questionnaire:

- S3/L7. The Economic Case says that Franchising offers better value for money to the Combined Authority than an Enhanced Partnership. Do you have any comments on this? This section focusses on direct responses to this question as well as wider themes regarding the economic assessment included within the Assessment. The following themes cover issues raised by consultees throughout their responses:
- Assumptions used in the Economic Case
- Risk in the Economic Case
- Modelled costs in the Economic Case

The Westco report includes a summary of responses to the question related to the Economic Case. It outlines that 1,208 participants responded to the question; which included, 12 key stakeholders, 68 wider stakeholders and 1,128 members of the public.

### 5.2 Theme 1: Assumptions used in the Economic Case

Assumptions were made to inform the economic assessment. Some respondents have questioned these assumptions, which have been categorised as below and are then looked at in turn:

- Passenger benefits
- Bus Service Operators Grant assumptions
- Patronage growth
- Journey times
- Wider benefits
- The value and benefits of an Enhanced Partnership

#### 5.2.1 Passenger benefits

Regarding passenger benefits, it was raised by Stephenson of Essex that the Assessment assumes 48% of passenger benefits will come from reliability improvements and they state that this can only be achieved by introducing a “*significant and comprehensive uplift in bus priority measures*” or from “*allowing more and more running time to achieve the timetabled frequency*”, which requires additional buses. Stephenson of Essex also raised concerns that insufficient capital costs have been allowed and such an approach would be

*“unachievable politically”* and more than likely would require the *“banning of private vehicles in areas like central Cambridge where space is highly constrained”*.

### **The Combined Authority’s response**

CPCA acknowledges the points raised by Stephenson of Essex regarding the key significance of reliability improvements within the economic assessment of the Proposed Franchising Scheme.

CPCA responded to these points raised through the audit process, as it was noted as part of the Independent Audit that reliability improvements formed the largest component of passenger benefits and while considered to be reasonable, they were reliant on high-level assumptions at this stage. CPCA’s response to the audit and this consultation response are summarised below:

CPCA acknowledges that achieving reliability improvements is key to the success of franchising and expect that the conservative benchmark informed by Transport for London experience, where reliability improvements were achieved through Quality Incentive Contracts (incorporating contractual mechanisms rewarding operators for exceeding specified reliability standards), can be replicated in the CPCA bus market, albeit tailored more to the region.

CPCA notes that the reliability improvements expected from the Proposed Franchising Scheme over and above an Enhanced Partnership are derived from contractual incentives and not from bus priority infrastructure; both bus reform options assume the same indicative level of capital investment in bus priority (assumed to be £10m).

A high share of reliability benefits (48%) is reflective of the fact that passengers place a high value on the reliability of bus services. The DfT Transport Appraisal Guidance Unit A1.3 suggests that one minute of lateness is multiplied by 2.5 to estimate time savings for passenger minutes of journey time. This means a one minute reduction in lateness due to improved reliability is perceived by passengers as 2.5 minutes saved on the journey. This suggests that even modest improvements in reliability could result in substantial economic benefits.

Alongside the measures included in bus reform options and tested by the Assessment, CPCA will explore additional reliability improvement interventions, through investment in bus priority measures, advanced IT systems and integrated timetable planning to optimise reliability. Measures similar to those suggested by Stephenson of Essex for prioritising buses in central Cambridge will be assessed through work being undertaken for the Greater Cambridge Transport Strategy, which is being developed alongside the Greater Cambridge Local Plan, which will consider a wide range of options for improving connectivity.

After considering the feedback provided, CPCA remains comfortable that the assumptions made in the Assessment and previously reviewed in the Independent Audit, on passenger benefits and the associated costs are appropriate and sufficiently robust to support the Assessment’s recommendation. CPCA also agree that this will continue to be a focus during the implementation of any option.

## **5.2.2 Bus Service Operators Grant (BSOG)**

The Assessment includes BSOG as a key funding source for both the Proposed Franchising Scheme and an Enhanced Partnership. It also includes an expectation that this funding source will grow into the future. Stephenson of Essex commented that assumptions regarding BSOG increasing each year *“is highly unlikely and has never happened before”*. Stagecoach shares this view, outlining that *“BSOG rates have been unchanged since 2014, and there is limited evidence to support the assumption of them increasing”*.

### **The Combined Authority’s response**

CPCA acknowledges the feedback provided on the assumption in the Assessment that the BSOG will continue to be provided by the Department for Transport (DfT) and will be subject to annual increases. CPCA also notes that the future of this funding source is covered in detail within the Financial Case funding summary and was raised and addressed during the Independent Audit.

CPCA’s response to the audit noted that during the COVID-19 pandemic and for a period afterwards the BSOG was supplemented by the DfT’s Bus Recovery Grant (BRG). While the BRG has been withdrawn, nothing has been done by the DfT to remove the BSOG. CPCA believes that while the BRG was available, there was little



need to increase the BSOG as it was easier to push additional funding through the BRG. Following the withdrawal of the BRG and given the commitment of the Government to focus on buses as key to connectivity, CPCA believes that it is a reasonable assumption to believe that the BSOG will continue to be provided by the DfT and that the BSOG will be used as a tool to increase funding to bus operators under an Enhanced Partnership, or to the franchising body under the Proposed Franchising Scheme. The future of BSOG is covered in greater detail within Section 7.3.2 of this report, where it is noted that BSOG for all franchised services would be devolved to CPCA from DfT and will be subject to annual increases, in accordance with Paragraph 1.51 of the DfT's guidance on Bus Franchising.

The Assessment includes BSOG changes in the risk register and CPCA will continuously monitor its financial position to ensure that it can make informed decisions on bus services funding under either the Proposed Franchising Scheme or an Enhanced Partnership.

CPCA has taken the feedback provided into account and retains the view that the assumptions made in the Assessment on BSOG will not have significantly different effects between the bus reform options and that the associated risks can be managed. As a result, CPCA does not consider that this feedback materially impacts on the Assessment's recommendation but will continue to monitor this through implementation of any option.

### **5.2.3 Patronage growth**

Key stakeholders commented on patronage growth assumptions within the Assessment, including Fenland District Council, Stagecoach and the Confederation of Passenger Transport.

Fenland District Council commented that *"there doesn't seem to be any focus or assumptions on what happens if growth isn't achieved or cannot be sustained for the whole timescale as per the assumption. The effect of these scenarios on the business case and the BCRs also doesn't seem to be understood. Whilst the business case sets out a low growth scenario this also assumes either sustained growth or higher precept costs to cover the shortfall from lower patronage rates. It is suggested that additional sensitivity testing should be completed to better understand the implications of the risks around lower patronage. Alternative funding scenarios should also form part of any further testing"*.

As part of the consultation responses, Stagecoach raised that based on the detail presented within Paragraph 7.138 of the Economic Case there is an underlying assumption that patronage growth is largely attributed to population growth, as opposed to any other factors and subsequently declines in later years. Stagecoach see this as presenting that the *"Do-Something approach is not sustainable for what should be a major determining measure of success"*, expressing that patronage growth is a critical output of any bus reform. Stagecoach also raised that the statement in Paragraph 7.138 contradicts the detail in Table 5-16 in the Assessment which shows that population growth is not as steep as stated.

Stagecoach raised that *"during early consultation events, there was an assumption of a flat 3% decrease in patronage per year, even without considering risk factors which could cause a more significant decrease in demand including, but not exclusively, the impact of the end of the £2 fare cap and trends in patronage for bus services which are already seeing more than 3% drop per year"*.

This is echoed by the Confederation of Passenger Transport (CPT) who note that the Assessment *"assumes that there will be a consistent 3% drop in patronage, however, does not factor in the potential impact once the national fare cap has ended, this could potentially cause a sharper decrease in passenger numbers than anticipated and therefore should be considered in the economic case"*.

#### **The Combined Authority's response**

As part of the Assessment, CPCA have modelled patronage using the best available analytical tools, data and benchmarking which was subsequently approved by the Independent Audit. However there remains uncertainty around whether the forecasting reflects all factors that could influence patronage in the future, over the 30 year appraisal period.. As detailed in the audit response, CPCA notes that there are many factors that may influence demand in the longer term; as such, it is not possible (nor appropriate) to capture them all within the modelling for this Assessment. External factors, such as population growth, car ownership and running costs, average wages and employment rates, are likely to influence long-term bus demand in each of the reference case,

Enhanced Partnership and Franchise options. Therefore, each would have only limited impact on the comparative economic performance of the options and a conservatively robust approach was taken to developing assumptions for these factors. However, the Financial Case details sensitivity analysis carried out on factors affecting patronage to test the affordability of the bus reform options, confirming that the financial risk associated with patronage assumptions can be managed using the funding sources and mitigations available.

With regard to the comments around the assumptions underpinning the patronage modelling, CPCA assumes that Stagecoach is referring to Paragraph 7.136 of the Consultation Document, which explains that *“in the early years bus usage (patronage) is forecast to grow significantly as a result of population growth related to developments and the impact of investments in the bus network. This will level off in the middle years as the impact of increasing fares takes effect. In the later years patronage is forecast to start falling again, in the absence of further initiatives or actions”*. This makes it clear that forecast patronage growth in the first part of the assessment period is not only driven by population growth, but also by investment in the bus network. The forecast decline in patronage in the second part of the assessment period is driven by assumptions around population change and fare elasticity. CPCA notes that even taking this decline into account, the Do Something options perform better than the reference case, with Franchising clearly forecast to deliver the highest patronage. Franchising would also provide the most scope for CPCA to manage or avoid patronage decline through control of fares, network planning or further interventions.

The remarks from Stagecoach and CPT, regarding an annual drop in patronage and the potential impact of withdrawal the £2 fare cap, are assumed to refer to patronage per head in the reference case. CPCA advises that as noted in Paragraph 3.61 of the Assessment, the baseline patronage data was taken from November 2022, prior to the introduction of the fare cap. This excludes the impact of the fare cap from the demand modelling.

After reviewing the feedback provided by key stakeholders concerning patronage growth assumptions within the Assessment, CPCA recognises the concerns raised but as detailed in the responses provided, does not consider that these materially impact the comparative economic assessment of the bus reform options or the Assessment’s recommendation.

## **5.2.4 Journey times**

Stagecoach stated that within the Assessment, it is assumed that a reduction in journey times would attract more bus users. They confirmed that they agree with this approach and concurred that it is a major deciding factor when car users are surveyed as to why they do not use the bus.

Stagecoach went on to raise that *“In recent times, the CPCA has not prioritised investment in bus priority. If considered seriously under the ‘do nothing’ model outside of Franchising, bus operators could be able to decrease travel times, allocate resources to new or enhanced bus services and draw in more patrons”*. Stagecoach believe that this could be implemented relatively swiftly within the context of an Enhanced Partnership.

England’s Economic Heartland raised a similar point outlining that *“CPCA’s commitment to deliver bus priority measures to speed up journey times and improve customer experience is fully aligned with the regional transport strategy, without this both journey reliability and passengers’ numbers will remain static or reduce”*.

### **The Combined Authority’s response**

CPCA welcomes Stagecoach and England’s Economic Heartland’s comments about the importance of journey times to patronage and acknowledges the potential for bus priority investment to reduce journey times under any of the operating models considered in the Assessment. Both the Franchising and Enhanced Partnership options include £10m of investment in bus priority, but the reduction in passenger journey times is also impacted by the proposed increases in service frequency. At this stage journey time benefits as a direct result of bus priority have not been appraised within the assessment but will provide additional benefits under both bus reform options.

CPCA notes that bus priority infrastructure delivery is not expected to be dependent upon the bus reform option selected and could be delivered as quickly under Franchising as under an Enhanced Partnership, as could amendments to services to take advantage of resources freed up by reduced vehicle travel times. Under either

option, CPCA will continue to work on local area strategies to enable connectivity as part of the Local Transport and Connectivity Plan development, which could include the development of bus priority schemes. CPCA would then seek additional funding, above the £10m already assumed in the Business Case, through the Local Growth Plan and other funding to reduce constraints on connectivity that hold back growth.

CPCA also acknowledges that while bus priority can provide substantial benefits for busy urban routes, these solutions are less successful for less frequent (often financially-supported) rural routes where performance improvements in terms of reliability, frequency and journey times are also required. Providing improvements for rural routes and providing better rural accessibility is important, where interventions such as Quality Incentive Contracts to reward good service performance are more likely to be successful than bus priority.

### **5.2.5 Wider benefits**

Transport UK commented that the economic assessment outputs for the franchising option appear superior to those for the Enhanced Partnership largely due to the wider economic benefits (including non-monetised benefits) which may be achieved through franchising. Transport UK note that *“seen only from the perspective of bus operating income and expenditure... cumulatively, over the 25-year assessment period up to 2054, the enhanced partnership option outperforms the franchising option by £234m (or, on average, nearly £10m p.a.)”*.

Transport UK recommends that CPCA reassures itself that the benefits, modelled in line with central government guidance, are appropriate for the local population. Stagecoach reiterates this point, outlining that *“Wider economic, environmental and societal impacts are all positive but require more detail to be able to determine the impact of ‘do something’ over ‘do nothing’ in order to make valuable comments”*.

A contrasting view was offered by Cambridgeshire Sustainable Travel Alliance, who supported the inclusion of wider economic benefits within the assessment, outlining that *“Research consistently shows that investing in buses supports jobs and helps grow local economies, as well as providing a host of wider benefits, such as improving health and quality of life, and reducing congestion”*.

#### **The Combined Authority’s response**

CPCA notes the comments provided by Transport UK and Stagecoach on the treatment of wider benefits within the economic assessment. Wider economic, social and environmental benefits are a key objective of the scheme and it is envisioned that the introduction of the Proposed Franchising Scheme or an Enhanced Partnership will lead to monetised reductions in greenhouse gases and vehicle emissions from a greener bus fleet and reduction in car travel. Bus improvements will also lead to improved levels of access to work and training opportunities and the personal benefits that accrue from that.

CPCA considers the level of analysis of wider economic benefits carried out for the Assessment to be reasonable and informed by a level of evidence appropriate for this stage of scheme development. This view was confirmed by the Independent Audit, which provided assurance that these benefits are informed by DfT guidance on economic appraisal and have been calculated following recognised assumptions that are considered reasonable. Analysis of these benefits will be further developed following scheme decision.

As confirmed by the Independent Audit, the economic assessment was carried out in accordance with both HM Treasury’s Green Book Guidance and the Bus Franchising Guidance (2019 edition). This required approach to assess the overall economic impacts of bus reform could not be narrowed to consider only the bus operating income and expenditure.

The affordability and funding implications of forecast bus operating income and expenditure have been considered in the Financial Case.

### **5.2.6 Enhanced Partnership option**

Key stakeholders including Transport Focus, Dews Coaches, Stagecoach and the Confederation of Passenger Transport put forward a view that the potential benefits and value added by an Enhanced Partnership have not been fully considered. Transport Focus stated that *“what the bus operators are prepared to offer under an*

*enhanced partnership is not yet known. As a result, it has been difficult for us to make a full and proper assessment of value for money on both Franchising and Enhanced Partnerships”.*

Similarly, Dews Coaches raised that *“The Economic case does not bring into account what value the operators could add in the event of Enhanced Partnership. The example used does not cover the breadth of what collaboration with local operators here could achieve, we have not been asked yet what we could bring to the table”.*

This view is shared by Stagecoach also noted that the Enhanced Partnership outlined in the Assessment is “generic” and that consequently the economic assessment of the Enhanced Partnership *“does not consider everything which bus operators could offer”.*

Stagecoach went on to state that an Enhanced Partnership could mean that *“More can be achieved [including] network stability; a solution for rural transport; new services where people want them, through an Enhanced Partnership plus quicker and at less cost”*, a view that was also supported by Dews Coaches.

Stagecoach also noted that it would be sensible to assume that direct and indirect revenue from changes to tax for items such as fuel duty and VAT would occur in the reference case as well as the Enhanced Partnership and Franchising options.

However, there was criticism of Enhanced Partnerships from the Campaign for Rural England (Cambridgeshire and Peterborough branch), which argued that the reliance of an Enhanced Partnership on voluntary agreements with operators makes them less reliable and harder to enforce.

### **The Combined Authority’s response**

Throughout the Assessment being developed, CPCA continued to engage with local bus operators via the Bus Operator Forum meetings, where presentations were made on Franchising and Enhanced Partnership, with specific opportunities for operators to put forward what they would like to see in terms of improving the network. As the Assessment progressed, operators were asked to put forward proposals under an Enhanced Partnership when they expressed interest in doing so; however, firm proposals for and potential benefits arising from what they would offer under an Enhanced Partnership or 'Enhanced Partnership Plus' for CPCA were not forthcoming. The Commercial Case (Paragraphs 4.176 – 4.198) sets out the commitments and requirements that would be envisaged under an Enhanced Partnership. They are quite extensive and comprehensive and responses have not clearly suggested what additional commitments parties would make under negotiations of a CPCA Enhanced Partnership.

Under the Proposed Franchising Scheme, CPCA would have greater control over the bus network, allowing it to achieve the step change envisaged for the bus network and the achievement of its wider ambitions more decisively and effectively. CPCA recognises that, like Franchising, delivering an Enhanced Partnership is considered affordable while also carrying less financial risk to CPCA as there is less responsibility for passenger fare revenue. CPCA also acknowledges that an Enhanced Partnership could contribute to the bus reform objectives, although it is not certain to what extent or how quickly this could happen given the need to negotiate and achieve consensus with operators.

CPCA has considered Stagecoach’s feedback on the approach to analysing direct and indirect revenue from changes to tax for items such as fuel duty and VAT and remains comfortable with the analysis in the Assessment. These revenues are expected to vary with service levels, which differ between the options considered but the assumed tax regimes (i.e. level of VAT/fuel duty, etc) are consistent between options.

## **5.3 Theme 2: Risks and uncertainties in the Economic Case**

Risks associated with Franchising in particular have been mentioned by many stakeholders. This is a direct link to the risks raised in comments about other cases such as the Financial Case. Several possible risks and uncertainties have been identified and comments made concerning them. These include and are discussed in order below:

- Mayoral precept support

- Operating bus services being more expensive than expected
- Benefits are uncertain
- Zero-emission buses
- Limited benefits for rural communities
- Financial Risks
- Cost and revenue uncertainty
- The need for electric vehicles

### **5.3.1 Mayoral precept support**

Responses to the consultation have raised multiple comments regarding the Mayoral precept and the dependence of CPCA on this funding to deliver bus reform. In particular Stagecoach raised that the proposed increase in the mayor's precept is "*unprecedented*" and that there is a risk of political pressure to discontinue this, which would undermine the economic case. There is also the assumption that the increased Mayoral precept will be unanimously supported and the Confederation of Passenger Transport raised that this may be "*difficult to achieve and the economic case should set out what the impact of this would be*".

#### **The Combined Authority's response**

The purpose of the Assessment and the Economic Case within it, is to assess the range of viable options that are presented to decision makers. CPCA is committed to investing significant sums in bus services and the Financial Case demonstrates that the Mayoral precept could be used to raise suitable funds. Therefore, both options, Enhanced Partnership and Franchising, assumed an increase in Mayoral precept, determined by the level of investment in increasing service levels.

A Mayoral precept has already been used to raise funds for enhancements of the bus network in the CPCA area. The level of any mayoral precept is an annual decision as part of the budget setting and is applied as part of the funding model for both the Franchising and Enhanced Partnership case. A gradual rise in the precept over the 30-year period considered by the Assessment Report is also considered to be realistic based on recent decisions of the CPCA and there being no referendum limit identified at this stage on the amount of additional precept that could be levied. This funding stream has also been used by Greater Manchester Combined Authority (GMCA) to deliver franchising within the Greater Manchester area.

The funding model would be considerably different without use of a Mayoral precept, with implication for service design. While it is challenging to assess the impact of such an option, as the increase in costs of the reference case highlights, it is expected that it would not be possible to sustain current service levels without a precept over the 30-year period.

It is important to say that the results of the modelling showed advantages for both reform options over the reference case regardless of the level of Mayoral precept. For instance, an improvement in bus performance, integrated ticketing, increased competition, could all be achieved through a lower investment level. However, the strategic benefits in terms of service improvements would be limited without at least a medium level of investment, which resulted in this approach being favoured with use of an increase in Mayoral precept.

It is recognised that, if the decision is taken to proceed with the Franchising Scheme, CPCA will need to continually review the affordability of the network alongside available funding sources and the political deliverability of any associated increases in Mayoral precept. To do this, CPCA will ensure that appropriate governance arrangements are in place and followed. Financial and resource review has been identified as an individual implementation and operation workstream in the Management Case (section 8.1.1) to this effect.

### **5.3.2 Lost operating experience and additional costs**

Consultation responses from Stagecoach have raised that while Franchising provides CPCA with greater control over the network, there is a risk that extensive operator experience will be lost. Stagecoach in particular have

raised that “operating bus services is more expensive than considered by transport authorities and bid prices are more often higher than existing costs”. Alongside this, the management and control of bus services requires “significantly more time and input than some transport authorities initially factored when considering the case for franchising. As Bus Reform Franchising has only been tested in one region of the UK, there is little to support the case other than firsthand experience, which is proving it is more difficult, complex and expensive than first thought”.

Further to this, Stagecoach outlined that “Both Franchising and an Enhanced Partnership are significantly more expensive than the current commercial operation is to the public purse, even with the increased contributions of recent years. There appears to be a £3m deficit per annum from the analysis that forms the base year position for cost and revenue”.

### **The Combined Authority’s response**

As detailed in the Assessment it is intended that the Proposed Franchising Scheme will create a collaborative approach between CPCA, operators and other stakeholders, whereby the strengths of each party are recognised and built upon. Therefore, while CPCA will take ownership of the network, it will be designed, planned and developed in conjunction with operators through consultation and co-operation to achieve best outcomes whilst considering the needs of passengers. Lessons learned from the implementation of franchising in other regions of the UK such as London and Greater Manchester, as well as franchising in the Channel Islands, will be also reviewed and applied by CPCA.

Recognising the expertise of operators in managing the day-to-day deployment of buses and drivers on local bus services, it is intended that they should retain some freedom to continue to do this, including the ability to decide on the types of vehicles and equipment, in line with CPCA specifications. Each year, there will also be an opportunity for operators to put forward suggested amendments to the service specification for consideration and discussion with CPCA as part of the annual review process. Amendments to adapt and optimise services will be enabled through inclusion of a robust change management mechanism in all franchise contracts.

In response to Stagecoach’s comment that both the Franchising and Enhanced Partnership option are more expensive than current operations, CPCA recognises that additional expenditure will be required to generate a significant impact to bus service provision. Both options are modelled to return greater benefits against the increase in costs, particularly in the case of franchising, with high BCRs estimated for either option. Therefore, the overall benefit net position to residents of CPCA is seen as positive despite an increase in expenditure to the public purse.

Considering the comment from Stagecoach regarding a £3m deficit to the base year, this was highlighted in CPCA’s response to the Independent Audit. The initial years of the assessment period include those influenced by post-pandemic travel patterns, to which the market is still adjusting and at the time of the Assessment bus operators have been in receipt of government financial support. Therefore, it is understood that some short-term reduction in profit by bus operators is possible and as such the small (<4%) variance in base year financial position is not considered material. It is also well within the range of sensitivity tests that are presented in the Assessment.

### **5.3.3 Uncertainty of benefits**

Comments received have identified that there is uncertainty around the benefits captured within the Economic Case, in particular the disparity between the level of benefits generated by Franchising compared to an Enhanced Partnership. Stagecoach outlined that they would welcome more detail on how those benefits have been quantified as they seem “arbitrarily higher for the Franchising proposals versus an Enhanced Partnership”. Stagecoach believes that “an Enhanced Partnership could deliver the overwhelming majority of the benefits that Franchising can deliver in a much shorter period of time and for less cost to the public purse”.

In addition, Stagecoach noted the Independent Auditor’s view that “the Assessment does not fully reflect the downside risks that could impact the funding requirements and the funding required could be significantly higher than the central case presented”.

### **The Combined Authority's response**

CPCA does not agree that the benefits for the Franchising proposals are 'arbitrarily' higher than the Enhanced Partnership option.

The economic case follows the DfT's Transport Analysis Guidance (TAG) and HM Treasury's Green Book, as well as considering data and studies on the UK bus market. An Independent Audit has provided an assurance report on the Assessment, in compliance with the Transport Act 2000. CPCA's response to this report has been verified and approved by the auditor. As such, it is considered that the process followed in appraising the two bus reform options is of an appropriate level of robustness for the Business Case stage.

The introduction of either bus reform option was estimated to generate benefits in relation to social, environmental and economic outcomes. Considering the Franchising option specifically, an increase in on-time performance of services was expected compared to the Enhanced Partnership option, based on evidence from TfL of the implementation of Quality Incentive Contracts. As outlined within the DfT's Transport Appraisal Guidance (TAG), passengers place a high value on the reliability of bus services. This is reflected in TAG, which assigns a factor of 2.5 to reliability improvements (i.e., passengers perceive one minute of lateness as 2.5 minutes of journey time). This means that even modest improvements in reliability could result in substantial economic benefits.

Improved waiting facilities, simplified ticketing offers and simplified communications were expected to be able to be achieved under either bus reform option. However, in an Enhanced Partnership scenario, additional delays to implementation were considered to be possible, as they are subject to operator and other stakeholder agreement.

Bus user benefits in respect of coordinated service provision, integrated ticketing, service stability and information provision were also considered to be possible under either option, though Franchising was considered to enable a higher degree of integration of services, opportunity for implementation of reliability incentives, integration of ticketing and consistently branded information to further enhance the passenger experience.

Regarding the comment that an Enhanced Partnership could deliver most of the benefits of Franchising in a shorter period of time and at less cost, whilst it is recognised that an Enhanced Partnership could yield some of the benefits, it is still considered that the overall benefits estimated for the Franchising option are notably higher than that of an Enhanced Partnership option. The Enhanced Partnership option has been considered throughout the Assessment and it was concluded that this could deliver value for money. However, under the medium level of investment, Franchising offers greater opportunity to deliver more benefits for residents. An interim Enhanced Partnership for the bus network between the Combined Authority and the bus companies was approved for progression in March 2024, which allows for improvements to be made which benefit residents while further work on bus reform continues to progress.

Considering Stagecoach's comment relating to the risks to funding requirements identified by the Independent Audit report, CPCA accepts that more extreme events could occur than those identified by the sensitivity analysis and modelled in the Assessment. These events would affect all options (including the reference case) and therefore be unlikely to change the conclusion of the Assessment. Under franchising, CPCA would have full control over the level of service. Therefore, any downside risks could be mitigated by reducing the level of service, enhancing income generating activities, or a combination of the two.

However, decision makers should judge whether such risks are more likely under Franchising than within a low investment Enhanced Partnership (Enhanced Partnership). If risks are equally probable for both franchising and the Enhanced Partnership option, then franchising is still likely to represent high value for money (compared to the Enhanced Partnership option and the reference case), even in the event of significantly reduced level of service, provided that the status quo had an even lower level of service.

### **5.3.4 Zero-emission buses**

Cambridgeshire County Council, Cambridge City Council, Peterborough City Council and South Cambridgeshire District Council all express a keen desire to see a transition to a zero-emission bus fleet.

Stagecoach outline that they are pleased to see that the introduction of zero-emission vehicles has been correctly prioritised and highly regarded. However, the Assessment “*provides no timescales for introduction of zero-emission vehicles beyond quoting the Cambridgeshire and Peterborough Independent Commission on Climate Change (2021) recommendations for buses to be zero-emission by 2030 which would appear to be a very ambitious target*”. Given the lack of assumptions around vehicle introductions Stagecoach outline that it is “*difficult to understand why Franchising has been assessed to provide a better ‘score’ than an Enhanced Partnership, as a gradual introduction of zero-emission vehicles would be the bedrock of any agreement*”.

Stephenson’s of Essex also raise this point and that there is a “*risk that all vehicles will need to be replaced by electric vehicles within 3 years of the first franchising starting*”.

Whippet commented that the provision of long-term contracts makes it more likely for operators to commit to electrifying fleets, outlining that “*the 8 year contract period with the University of Cambridge on their Universal service allowed them to invest in electric vehicles and depot upgrades with reduced risk of competition in the market*”.

### **The Combined Authority’s response**

As detailed in the Assessment the capital cost of low and zero emission buses remains a barrier to fleet replacement at this stage. CPCA intends to invest in the provision of further zero emission buses over coming years, though it is recognised that this is dependent on the availability of external funding. These investments will be a separate process, although this is likely to be further enabled by franchising through contract agreements with operators.

It is also considered that the stability offered to operators through long term contracts would provide a more favourable environment to commit to the investment needed to electrify fleets and depots. This was highlighted in the response from Whippet, who explained that the 8 year contract period with the University of Cambridge on their Universal service allowed them to invest in electric vehicles and depot upgrades with reduced risk of competition in the market.

In response to Stagecoach’s comment regarding the ‘score’ for better air quality and reduced greenhouse gas emissions being higher for the Franchising option than the Enhanced Partnership option, this is considered primarily to relate to modal shift. The Franchising option was modelled to result in a higher level of patronage growth than the Enhanced Partnership option, primarily through an improvement to reliability benefits. This results in car kilometres being removed from the network, generating a reduction in road traffic emissions associated with private car travel.

The assumption about the roll out of Zero Emission Vehicles (ZEVs) in the OBC was taken from the latest CPCA BSIP, which stated that 100% of the fleet will be electric by 2030. The same electrification phasing is assumed in all scenarios, EP, Franchising and the reference case, and therefore it is not a deciding factor. The Assessment also considered a scenario with no transition to ZEVs (and associated operational savings) which shows that the conclusion does not change. Table 2-12 in the Strategic Case of the assessment scores both options based on what could be achieved and the introduction of ZEVs is scored equally. CPCA is committed to investment in ZEVs, however Franchising is not the only enabler.

### **5.3.5 Limited benefits for rural communities**

South Cambridgeshire District Council state that “*As a rural district, our residents have long suffered woefully inadequate bus services, and we expect these to improve significantly under a franchising arrangement*”.

Stagecoach raise that the Assessment puts a “*high weight on the consideration that Franchising will deliver benefits to rural communities*” and that “*as franchising has yet to be introduced in any non-metropolis area*” they are unsure on how this conclusion can be derived, especially as the proposals are only for a Monday-Saturday daytime service.

Go-Ahead take a different stance and “*support the sentiment that franchising would, on balance, allow greater influence in distributing the identified benefits, targeting those who can gain the most in Cambridgeshire and Peterborough*”.



Transdev agrees that franchising would ensure “*fair access to employment and other public services for poorer rural areas*”. Go-Ahead note that there are highly contrasting demographics and socio-economic profiles between urban centres and also between urban and rural areas. Dews Coaches also pointed out that an effective reform model must strike a balance between economic efficiency and equitable service delivery, ensuring that rural routes are prioritised alongside urban improvements.

A desire to see the benefits in rural communities is also demonstrated by the Confederation of Passenger Transport.. The Confederation of Passenger Transport outline that “*The consultation seeks to increase mileage on already heavily serviced urban routes, with little mention of increasing mileage to rural routes. We would like to see CPCA’s proposals for increasing and supporting rural services*”. East Cambridgeshire District Council also addresses commercial aspects with a focus on rural service provision and contract structuring. They would like to see contract packages that specifically address rural connectivity challenges, suggesting that franchise specifications include minimum service levels for less commercially viable routes.

### **The Combined Authority’s response**

CPCA recognises the different challenges across the region’s network and in particular those associated with serving the significant rural areas within the authority. The Proposed Franchising Scheme and the Assessment have been developed with these challenges in mind.

The Assessment outlines that the Franchising option would be able to provide significant benefits to rural communities. It is recognised, as suggested by Stagecoach, that bus franchising has not yet been widely introduced in rural communities in the UK, but it is in operation in the Channel Islands (indeed, Stagecoach has recently won the contract to operate in Guernsey) and in both urban and rural environments throughout Europe and the wider world. The Assessment notes the operations in Jersey and the Netherlands. If the Mayor makes the decision to proceed with the Proposed Franchising Scheme, CPCA will closely review how to ensure benefits continue to be distributed equally across all communities within the authority area.

CPCA agrees that distributing benefits of either bus reform options across all communities and in particular rural communities, is a key aim. During a 2023 consultation on the CPCA’s Bus Strategy, it was revealed that a top priority for improving bus travel was the provision of more services in rural areas (60% of respondents). Therefore Table 2-15 in the Assessment identifies a target for CPCA, following the implementation of bus reform measures, to increase bus service kilometres in rural areas.

The introduction of either bus reform option was estimated to generate benefits in relation to social, environmental and economic outcomes. Considering the Franchising option specifically, an increase in on-time performance of services was expected compared to the Enhanced Partnership option, based on evidence from Transport for London of the implementation of Quality Incentive Contracts. While this would benefit passenger markets in both rural and urban areas, the impact of poor reliability can be more significant on rural services where frequencies are lower and passengers are more likely to rely on a specific timed service. It is important to note that passengers place a high value on the reliability of bus services. As stated above, this is reflected in the DfT’s Transport Appraisal Guidance which assigns a factor of 2.5 to reliability improvements (i.e., passengers perceive one minute of lateness as 2.5 minutes of journey time). This means that even modest improvements in reliability could result in substantial economic benefits.

Additional supported services could be introduced under either delivery option, constrained essentially by the levels of available funding. Paragraph 2.190 of the Assessment suggests that under an Enhanced Partnership however, no part of an additional service could compete with a commercial service. This could constrain the specification, potential efficiency and effectiveness of any plans for additional services, particularly in rural areas where lower frequency commercial services are more likely to operate. Equally, reactive changes to supported services might be required in response to changes in commercial services, which is considered to be unlikely under the Franchising option.

Franchising was also expected to allow for more consistent funding support than either the reference case or the Enhanced Partnership option, reducing the risk of service cuts in rural areas. The recent experience highlighted by a number of residents relating to reductions in service levels to rural bus services highlights that a centralised guarantee of service provision can be a key benefit to rural communities. The potential for more profitable services to cross-subsidy others and for networks to be planned centrally, as mentioned in Table 2-10

in the Assessment, is expected to benefit rural communities the most, where local routes are less likely to be profitable. Section 3.195 also highlights that the increase in non-use and option values for residents for any enhancements to the network, would be more pronounced in rural areas, where current services are more limited and improvements would benefit residents the most.

Regarding Stagecoach's comment on the service level proposals, the proposed level of service for rural areas is constrained by value for money considerations within its affordability envelope, under current known national and local funding streams. As franchising progresses, CPCA will act transparently and clearly consult on and communicate the anticipated level of service and key performance indicators for bus contracts. Service levels proposed in the medium investment franchising and Enhanced Partnership scenarios would remain above the reference case. All service improvements presented/modelled in the Assessment are indicative and subject to further development and on-going network planning work as part of an implementation planning phase to propose viable operations and improvements.

### **5.3.6 Revenue risk**

As part of their consultation response, Stagecoach outlined that the consultation document and full assessment "*rather ambiguously discuss the sharing of financial risk with bus operators*". They went on to note that without full implementation details, it is difficult to assess how practical this would be and suggested that operators "*would be reluctant to take on revenue risk on routes when they have no control over fares, frequencies or tickets*". Based on this, Stagecoach raise that it is unlikely that any assumed financial benefits of passing that risk onto bus operators would materialise and should not be considered as part of the economic assessment. Go-Ahead also comment that revenue risk should remain with CPCA if they control key demand levers such as ticket pricing.

However, Cambridgeshire Sustainable Travel Alliance highlight that a franchising model that shares risk and reward more equally between operators and the Combined Authority is likely to provide a suitable level of incentive to encourage high quality and attractive bus services.

Transdev, an operator with extensive experience in franchise-type environments in London and Europe, also believe that a reduction in exposure to revenue risk for operators compared to the current situation would improve the level of competition in bus service operation.

#### **The Combined Authority's response**

CPCA believe that the Proposed Franchising Scheme can allow responsibilities and risks to be allocated to those who are best placed to manage them. In a franchising model, CPCA is expected to take on more revenue risk through the award of minimum cost contracts, particularly in the initial tender round. This is considered reasonable given that CPCA is taking on greater responsibility for network planning as the strategic passenger transport authority. The feasibility of subsidy contracts is addressed in Section 6.7.1 of this report. In future tender rounds CPCA will review and assess the potential for future sharing of revenue opportunities with operators.

Other risks/opportunities such as those associated with vehicles and associated equipment and depots will remain with operators, which CPCA believe operators are better placed to be responsible for. As outlined in Section 5.3.5 of this report, Quality Incentive Contracts are believed to provide a suitable mechanism to share a proportionate level of revenue risk with operators, with the ability to incentivise improved performance and investment by operators. It is recognised that an appropriate level of variation for performance related payment to operators will need to be determined at the implementation stage through further market engagement.

Under the Enhanced Partnership arrangement, revenue risk on commercial services would remain with the bus operators. However, as detailed in the Assessment, the Enhanced Partnership Scheme's requirements could have a positive impact on revenue and CPCA would seek to have mechanisms in place to ensure a certain amount of revenue was reinvested into service improvements. This would require a legal agreement to ensure that any additional revenue is used for public good and not for distributable profit to shareholders. There is however considered to be less certainty in whether revenue increases could be reallocated into network improvements, which is considered to be a risk to CPCA. In the reference case, CPCA would still favour

increased investment into the network, but the likelihood of revenue increases being suitably reallocated to optimal service improvements is considered even lower than in the Enhanced Partnership case.

If a decision to proceed with Franchising is taken, the implementation stage is expected to involve further investigation into appropriate risk sharing mechanisms between operators and CPCA. This will aim to ensure that operators are able to participate in tendering without an unreasonable level of risk and is expected to generate up to date cost and revenue estimates for lots which could help to mitigate against uncertainties in revenue risk.

## 5.4 Theme 3: Modelled costs of proposed Economic Case options

Respondents have raised queries pertinent to the costs associated with the Proposed Franchising Scheme and deploying an Enhanced Partnership. Responses are specifically related to tendering and mobilisation costs and more generally the costs being too optimistic at this stage.

### 5.4.1 Tendering and mobilisation costs

Responses to the consultation raised whether CPCA tendering and mobilisation costs have been repeated for subsequent retendering. It was raised that the Assessment does not specify whether costs associated with franchising have been repeated for future rounds of retendering. Stagecoach outlined that “*Section 3.126 of the OBC refers to estimated CPCA costs in relation to Franchising of £1.39m. Section 3.130 then goes on to state that these costs are phased over 3 years (2024, 2025 and 2026). However, there is no evidence that these costs (or at least a proportion of these costs) have been repeated for future rounds of retendering (see Appendix D of the Outline Business Case)*”.

#### **The Combined Authority’s response**

CPCA can confirm that an allowance for operator bidding costs have been included in the economic assessment for franchising (comparing all additional costs of this operating model against the business as usual scenario). These were repeated throughout the appraisal period and included:

- £200,000 allowance per procurement round (2023 prices)
- A phased basis, spreading costs 50/50 across two years reflecting a phased procurement approach
- Increased costs over time in line with TAG Databook GDP inflation forecasts
- Every five years, which provides an allowance within that of the contracts approach being “up to 7-8 years” to provide a robust assessment

Associated bus reform costs to CPCA included allowance for professional fees (legal and technical advisors) and procurement costs - incurred in setting up and advertising franchise contracts, costs of tender evaluation (where provided from outside the CPCA Public Transport team) and the costs of tender preparation. The first time a contract is awarded, there are additional steps which need to be undertaken including establishing tender review processes and putting in place the initial support functions which are then in available for subsequent refranchising rounds. These were included over the first three years of implementation to cover initial set up of a new system for franchising.

It is expected that the retendering of franchises, after the intensive initial round, will be conducted by CPCA staff as part of their future established business-as-usual operation. Therefore, higher financial allowances were included up front. In future rounds of procurement and tendering, increased CPCA staff costs were included to reflect the long-term appointment of extra staff within the authority to manage and oversee bus service contracts. This was estimated based on a proposed team structure for the authority and salary expectations (increased in line with CPCA forecast salary increases over time).

### 5.4.2 Costs being too optimistic

Stagecoach outlined that some of the capital and operating cost calculations for the implementation and the on-going operation of franchising appear to be “*overly optimistic*”. Stagecoach drew on their experience in

Manchester where additional roles have been required in both the procurement and operation management of the franchise above and beyond that anticipated at the assessment stage.

Stagecoach also raised that the capital discussed for building new EV ready bus depots would similarly appear to be optimistic, taking the costs of a new depot built in Warrington stated in Paragraph 5.27 of the Assessment. Stagecoach believe that using this depot as a baseline seems reasonable but *“that build took years in the planning; labour, products and building costs have significantly increased since then”*.

### **The Combined Authority’s response**

In accordance with good governance procedures, CPCA have produced the relevant figures for each option having obtained as much relevant information from operators as possible. Having undertaken this process, the Independent Audit confirmed that CPCA had produced reasonable costs that were generated based on recognised data sources. In line with Government guidance, CPCA tested the budget under various scenarios and under all of these scenarios the scheme remained affordable.

During implementation CPCA recognise that there will be factors that change costs and this will be subject to the outlined governance processes of either bus reform option. To mitigate the impact of future cost uncertainties, an allowance for cost overruns has been included (optimism bias) which has also been verified by the Independent Audit.

Costs included within this assessment have been benchmarked against existing schemes and operations to ensure as much cost certainty as possible at this stage, however it is noted that there remain some uncertainties. The most up to date information from published sources was used at the time of assessment. As outlined within the CPCA’s response to the Independent Audit, it is usual at this stage of development for there to be uncertainty over major capital project costs. To address this uncertainty, CPCA have added a 46% optimism bias to the estimate. Additionally, CPCA undertook a sensitivity test where the level of borrowing for capital projects is £9m (28%) higher than the level assumed with optimism bias. The result showed no material impact on the level of precept required or the affordability of the franchising proposition.

In the preparation of the Assessment, significant efforts were invested in ensuring the accuracy and relevance of the data used to inform the analysis of the costs, revenues and benefits, including staffing costs, depot costs and population growth.

While all the data came from recognisable or verifiable sources, it is acknowledged there are some limitations as some data is only collected at the national level and therefore judgment was required to ensure accuracy and relevance in relation to CPCA. To ensure the accuracy and relevance of the figures, specific local data were sampled and more than one source was used to calibrate the central scenario estimates. In the estimation of depot costs, local land values were used alongside construction costs from elsewhere in the country. Furthermore, the Assessment includes a sensitivity test of 22% higher depot costs.

Staffing costs which mostly affect bus operating costs were not estimated directly. Instead, the total cost of operating bus miles was estimated using data from the Office of National Statistics. This data was calibrated with data from a bus operator in the CPCA area and it was found that the modelled cost is considered a reasonable assumption.

Particular attention was paid to forecasting the rate of population growth and the pattern of growth. This was done by analysing proposed development sites, as well as the general rate of population growth in the CPCA area. Nevertheless, to ensure that CPCA can deliver Franchising even with lower rates of population growth, these were tested and reported in Paragraph 5.80 onward of the Assessment (sensitivity testing).

As also noted by the auditors in their conclusions, all estimates used in the central scenario are considered appropriate and sensible.

It is acknowledged that there are downside risks (i.e., raising costs or declining population) which cannot be anticipated at this stage, however, it is important to consider whether these affect the Franchising option only, or both Franchising and Enhanced Partnership. Most downside risks affect both options and therefore the relative advantage of Franchising remains. Where risks are specific to Franchising, as noted in the business

case, CPCA will use its acquired control to mitigate them and ensure that services are sustainable considering the available resources.

## **5.5 Economic Case Conclusion**

A variety of responses have been received regarding the Economic Case of the Assessment. Most of these were relating to the three main themes as detailed within this report:

- Assumptions used in the Economic Case
- Risks and uncertainties in the Economic Case
- Modelled Costs of Proposed Economic Case Options

The following sections of this conclusion summarise the conclusions drawn from these responses.

Overall the assumptions in the Economic Case are felt to be reasonable and prudent but all points need to be considered in any implementation.

### **Assumptions used in the Economic Case**

To develop the Economic Case for both Franchising and an Enhanced Partnership a series of assumptions were required and which have been subject to independent review through the Audit. Comments regarding the derivation of passenger benefits from reliability improvements in the Assessment were received, as well as queries about whether bus priority investment was considered in detail. CPCA reiterates that achieving reliability improvements is a contributor to the success of either bus reform option; and that even modest improvements in reliability could result in substantial economic benefits being realised. It is recognised that these benefits are reliant on modelling assumptions, as is appropriate for a stage equivalent to an Outline Business Case level assessment. CPCA also recognises that certain limited bus priority measures would form part of the do-nothing scenario, but delivery of such schemes is external to this assessment and have little effect on the range of issues faced for services in rural areas.

Consultees also query the assumptions that the Bus Service Operators Grant (BSOG) will continue to grow into the future and whether potential declines in patronage growth assumed account for possible implications of a rise in the National Bus Fare Cap. CPCA justify the assumption that BSOG will continue to be provided by the DfT, with additional funding streams from central government such as Bus Service Improvement Plan (BSIP) funding reducing the reliance on BSOG over time. CPCA also reiterates that passenger growth has been modelled using the best available analytical tools, data and benchmarking which was subsequently approved by the Independent Audit and that external factors are likely to influence long term bus demand in each of the reference, Enhanced Partnership and Franchise cases so each would have only limited impact on the comparative economic performance of the options.

It has been outlined that Franchising appears as superior to an Enhanced Partnership due to the wider economic benefits that are assumed under Franchising. Consultees recommend that these benefits are modelled in line with central government guidance and are appropriate for the local population. CPCA consider the level of wider economic benefits anticipated at this stage to be reasonable as they are informed by DfT guidance on economic appraisal and have been calculated following recognised assumptions that are considered prudent.

Numerous key stakeholders including Dews Coaches, Stagecoach and the Confederation of Passenger Transport raised that the benefits and value added in the event of developing an Enhanced Partnership have not been fully considered, with Transport UK questioning the use of wider economic benefits to evaluate options. CPCA recognise that delivering an Enhanced Partnership is considered affordable and has less financial risk to the Combined Authority as there is less responsibility for passenger fare revenue. However, the level of benefits generated through an Enhanced Partnership are considerably lower compared to Franchising where the Combined Authority has greater control and can shape the bus network as a whole. The use of wider economic benefits is informed by DfT guidance on economic appraisal and have been calculated following recognised assumptions that have been verified by the Independent Audit.

### **Risks and Uncertainties in the Economic Case**

There are a number of risks associated with both Franchising and an Enhanced Partnership. These risks include the Mayoral precept being deemed unacceptable, lost operator experience, uncertain benefits, undeliverable zero-emission buses, limited benefits for rural communities and revenue risk.

Generally, these risks will be managed through a dedicated risk management process and appropriate measures used to mitigate any of these risks. These risks will be an important part of any decision making about bus reform for CPCA.

### **Modelled Costs**

Respondents raised queries pertinent to the costs associated with Franchising and deploying an Enhanced Partnership. Responses were specifically related to tendering and mobilisation costs and more generally the costs being too optimistic at this stage. In accordance with good governance procedures, CPCA have produced the relevant figures for each option having obtained as much relevant information from operators as possible. Having undertaken this process, the Independent Audit revealed that CPCA had produced reasonable costs that were generated based on recognised data sources. In line with Government guidance, CPCA tested the budget under various scenarios and under all of these scenarios the scheme remained affordable.

### **Overall Conclusion**

A diverse set of comments have been received concerning the Economic Case. These responses have been evaluated carefully by CPCA. After consideration of these responses it is felt that the findings do not significantly alter the findings of the Economic Case.

CPCA are confident that the data and benchmarking used to inform the Economic Case is robust for this stage of assessment and has been verified by the Independent Audit. Both options demonstrate value for money for CPCA with Franchising demonstrating a stronger case based on the wider benefits that can be achieved. Following formal decision on the best option for bus reform key inputs and assumptions will be updated as an implementation plan is developed and the business case progresses further.



## 6. Commercial Case

### 6.1 Introduction

This section outlines the key themes within the Commercial Case arising from the Consultation, along with the Combined Authority response. The Commercial Case seeks to assess the proposed commercial models of the two alternative bus reform options being assessed, Franchising and Enhanced Partnership. It assesses the existing commercial arrangements for bus services within the region and outlines proposed commercial and procurement arrangements for either bus delivery options considered, including contractual principles and potential mechanisms.

In the short questionnaire, the following question was asked specifically about the Commercial Case:

- S4: The Commercial Case says that the Combined Authority would be better able to meet its commercial objectives (success factors) through Franchising compared to an Enhanced Partnership? Do you have any comments on this?

In the long questionnaire, the following 15 questions were asked specifically about the Commercial Case:

- L8. The six commercial objectives set out above have been used to compare the performance of Franchising and an Enhanced Partnership. Do you have any comments on these objectives?
- L9. Do you have any comments on the draft Franchising Scheme covering the entire Cambridgeshire and Peterborough Combined Authority area and including all bus services, apart from those exempted?
- L10. Do you have any comments on the proposed timescale for introducing franchised bus services?
- L11. Do you have any comments on the proposed duration of franchise contracts being for 7 or 8 years?
- L12. Do you have any comments on the way the Combined Authority would approach procuring contracts, including the packaging of services into contract lots, under the proposed Franchising Scheme?
- L13. Do you consider that the proposed way of introducing Franchising takes account of the needs of small and medium-sized bus operators, such as in providing suitable contract opportunities?
- L14. Do you have any comments on the approach to bus depots under Franchising?
- L15. Do you have any comments about operators remaining responsible for buses and on-bus equipment under Franchising and future procurement?
- L16. If the proposed Franchising Scheme were implemented, it is possible that some operator employees may be transferred to another operator or potentially to the Combined Authority. Do you have any comments on this?
- L17. Do you have any comments on the proposed approach to consulting on how well Franchising is operating?
- L18. Do you have any comments on the sharing of risk and responsibilities between the Combined Authority and bus operators?
- L19. Do you have any comments on the above assessment regarding how Franchising would enable the Combined Authority to manage the bus network and achieve its commercial objectives?
- L20. Do you have any comments on the above assessment regarding how an Enhanced Partnership would enable the Combined Authority to manage the bus network and achieve its commercial objectives?
- L21. The Commercial Case shows how both Franchising and Enhanced Partnership could deliver change and improvement. Under Franchising, the Combined Authority would have more control over the entire bus network. Under an Enhanced Partnership, the Combined Authority would not control the whole network and there would be more reliance on negotiation with bus operators. Do you have any comments on this?
- L22. The Commercial Case says that the Combined Authority would be better able to meet its commercial objectives (success factors) through Franchising compared to an Enhanced Partnership? Do you have any comments on this?

This section outlines the issues raised in line with these questions, as part of the responses from key stakeholders to the long and short questionnaires, as well as correspondence received by email. Additionally where issues have been raised as part of the responses to the Management Case questions (Section 8 of this report) and other questions, which CPCA considers to having a bearing on the Commercial Case, these have also been outlined. The main themes identified in these responses are reflected in this section.

This section also considers key themes from the wider public responses to the bus reform consultation, which again have a bearing on the Commercial Case, that are captured and quantified in the Westco report. Section 7 of the Westco report includes a summary of the responses to the questions relating to the Commercial Case. It outlines that a total of 1,040 participants responded to the general question on the Commercial Case as part of either the short or long questionnaire, with 17 key stakeholders and 46 wider stakeholders responding. Additionally a number of key and wider stakeholders responded via email, which have been captured in the Westco report and this report's appendix.

In analysing the responses from statutory stakeholders, the predominant feedback was from bus operators, county and district councils, neighbouring authorities and other associated transport industry representatives.

A range of viewpoints were recorded from key stakeholders and the public regarding the details of commercial models envisaged for either bus reform options. Key focus of the responses include:

- The franchising model chosen and the commercial objectives chosen.
- The anticipated length and phasing of different periods of the transition to franchising, including staging of procurement rounds and phased implementation.
- The approach to assets, considering specifications of vehicles, provision of depots, the ownership and responsibility of both vehicles and depots and the impact of contract lengths on vehicle investment.
- The anticipated potential for involvement of SMEs, considering the approach to lotting, disadvantages that might be faced in the procurement process and the approach to employee transfer.
- The proposed approach to tendering of lots in different stages and at a range of scales.
- The allocation of risks anticipated through choice of different contract types and through the distribution of responsibility of other service elements such as network development, marketing, customer service and liveries.
- How risk-sharing on contracts could incentivise innovation and how poor performance or insolvency on franchise contracts would be managed.

## **6.2 Theme 1: Franchising model**

### **6.2.1 Association with rail franchising**

A recurring theme seeded through the responses from members of the public (13 responses) was around the performance of franchising of passenger rail services and the potential to learn lessons from that sector. Of those who made the comparison, the greater number (10 responses) referred to their opinion that rail franchising had not been successful and that this lead them to expect that bus franchising would also not be successful. A smaller number (3 responses) took a more positive view that the passenger rail sector demonstrates a particular approach to franchising and provides evidence of what does or does not work, which can inform the development of the Proposed Franchising Scheme for Cambridgeshire and Peterborough.

#### **The Combined Authority's response**

CPCA acknowledges the concerns raised about potential parallels between rail and bus franchising but notes that there are significant differences between contracts for providing services in the rail sector and developing the Proposed Franchising Scheme. In choosing a model for bus franchising, CPCA has taken care to consider the existing bus franchises and concessions in London, Manchester, Jersey and the Netherlands to understand what works well in different circumstances and any issues to avoid. Notwithstanding the structural differences



between the bus and rail sectors, CPCA has considered the relevant lessons that there are from rail franchising in developing the proposed franchising scheme.

CPCA does not, however, agree that the performance of franchising of passenger rail services provides a reliable indication of the likely success of the proposed franchising scheme. Franchising exists across many sectors in a wide range of models with varied characteristics and track records. The fundamental nature of the rail sector is very different from the bus sector due to the dissimilar assets, infrastructure and markets involved; this results in very different franchise environments in the two sectors.

The bus sector uses less costly rolling stock (vehicle) assets with a shorter service life and different financing arrangements, allowing simpler arrangements for their procurement, provision and use than is typical in the rail sector. Similarly bus infrastructure, such as road networks, stops and bus stations, is typically less costly and is largely owned by the Combined Authority and its partners, allowing for more straightforward access arrangements than are achievable in rail. Fare structures and performance regimes are much simpler and services are not generally subject to major delays (and compensation payment obligations) when another service fails to perform correctly.

These differences allow bus franchising to avoid exposure to many of the risks and complexities of rail franchising and minimise the parallels that could be drawn between bus and rail franchising. There are more potential similarities between bus franchising and light rail franchising, which has successfully operated in UK cities (such as Manchester Metrolink, Nottingham Express Transit and Docklands Light Railway) for many years.

## **6.2.2 Commercial Objectives definition**

There was general support across key and wider stakeholders for the six commercial objectives included in the Assessment. Dews Coaches noted that they “*seem reasonable markers for comparison*” and the Confederation of Passenger Transport stated that “*the objectives are appropriate for the assessment*”. A number of respondents had further comments regarding the alignment of the Proposed Franchising Scheme with the objectives – such as Stephenson of Essex who queried how the third objective of encouraging competition between bus operators would be achieved for small and medium operators and Transdev who provided detailed comments around the proposed allocation of risk to operators. These are discussed under Section 6.7.

Additional commercial objectives were proposed by a number of consultees, including a ‘workforce impact’ objective suggested by Go-Ahead to minimise negative impacts to bus workers’ terms and conditions. A large number of responses from operators, Confederation of Passenger Transport and England’s Economic Heartland raised the potential inclusion of passenger-related objectives, specifically around passenger growth and satisfaction.

### **The Combined Authority’s response**

CPCA welcomes the positive reception from stakeholders for the six commercial objectives included in the Assessment and of their suitability for assessing the current bus arrangements, bus arrangements under the proposed model for franchising and bus arrangements under an Enhanced Partnership.

CPCA acknowledges the comments received suggesting additional objectives covering impacts on passengers (patronage growth and satisfaction) and bus workers (terms and conditions). CPCA agrees that these are key considerations for bus reform and assessment of these outcomes for passengers and bus workers has been undertaken in the Economic, Financial and Strategic Cases. These impacts are recognised to be a key focus of further specification of a delivery model for a Franchising Scheme and the views of stakeholders on these matters would be considered during the implementation planning phase through a detailed commercial strategy.

Within the Assessment, the Commercial Case’s focus is to consider whether the different bus reform options would enable a viable commercial model. CPCA remains of the view that the six commercial objectives included in the Assessment are sufficient for the commercial assessment of the bus reform options.

CPCA confirms that the commercial objectives are intended to provide a consistent qualitative assessment of options in the commercial case and have been considered together with the bus reform objectives set out in the

Strategic Case (Table 2-8 in the Assessment) and the quantitative analysis set out in the Economic Case and Financial Case, to provide a balanced and robust assessment of the bus reform options.

Although the different stakeholder viewpoints provided from consultation are understood and noted, the feedback received reaffirms the conclusions made about the bus reform options' performance against the commercial objectives.

### **6.2.3 Commercial Objectives assessment**

Transport UK provided specific feedback about the assessment against the commercial objectives for the franchising options, highlighting concerns that the lot sizes may not be large enough to attract competition from operators new to the area and that together with the approach to fleet assets this could limit the ability to achieve the 'Best value' and 'Competition between bus operators' objectives and that the 'Appropriate risk allocation' should be rated as red rather than amber due to the risk of stranded assets for operators. However, Transport UK also expressed a belief that franchising would allow the objective of 'Recovery and flexibility' to be achieved.

#### **The Combined Authority's response**

CPCA acknowledges the feedback provided by Transport UK and recognises the concerns expressed about lot sizes and the approach to fleet assets. These concerns have been responded to in Sections 3.3 and 6.4.5 of this report. CPCA notes the key conclusions provided by the responses, which can be summarised as follows.

The lot sizes are not expected to materially limit the competition between bus operators as both CPCA's previous engagement with operators and the feedback to this consultation shows that there is interest in competing for lots from operators not currently in the area. CPCA's depot strategy includes provision of depots for the larger lots, which will open these up to competition.

The Proposed Franchising Scheme is not prescriptive as to whether operators acquire vehicles through purchasing or leasing, enabling operators to adopt a range of approaches to avoiding the risk of stranded assets. As noted in Paragraph 4.85 of the Assessment, "*At the end of franchise periods, operators will have the freedom to do as they like with vehicles, including moving them elsewhere, including for another contract within Cambridgeshire and Peterborough, or selling them on to another incoming operator*". For leased vehicles this could also include arranging leases to end at the same time as franchise contracts.

Taking into account the conclusions to the responses provided to these concerns, CPCA remains of the view that the assessment of the franchising option against the commercial objectives is sufficiently robust to support the conclusions of the Commercial Case.

## **6.3 Theme 2: Franchise contracts, procurement and implementation**

Consultees provided responses on the approach to franchise contracts, procurement and implementation within the Commercial Case. These responses will be addressed within this theme and are captured under the following headings representing:

- Procurement staging
- Detailed procurement and tendering approach

### **6.3.1 Procurement staging**

Several bus operators responded to ask for more details around the franchising procurement programme. Stagecoach asked if the first and second procurement exercises would overlap or if the second procurement would only commence after the first was completed. Both Stagecoach and Dews Coaches noted the importance for operators of having the results and feedback from the first procurement before submitting for the second.

Transport UK noted the potential economies of scale from holding only a single procurement round, while acknowledging the disadvantages of both the missed opportunity to enable lessons to be learnt and the reduced timescale for CPCA to develop its capabilities as a franchising authority. While discussing the same issues, Go-Ahead suggested that a greater number of procurements could be advantageous due to the increased attractiveness to operators of being able to stagger changes to their business, staffing and overheads when changes to package providers occur.

Transport UK also requested clarity on a statement that the transition to a franchised network is programmed to deliver the first franchised services in the first eight months. They question whether this is “intended to mean that contract awards (followed by standstill periods) will be made in the ‘*first eight months*”, or whether it suggests that smaller contracts would “*commence within eight months of procurement*”.

### **The Combined Authority’s response**

CPCA welcomes the feedback from operators on the advantages and disadvantages of different approaches to splitting and staging franchise procurements. The level of detail provided in the Assessment (in Paragraphs 4.55 to 4.64) is considered to be appropriate for the current stage of development of the scheme (equivalent to Outline Business Case). The proposed period identified for phasing in franchising arrangements (two years) is sufficient to accommodate a variety of approaches to splitting and staging franchise procurements while providing stakeholders with an adequate understanding of when franchising would be implemented.

CPCA also wishes to clarify in response to Transport UK that the delivery of the first franchised services ‘within the first eight months’ refers to the length of time between the procurement period and the award of first contracts. A mobilisation period of at least nine months is expected after this, as outlined in Section 3.3 of this report. It should be stressed that the anticipated timeline towards the first operation of franchised services within CPCA is indicative at this stage.

If the Mayor makes the decision to proceed with the Proposed Franchising Scheme, then this feedback will be taken into account in developing the full tenders and contracts during the procurement design phase. This will include considering procurement assignment and timing to optimise the attractiveness to operators and the effectiveness of the procurement in line with the commercial objectives.

## **6.3.2 Detailed procurement and tendering approach**

Key stakeholders provided further feedback on the proposed approach to procurement and tendering, including specific suggested enhancements, covering tender sequencing and evaluation.

Both Transdev and Go-Ahead recommended that large lots should be procured before smaller lots to encourage marginal cost bids at a low risk to bidders, aligning with Peterborough City Council’s request that CPCA “*look at the phasing of when the routes will be released to bid for to ensure we get enough interest from all parties*”.

Transdev also recommended that tender specification include fixed timetables to ensure comparable bids. Whippet suggested that tender evaluation could also be supported by having a ‘shadow bid’ developed to provide a basis of comparison against external bids. Both the Community Transport Association and Go-Ahead proposed the inclusion of social value criteria in bid evaluation in order to add value and further benefits.

### **The Combined Authority’s response**

CPCA welcomes the suggested enhancements to tender sequencing and evaluation, noting that there are a wide range of potential approaches to these processes. If the Mayor makes the decision to proceed with the Proposed Franchising Scheme, then this feedback will be taken into account in developing the full tenders during the implementation (procurement design) phase. This will include considering options for optimising the attractiveness to operators and the effectiveness of the procurement in line with the commercial objectives.

## **6.4 Theme 3: Approach to assets**

Consultees provided responses on the approach to assets within the Commercial Case. These responses will be addressed within this theme and are captured under the following headings representing:

- Residual value mechanisms
- Contract duration
- Provision of depots
- Shared depot responsibilities and costs
- Fleet provision
- Fleet specification

### **6.4.1 Residual value mechanism**

Many of the larger bus operator groups responded to suggest that a residual value mechanism should be included in service contracts for the Proposed Franchising Scheme. Transdev notes that there could be mutual benefits in the reduced risk for operators and lower costs for CPCA from keeping fleet in the scheme when lots transition between operators. Go-Ahead echo this recommendation, observing that the resulting extension of depreciation periods could reduce contract costs to CPCA and enable provision of fleet for future procurements. Transport UK 's comments also align, going on to suggest that extending a residual value mechanism to leased vehicles could attract additional bidders for lots.

#### **The Combined Authority's response**

CPCA notes the comments received concerning potential inclusion of a residual value mechanism and acknowledges the potential benefits associated with adopting such an approach.

A residual value mechanism would place upon CPCA an obligation to acquire the vehicle fleet for each contract at its termination, subject to predefined parameters being met such as the vehicle ages or fuel types. The contract would specify a mechanism for determining the cost of acquisition calculated on an Open Book or Market Value basis. Inclusion of a residual value mechanism would transfer additional risks to CPCA, as well as the potential benefits noted by stakeholder responses.

As described in Paragraph 4.48 of the Assessment, CPCA's preferred approach is to share responsibilities and risks with operators, working collaboratively to define and design provision and incentivising operators to increase usage and benefit from increasing revenue. This approach to risk could be compared to models of franchising (or concessions) found elsewhere, such as in parts of the Netherlands and in Jersey. A higher level of control and risk acceptance (including a residual value mechanism) could be compared to franchising models undertaken in Manchester and London. However, CPCA is a much smaller authority than either London or the metropolitan Combined Authorities and does not have the financial strength to adopt the same level of risk and investment that those authorities are able to.

The draft Proposed Franchising Scheme has been developed to reflect the likely way forward, but is likely to be shaped further during the implementation planning phase if the Mayor makes the decision to proceed with the Proposed Franchising Scheme. This will include considering options for optimising the attractiveness of tenders to operators and the effectiveness of the procurement in line with the commercial objectives.

### **6.4.2 Contract duration**

The majority of responses from key stakeholders expressed significant support for the proposed 7 or 8 year contract duration (with options for extension based on achieving predefined performance criteria). Transport UK noted that Transport for London had recently started extending their contracts to 7 years to mirror the life-cycle of EV bus batteries. Peterborough City Council supported the proposed duration but noted that they "*would want to see firm KPI's and break / failure clauses if operators did not deliver to specification*". Whippet also expressed support, noting that the proposed duration would allow vehicles to be used on two (successive) franchise contracts, while querying a reference to 'up to 7 or 8 years' in the Assessment.

Several of the SME operators however did raise specific concerns about the impact on contract length on their ability to compete for work under the Proposed Franchising Scheme. Stephenson's of Essex, Delaine Buses and a member of the public (formerly an SME operator) reported that SMEs would have more difficulty in redeploying

vehicles to other work and so would have to depreciate their vehicles over the length of the contract rather than over the vehicles' lifespan, reducing their ability to compete on price.

Stagecoach and the Confederation of Passenger Transport both suggested that longer contracts specifically for zero-emission vehicles could enable operators to invest in these vehicles and the supporting infrastructure.

### **The Combined Authority's response**

CPCA welcomes the generally positive responses to the proposed contract duration and acknowledges the comments made about performance management, confirming timescales and the proposed timescales' implications for SME competitiveness and for investment in zero-emission operations.

With regard to Peterborough City Council's comments around KPIs and break clauses, the initial proposed Performance Management Framework set out in Paragraphs 6.124 to 6.126 of the Assessment includes those provisions. The exact mechanisms contained within contracts would be subject to further development and market engagement after any decision.

In response to Whippet's query regarding confirmation of the contract duration, contracts will be initially awarded for a typical period of 7 or 8 years, although if there is a clear benefit for a particular contract to be shorter then this would be considered. Staggering of end dates could offer benefits for the management of contracts by CPCA and this could be explored during the implementation planning phase.

Noting the other points raised about the proposed contract duration, the period selected is considered to be of suitable length to provide stability and give operators sufficient confidence to be able to invest in services, while still balancing the regular need for competitive opportunities. In discussions over recent years, operators have suggested that a contract duration of five or more years is helpful in providing stability and in business planning. It represents a significant increase in duration to contracts currently in place and is longer than is typically used for contracts for franchised services in Manchester. The proposed duration is also close to the maximum ten years allowable under the Public Service Obligations in Transport Regulations 2023, if the potential extensions are taken into account.

The period chosen is considered to be generally suitable for the initial franchise contracts. As the franchising process develops over time, experience from both CPCA franchising and best practice from other authorities undertaking bus franchising will be taken into account in when deciding an appropriate length for replacement franchise terms when the first generation of franchising contracts are coming to their end and the franchised network has settled down.

Based on discussions with operators, franchise specifications will provide some limited freedoms for operators to provide vehicles of their choice, enabling them to be deployed elsewhere at the end of contract periods. Equally, it would be hoped that operators developed a portfolio of services under different contracts and with different durations, so that vehicles could be moved between services as contracts end or start. This will also be aided by specifications allowing for vehicles of different ages to be included at the contract start date, so that operators are not required to provide significant fleets of new vehicles all at one time.

If the Mayor makes the decision to proceed with the Proposed Franchising Scheme, CPCA officers will pay careful attention to specifications and contract durations during implementation planning to provide suitable confidence to operators.

### **6.4.3 Provision of depots**

Key stakeholder feedback on the proposed provision of two depots was generally positive, with Go-Ahead advising "*We welcome the CA's plans to provide depot facilities*". In addition, a number of key stakeholders raised specific issues around the proposed depot provision by CPCA, covering the provision of depots for smaller lots and the implications for SMEs and operators new to the area, as well as depot location, depot sharing and electrification issues.

Several key stakeholders expressed concerns that SMEs and operators new to the area would be disadvantaged if depots are not provided for the smaller lots. Transdev advised that *“we believe that by not providing buses and depots for smaller lot (sic) will make it difficult for small and medium-sized bus operators to access these opportunities”* and Go-Ahead noted that *“this could represent a disadvantage to operators from outside the area in both the short and long term”*. Stephenson of Essex also advised that electrification could also present additional disadvantages to operators of small lots if large lot operators can exclude electrification costs for CPCA’s depots.

Go-Ahead have gone on to query whether an operator delivering both large and small lots would be permitted to operate small lots from the CPCA depot provided for the large lots, noting that this could both increase competition for smaller lots by removing a barrier to entry, but also advantage operators of the larger lots. East Cambridgeshire District Council suggest that small lot operators should be allowed to use the two CPCA depots as well to ensure that they are not disadvantaged. Whippet suggested an alternative approach whereby CPCA actively work with operators to support with depot acquisition or expansion.

Two operators (Transdev and Go-Ahead) responded to say that incumbents may have a competitive advantage if their own depot(s) were better positioned to deliver large packages than the CPCA-provided depots and that to provide a fair comparison, bidders should be required to base their bids for the large packages on using the appropriate CPCA depot.

Go-Ahead queried the proposed approach to depot provision, noting that the Assessment refers to providing depot facilities for the three main lots, but that there are two depots proposed and four larger packages. Go-Ahead also noted their concerns around operators sharing depots (discussed in Section 6.4.4 of this report) and recommended that a separate CPCA depot be provided for each of the large lots.

### **The Combined Authority’s response**

CPCA recognises the high level of key stakeholder interest feedback on the proposed approach to the provision of depots and acknowledges the range of views expressed. The approach has been developed to align with the commercial objectives for bus reform, specifically to support delivery of best value and competition between bus operators.

The Assessment notes in Paragraphs 4.72 and 4.73 that *“significant growth in overall bus fleet required to enhance the bus network will require additional bus depot capacity across the area”* and that *“To provide opportunity for robust competition the CA will provide depot facilities for the three main lots that will be let (2 in Cambridge, 1 in Peterborough)”*. These lots refer to the Cambridge and Peterborough area lots, with one depot provided for the 2 Cambridge area lots to share and one depot provided for the Peterborough area lot. Provision of depot facilities for the St Ives – Cambridge Busway lot could be considered further during implementation planning, though this is dependent on a finalised decision on the approach to lotting. The Assessment also notes that CPCA *“will not provide depot facilities for the smaller lots as the barrier to entry of a small depot is considered minor”*.

It is anticipated that the larger lots will be the main focus for operators new to the area, which has driven the approach to providing depot facilities for these lots so as to remove the competitive advantage of existing depot facilities. Paragraph 4.76 of the Assessment advises that *“the cost of using the facilities will be set out as part of the contract package procurement process”*, ensuring a fair allocation of costs to bidders for large lots. As noted above, the barrier to entry of a small depot is not considered significant; provision of depot facilities for small lots could also undermine CPCA’s requirement to facilitate the involvement of SMEs by attracting larger operators.

CPCA welcomes the suggestions to require large lots to operate from the depots provided, to consider allowing smaller lots to use these depots and to provide an additional depot to allow separation of the Cambridge lots. This feedback will be considered further during procurement design if the Mayor decides to proceed with the Proposed Franchising Scheme.

#### **6.4.4 Shared depot responsibilities and costs**

A number of consultation responses were received asking for further clarification on depot management responsibilities and costs. Suffolk County Council notes that co-locating operators and increasing depot availability can reduce dead mileage. However Dews Coaches suggest that depot location can affect contract bid prices and operational costs. Transport UK prefers an equal playing field for all bidders, ensuring access to depots for larger franchises to remove barriers to entry.

A number of operators expressed that shared depots may present operational challenges. Go-Ahead expressed concerns about risks related to industrial relations, staff retention and operational consistency. They advocate for single operator sites to ensure clear accountability and support the provision of depots by the authority to facilitate consistent bidding and the roll-out of electric bus infrastructure.

Transdev emphasises the need for clear accountability in depot maintenance and insurance, recommending that the authority handle insurance while the main operator manages maintenance, with any major overhauls clearly defined in contracts. First Bus supports the idea of shared depot facilities as long as clear contractual arrangements, such as Service Level Agreements, are able to manage practical considerations and prevent inter-operator disputes, which could arise around vehicle parking and maintenance workshop management. Transdev suggests a strong due diligence mechanism to ensure assets are handed over in good condition and advocates for clear accountability for defects and latent defects.

Dews Coaches raised concerns about health and safety and driver welfare, They also question how fuelling and charging facilities will be managed and the costs associated with depot usage. They emphasise the need for consultation with operators regarding depot location, facilities and operational details.

#### **The Combined Authority's response**

The Assessment identifies that CPCA will need to provide additional bus depot capacity in the area to support targets for a growth in the overall fleet. These would be provided for use on the larger lots to be tendered, to encourage a more level playing field between incumbent operators and potential new entrants. Depot facilities for smaller lots are not envisaged, as this barrier to entry is considered minor. However there is a possibility that these new depots could be shared between operators, particularly if sub-contracting is favoured by the winning franchisee or to remove barriers to SME entry for smaller lots.

It is recognised that clear contractual arrangements for usage of depots as part of a franchising solution would be required. This is particularly true when depots are to be shared between operators. This includes defining the rights of all operators to use facilities within and in proximity to the depot, defining the accountability for depot maintenance and specifying best practice in health and safety.

In the Assessment, Paragraphs 6.37 and 6.38 of the Management Case identify that, following a decision to proceed with franchising, the early scale-up phase would involve further detailed work on the implementation planning of the bus depots. The comments raised by key stakeholders are welcomed at this stage and will be considered in greater detail in consultation with operators and other stakeholders in the future.

#### **6.4.5 Fleet provision**

A range of feedback was provided by key stakeholders in relation to the approach to provision of the bus fleet in the Proposed Franchising Scheme. Responses ranged from overall agreement with the proposed approach in which operators will be responsible for provision of fleet and on-board equipment (expressed by the Confederation of Passenger Transport), to stating a clear preference for provision of fleet and equipment by the authority, as set out in responses from Transdev and Go-Ahead.

Transdev and Go-Ahead noted the benefit of fleet and equipment consistency from provision by the franchising authority, as well as the removal of a barrier to entry for SMEs and operators from outside the area. Suffolk County Council also discussed the benefit of consistency from provision of fleet and equipment, while noting that this can also be achieved through applying strict contractual terms and conditions. The Confederation of Passenger Transport also advised that CPCA provide a “*clear and concise specification for any vehicle or on board equipment requirements*”.

A number of operators also raised questions around vehicle leasing – both First and Dews Coaches queried how different approaches to vehicle acquisition in bid submissions would be evaluated fairly. Transport UK expressed concerns that the proposed approach to fleet whereby operators initially deploy mixed-age fleets (referencing Paragraph 7.181 of the consultation document) would not fit with a leased approach to fleet acquisition. Transport UK proceeded to observe that taken together with the absence of an appropriate residual value mechanism, it would require short-term leases to avoid the risk of stranded assets, which would entail additional cost.

### **The Combined Authority's response**

CPCA welcomes the feedback provided by stakeholders on the approach to provision of the bus fleet in conjunction with the Proposed Franchising Scheme and acknowledges the range of views expressed. The approach has been developed to align with the commercial objectives for bus reform, specifically to support delivery of best value and competition between bus operators.

As described in Paragraph 4.48 of the Assessment, CPCA's preferred approach is to share responsibilities and risks with operators, working collaboratively to define and design provision and incentivising operators to increase usage and benefit from increasing revenue. Acquisition of fleet and equipment to operate franchised services across Cambridgeshire and Peterborough would require a level of risk acceptance and investment beyond CPCA's current financial strength. CPCA agrees that there are benefits associated with providing vehicles to operators for use on franchised services, but remains of the view that in general the proposed approach set out in the Assessment is appropriate for the Proposed Franchising Scheme. However, as noted in Paragraph 4.86 of the Assessment, CPCA may acquire and provide a limited number of vehicles to operators under specific circumstances such as where the CPCA wishes to test out new technologies or fuels or encourage the use of newer vehicles.

CPCA's is open to operators adopting different approaches to acquiring fleet and equipment to operate franchised services, including purchase or leasing (Paragraph 4.65 of the Assessment notes the "*desire for operators to be responsible for purchasing or leasing their own bus fleets*"). The Assessment sets out that "*contracts will be structured and specified in a way that operators can deploy fleets of mixed age*" (Paragraph 4.83 of the Assessment). This could also accommodate the deployment of new vehicles acquired through purchase or leasing and procurement design during implementation planning could enable the competitiveness of bids using new vehicles through the definition of quality evaluation methods.

If the Mayor makes the decision to proceed with the Proposed Franchising Scheme, CPCA officers will pay careful attention to vehicle specifications and tender evaluation methods during implementation planning to ensure these align with the commercial objectives and bus reform objectives.

## **6.4.6 Fleet specification**

A number of responses by key stakeholders and the public provided comments on fleet specification. Go-Ahead recommends working with operators and manufacturers to develop best practice vehicle specifications that ensure consistency, fitness for purpose and inter-operability. They stress the need for clear specifications for equipment like ETMs, radios and AVL to be outlined by CPCA in dialogue with operators.

First Bus support CPCA's approach to setting vehicle and equipment standards, allowing tenderers to use their expertise to provide cost-effective and advantageous solutions. They believe this approach will prevent issues with vehicle specification or equipment integration that have not performed as expected or cannot be readily integrated into operators' technology architecture without additional costs or operational difficulties. However Transport UK suggests that on-bus equipment should be considered part of the vehicle build to avoid becoming stranded assets at the end of a franchise. They suggest following a model similar to Transport for London to protect such assets, where this equipment is owned and provided by the franchising authority.

A member of the public emphasises the importance of dual-door operation on urban services to speed up journey times and suggests that on-board equipment, such as AVL, should remain on the vehicle for the duration of the contract. Transdev proposes specifying an average fleet age across an operators fleet and not just across each lot, to maximise inter-operability and value for money. Stephenson's of Essex suggest that,



because CPCAs Local Transport and Connectivity Plan targets a full transition to zero-emission buses by 2030, this gives only a few years for operators within the CPCA area to replace all diesel vehicles.

### **The Combined Authority's response**

As outlined above and in Paragraph 4.79 of the Assessment, CPCA plans for operators to be able to retain control and ownership of their own vehicle fleets, so they can redeploy them elsewhere if desired when contracts end or vehicles are replaced during the contract. CPCA also plans for operators to be responsible for any equipment on the vehicles, as this is expected to result in fewer issues of compatibility between systems.

It is recognised that the service specification set by CPCA for vehicles to be used as part of a tender will need to allow for inter-operability. If the Mayor makes the decision to proceed with the Proposed Franchising Scheme, CPCA will undertake further work engaging with operators to understand how to develop an appropriate specification which provides this, as well as delivering the best value for money for customers and encouraging operator participation.

In response to the query raised by Stephenson's of Essex regarding the full transition to zero-emission buses by 2030, CPCA highlights that this target is aligned with commitments outlined within the Authority's 2021 BSIP to decarbonise the network. As part of the franchising implementation phase, we will engage with bus operators on how best to incorporate transition to ZEVs as part of the tendering lots, considering our plan for engaging small and medium-sized operators in franchising. As mentioned in Paragraph 5.3.4 above, the same electrification phasing is assumed in all assessment scenarios - EP, Franchising and the reference case - therefore it is not a deciding factor in franchising.

The level of detail provided in the Assessment (in Paragraphs 4.87 to 4.89) is considered to be appropriate for the current stage of development of the scheme (equivalent to Outline Business Case). The points raised by key stakeholders regarding the specifications of vehicle type and age would be considered in greater detail alongside operators as part of the pre-procurement exercise.

## **6.5 Theme 4: Consideration of Small and Medium Operators**

Consultees provided responses on the approach to involving small and medium operators within the Commercial Case. These responses will be addressed within this theme and are captured under the following headings representing:

- Package accessibility to SMEs
- Procurement processes
- Proposed approach to TUPE

### **6.5.1 Package accessibility to SMEs**

A number of responses commented on the proposals to include smaller lots in order to maximise opportunities for SMEs to be involved in the Proposed Franchising Scheme and limit the number of these smaller lots which can be awarded to a single operator.

Several comments stress the importance of making lots small enough to enable the participation of SMEs. Bottisham Parish Council and the CTA advocate for smaller lot sizes to ensure that community transport operators and SMEs can engage effectively. They agree that a range of lot sizes, from 1 to 60 buses, would be beneficial.

There was a concern raised by Stephenson's of Essex that small contracts designed to attract SMEs might still be appealing to larger operators, who may be able to bid for them at marginal additional cost. This could potentially disadvantage SMEs, who face higher depreciation costs for their vehicles over the contract period compared to larger operators who can redeploy vehicles elsewhere. However Suffolk County Council emphasises that if larger operators are able to offer contracts at a lower cost rate, it would be prudent to pursue these savings for use elsewhere. Whippet agreed with proposed restrictions on the number of smaller contracts being awarded to larger operators but requested more detail on how this would be measured.

A comment from a member of the public highlighted that larger operators may trade through more than one subsidiary, meaning they may be able to circumvent limitations on operator market share in practice. This member of the public also highlighted the importance of taking local circumstances into account when limiting contract awards to a certain operator, as a lower level of competition could be expected in some localities where fewer different operators are within a reasonable reach to offer a competitive bid.

Several comments suggest sub-contracting would be a good approach to support SMEs. Larger sized operators (First Bus and Go-Ahead) propose that operators should be allowed or required to include a proportion of subcontracted operations within their bids. This would maximise opportunities for SMEs and provide additional benefits to local operators. Whippet also welcomes the inclusion of subcontracting options between operators.

### **The Combined Authority's response**

CPCA envisages having a franchised bus network that is provided by several bus operators. It considers there should be opportunities for operators of all sizes, including small and medium companies (Paragraph 4.55 of the Assessment). To open the market to more competition, help new entrants to the market and encourage small and medium-sized operators to bid, services will be included in a number of geographically-based packages, with requirements envisaged at this stage to range from 1 to about 60 buses. This will provide some balance in terms of the ability to achieve economies of scale, but also some market flexibility (Paragraph 4.57 of the Assessment).

CPCA also proposes that, in line with recommendations from both the Competition and Markets Authority (CMA) and DfT's Bus Franchising Guidance (March 2024 edition) and several stakeholder responses, sub-contracting will be permitted on larger contracts. This will provide additional opportunities for smaller operators within the Combined Authority area.

Considering the proposed limitations on contract awards to a single operator, CPCA believes that sustaining and improving quality under potential franchising also depends on incumbent operators expecting competition for a franchise in future re-tenders. Significant structural change and operator exit in the first round of tendering may undermine competition for the market in future franchising rounds. The CMA suggests an inherent trade-off between awarding each and every franchise to the 'best' bid at the time of franchising and encouraging a credible range of strong bids in the future re-tenders and CPCA recognises this.

As such limitations on market share for specific operators could be considered for the initial tender round. These are envisaged to be a transitional measure as local operators adapt to the new procurement environment within the CPCA area. It is agreed that these restrictions will need to regard subsidiaries within the same effective ownership as one operator to maintain fair competition.

The SME position paper included in the Appendices provides further detail on proposed methods to encourage participation of smaller operators in the Proposed Franchising Scheme. This includes a range of recommended engagement activities between CPCA and SMEs. This would further the understanding of in which localities smaller contract lots are most likely to encourage a higher number of competitive bidders and which types of contracts would also encourage this.

## **6.5.2 Procurement processes**

The consultation responses highlight concerns regarding the scale and complexity of requirements for small and medium operators to bid for contracts.

Transport UK points out that lots ranging from 1 to 60 buses may not be large enough to attract bids from operators outside the CPCA region. They argue that incumbent and neighbouring operators have existing local supervisory and management teams, which reduce their franchise mobilisation costs. In contrast, external bidders face higher costs, making it difficult for them to compete effectively. This lack of competition could lead to lower quality bids and less innovation, jeopardising the step change CPCA desires.

Several responses emphasise the disproportionate impact of procurement processes on SMEs. Dews Coaches notes that the shift from deregulation would significantly affect SMEs with smaller resources. First Bus cautions against overly complex pre-qualification and bidding processes, recommending a "*light touch*" approach for

smaller contract packages to avoid deterring SMEs. Stephenson of Essex echoes this sentiment, highlighting the need for a less bureaucratic and burdensome process for SMEs, as larger operators are able to lean on permanent bidding teams and in-house legal experts.

The responses also stress the challenges SMEs face compared to larger operators. Stephenson of Essex points out that large groups have dedicated bidding teams and in-house legal experts, allowing them to spread costs and risks across multiple bids. In contrast, SMEs lack these resources, making the bidding process more costly and risky for them. Go-Ahead and Whippet both emphasise that the procurement process for smaller packages should not be overly onerous to ensure suitable engagement from SMEs. Whippet notes that some large operators spent over £1 million on bids in the Greater Manchester franchising process, a cost that is prohibitive for SMEs.

### **The Combined Authority's response**

As outlined within the SME position paper included in the Appendices, CPCA is keen to see all existing bus operators, both large and small, play a part in providing services under franchise contracts, as well as encouraging new operators to the area. It is mindful of the need to consider the needs of small and medium operators in the process, as required under the Bus Franchising Guidance (March 2024 edition). As such, the intention is to have a range of different franchise packages, with a reasonable number of these requiring smaller numbers of buses in each, including some with just one or two buses. CPCA will provide depots for operators of larger lots, but not for small lots in order to avoid undermining CPCA's requirement to facilitate the involvement of SMEs by attracting larger operators to these lots. Equally, it will be possible for smaller operators to be sub-contractors to larger ones in delivering larger packages of services.

It is envisaged that tender documents will be consistent with those used for the procurement of existing supported bus services and further benchmarked with best practice from other areas operating in a franchised environment. It is intended that the effort required by operators in the tendering process should be proportionate to the size and scale of each contract package. Engagement will be undertaken with current operators within the existing CPCA local bus market and with other interested operators, to understand how the pre-tender phase and procurement strategy can be structured to reduce the burden of participation for smaller operators and encourage the greatest amount of long-term competition possible.

### **6.5.3 Proposed approach to TUPE**

Although the responses from key stakeholders showed broad support for the proposed approach regarding the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) under franchising, a number of specific detailed issues were covered in the feedback. Concerns were raised about drivers who may be reluctant to transition from a SME to a large operator through the TUPE process. The CPT highlighted the need for staff to have certainty regarding their pensions, working conditions and wages and Delaine Buses noted that many of their employees have previously expressed dissatisfaction when working for larger operators.

Additionally, Dews Coaches, Stagecoach, Stephenson of Essex and Whippet also referred to the potential issue of staff retention. Stephenson of Essex also noted that TUPE would exert upward pressure on staff pay rates, with benefits for staff welfare and retention, but also increasing operating costs. In addition, Stephenson of Essex queried if SME's redundancy costs would be covered by CPCA if it "*loses its complete business as a result of the franchise process*" and staff only indirectly linked to the contract (and therefore not eligible for TUPE), such as management and engineers, were made redundant. Stagecoach also went on to make detailed recommendations for the provision of TUPE/ Employee Liability Information (ELI) and ancillary details at the procurement stage, supported by a reconciliation mechanism and ongoing monitoring and engagement activities.

### **The Combined Authority's response**

CPCA welcomes both the generally positive feedback for the proposed approach to TUPE under franchising and the key stakeholder views provided on specific detailed elements of the approach. CPCA already has processes in place for the transfer of employees and assets for current supported services and has significant experience in undertaking this.

It is expected that TUPE regulations managing the transfer of staff associated with the operation of the bus services being franchised will apply in all cases. CPCA encourages all current operators to continue playing a part and to retain their current bus depots and will look to provide opportunities for operators of all sizes and including small and medium sized companies. In the event of transfers under TUPE regulations occurring, CPCA will agree with existing bus operators and local employee representatives the applicable criteria when determining which staff are principally connected with the affected local services. The transfer of staff to a new operator will not happen without a consultation process where an agreement is sought. This risk is noted in the risk register under Appendix B (F18), highlighting its importance and the need for effective mitigation strategies.

If the Mayor makes the decision to proceed with the Proposed Franchising Scheme, CPCA will undertake further work to assist both current operators and bidders in understanding the approach to TUPE and its application to the detailed design of contracts and procurement rounds to ensure these provide suitable protections to relevant employees and appropriate obligations are clear to bidders.

In terms of the liability for any redundancy costs where employees are not covered by TUPE, responsibilities are expected to be similar to the current operational situation, where if an incumbent operator loses a supported bus service contract, staff who are not directly connected with the relevant bus service are not transferred to the successor operator under TUPE. If the incumbent operator is not able to redeploy such staff, the incumbent operator is responsible for any redundancy costs which may arise.

## **6.6 Theme 5: Lotting Strategy**

Consultees provided responses on the proposed lotting strategy within the Commercial Case. These responses will be addressed within this theme and are captured under the following heading:

### **6.6.1 Tender rounds**

The consultation responses present a range of perspectives on whether Lots should be tendered and implemented in a phased approach or tendered simultaneously. A public respondent highlighted that the phased introduction of the Bee Network in Manchester, for example, caused confusion with ticketing, illustrating potential issues with phased implementation.

Transdev suggests that introducing sequentially larger and then smaller lots could enable bidders to provide better value for money. This approach would allow bidders to propose synergies that reduce overall costs, such as through better utilisation of overheads, fleet and depots. Additionally, Transdev recommends a step-by-step transition if multiple operators must start at the same time, as this method reduces the need for immediate reactivity in case of issues.

Transport UK sees both advantages and disadvantages in a phased approach over a two-year period with two separate tender opportunities. They saw the main benefit of phasing as the ability to learn from the first round and apply those lessons to the second. However, this approach might lose potential economies of scale that could be achieved from a single tender round, where bidders could share overhead costs and reduce bid costs.

Peterborough City Council also asked whether it would be feasible to commence all Lots concurrently, so that larger operators could be sure of potential economies of scale and that depots can be brought forward with confirmed capacity levels. However they did suggest that if concurrent commencement was not possible, areas with a high proportion of existing tendered services could be franchised first, so that more complex areas (such as Cambridge or Peterborough) are approached with more experience. They also propose paying close attention to the process by geographical area to avoid service gaps and suggest that tendering all routes together might be more feasible to ensure all franchised routes commence concurrently.

#### **The Combined Authority's response**

It is not considered practical, or desirable, for all service packages to be procured at once. This would create an unmanageable workload for CPCA staff, as well as a huge burden on bus operators seeking to respond. It would also create significant upheaval of the network and change, which could cause confusion amongst passengers.

It is intended to spread the procurement of the franchise contracts across two main exercises (a year apart), with each exercise contracting half of the network through a range of lot sizes. Not only will this spread the workload involved and impact on any particular operator, it will also help stagger the end dates of the different packages and timescales for future retendering. In doing it this way, operators that weren't as successful as they would have liked in the first year will have the opportunity to gain work in the second exercise. This is considered more likely to create a more diverse operator market and maintain higher levels of competitive bidders in the area for future rounds of retendering.

Regarding the suggestion to introduce larger lots before smaller lots, CPCA recognises a potential trade-off in this approach between achieving economies of scale for operators who have already won larger lots and providing opportunities for SMEs to operate smaller lots. CPCA intends to provide opportunities for SMEs to apply learning from the first procurement exercise to the second round and as such favours an approach where smaller lots are available in both exercises.

The first procurement exercise is specified to cover the Greater Cambridge Travel to Work area; the second being the remaining area of north Cambridgeshire and Peterborough. CPCA will consider the best approach to tender in phases in more detail within the final Franchising Scheme during the implementation planning phase, with ongoing engagement with the industry regarding sequencing and the packaging of routes. Consideration will be given to ensure operators in each round can commit to decisions around depot acquisition as best as possible.

## **6.7 Theme 6: Risk allocation**

Consultees provided responses on the proposed allocation of risks outlined within the Commercial Case. These responses will be addressed within this theme and are captured under the following headings representing:

- Feasibility of subsidy contracts
- Additional responsibilities

### **6.7.1 Feasibility of subsidy contracts**

Operators provided a range of responses around the allocation of revenue risk under cost-based and subsidy based contracts. A cost-based contract is where the Combined Authority will collect all passenger fares and an operator retains a fixed fee for the contract. A subsidy-based contract is where the operator will collect all passenger fares and a fixed fee for the contract (which usually accounts for passenger fares). A cost-plus contract or quality incentive contract allows for additional payments or penalties based on performance, which can allow for a sharing of risk and therefore incentivisation of higher performance

First Bus welcomed a shared risk approach, noting that it could reduce risk to CPCA and encourage operators to increase patronage. Stephenson of Essex and Go-Ahead expressed reservations about the feasibility of using subsidy-based contracts under the Proposed Franchising Scheme, as their attractiveness to operators would be limited by their level of control over decisions influencing fares revenue.

Stagecoach and Transport UK went on to note that operators would include their acceptance of the risk in bid prices, potentially resulting in a premium. Stagecoach also highlighted the potential for contract failure if operator forecasts of revenue are not met and they are unable to deliver. Transdev discussed the implications of the proposed transition from cost-based to subsidy-based contracts and recommended that these models should not be mixed in the same geographies due to the potential for "*perverse effects*".

#### **The Combined Authority's response**

CPCA acknowledges the feedback received from operators concerning the proposed approaches to revenue allocation and the specific concerns raised. The Assessment outlines the proposed approach in Paragraph 4.95, noting that due to potential limitations on available data to inform bidding for subsidy-based contracts, the first round of procurement under the Proposed Franchising Scheme will be tendered only on a cost-basis. Quality will still be a key factor in the assessment of tenders. In subsequent tendering rounds contracts may be tendered on both a cost and subsidy basis and awarded in the way judged most advantageous to CPCA.

If the Mayor makes the decision to proceed with the Proposed Franchising Scheme, then this feedback will be taken into account in developing the full tenders and contracts during the procurement design phase. This will include considering the approach to assessing tender offers for delivery on a cost or subsidy basis for the second and subsequent procurement rounds.

## **6.7.2 Additional responsibilities**

The responses from key stakeholders indicated broad support for the proposed distribution of responsibilities. “*They appear to be allocated to the party best placed to manage them*” was East Cambridgeshire District Council’s response, while Transdev said “*Overall Transdev agrees with most elements*”. Transdev also suggested that for subsidy-based contracts operators should lead on marketing and perhaps vehicle liveries, before going on to suggest that the table of responsibilities should extend to cover advertising and customer service. The inclusion of customer service responsibilities was echoed by responses from Suffolk County Council and Whippet.

Stagecoach recommended that network planning should be led by CPCA, but utilise the experience and ideas provided by operators, as should CPCA’s specification of service requirements, timetables and quality standards. Stagecoach suggest that this could take the form of CPCA setting basic service parameters (first/last bus and headways) for which the operators would provide timetables. These topics were also addressed by Stephenson of Essex, who requested clarification on the operators’ role in designing services.

### **The Combined Authority’s response**

CPCA has considered the comments about amending and adding to the table of responsibilities (Table 0-3 in the Assessment) and has recognised the value of the feedback provided.

With regard to comments about amended responsibilities for subsidy-based contracts, it is reiterated that the first round of procurement under the Proposed Franchising Scheme is expected to be tendered only on a cost-basis. CPCA agrees that it would be appropriate for the operator to partner on marketing and communications for any future subsidy-based contracts, with terms and conditions of this specified to ensure alignment with any collaborative CPCA network-wide marketing. This would make use of operator expertise in this field. CPCA anticipates that vehicle liveries for services provided under subsidy-based contracts would be specified by CPCA in order to ensure a consistent network brand and identity.

The allocation of customer service responsibilities is anticipated to fall to CPCA; as alluded to in Paragraph 6.6 of the Assessment, “*given its widened responsibilities for the bus network, CPCA would manage the relationship with customers, receiving feedback and engaging with them to improve the customer experience*”.

The responsibility for advertising of the franchised network will primarily lie with CPCA as part of its responsibility for network promotion as shown in Table 0-3 in the Assessment. CPCA will consider on-bus advertising as part of its responsibility for branding, taking into consideration the revenue and network identity implications.

CPCA acknowledges the recommendation that the Combined Authority lead on network planning and work together with operators to design services by setting the key service requirements for the timetables and schedules developed by operators to meet. This will align with the responsibilities set out in Table 0-3 in the Assessment for CPCA to ‘Specify service requirements, timetables and quality standards’ and for operators to design ‘services in-line with CPCA parameters set out in the specifications’.

## **6.8 Theme 7: Performance**

Consultees provided responses on how both high-quality and poor-quality performance on contracts is addressed within the Commercial Case. These responses will be addressed within this theme and are captured under the following headings representing:

- Contract termination
- Innovation and excellence

## 6.8.1 Contract termination

A number of comments were received from key stakeholders and from the general public on the subject of how poor performance or insolvency on franchise contracts will be managed. Comments from the public highlighted a need for break clauses, with CPCA needing to have an actionable option to revoke contracts based on poor performance without significant cost to CPCA. One respondent also requested that poor performance on one contract could enable CPCA to revoke any other contracts operated by that provider within the Proposed Franchising Scheme.

Whippet underscores the need for a strong, objective-driven, management team willing to challenge the status quo. They cite Singapore's Land Transport Authority as a best practice example, recommending that "*non-compliance or poor performance can result in the very realistic chance of losing a contract/franchise*" in this locality. Peterborough City Council also stress the importance of having firm KPIs and break clauses for poor performance

Fenstanton Parish Council call for flexibility to modify services within the contract period and consideration for underperforming operators, emphasising the need for adaptability in managing franchises. Go-Ahead also support the use of contract extension provisions linked to clear, objective KPIs, noting that these are standard in many regulated markets. Transdev also appreciate the collaborative approach to performance reviews and the ability to contractually adjust service provision if benefits can be generated but cautions that it will be "*important to legally frame this review, its remit and applicability to ensure it drives the best outcome for the community.*"

### **The Combined Authority's response**

The initial proposed Performance Management Framework is outlined at an appropriate level of detail for this stage of the Proposed Franchise Scheme, with further specification envisaged during the implementation phase. The exact mechanisms contained within contracts would be subject to further development and market engagement after any decision. However it would be expected that any potential problems would be spotted early on through the robust monitoring and contract performance measures in place, providing opportunity for interventions to be made. With CPCA now providing a centralised point of contact for customer feedback, poor performance will be identifiable faster and with wider information than under an Enhanced Partnership model.

The detail for dealing with an inability of an operator to provide the contracted services, for example due to insolvency, will be developed during implementation planning. At this stage, it is envisaged that Parent Company Guarantees will be mandated, especially for larger lots. This would provide CPCA with additional funding for the emergency contracting of another operator, to provide the services which the original franchisee failed to do. This is currently considered not to be so essential for smaller lots, as CPCA are more likely to have the resource available to re-procure these in an emergency. It is important for a robust performance regime with financial penalties and an ability for CPCA to replace failing operators to be perceived as such by operators, to fully incentivise improvements to be made to poor performance.

It is currently not intended that poor performance on one contract would enable CPCA to revoke other contracts provided by that operator. This would create too much risk for operators and is not a feature of other bus franchise contracts such as those in London. A better solution is to reward good performance, potentially with an optional contract extension. General poor performance in earlier contracts is not a ground under the 2023 Procurement Act to exclude future bids, but where that poor performance has led to circumstances such as termination of a previous contract the bidder may be excluded. Such decisions would need to be approached on a case-by-case basis with consideration for the specific circumstances of each tender.

CPCA agrees with comments that the Periodic Review Mechanism should be legally framed to ensure processes to manage variations to the contract requirements related to performance management can be made in order to support the right outcomes. If the decision is made to proceed with the Proposed Franchising Scheme, then these points will be taken into account in developing the full contracts during their design phase. This will include considering detailed grounds for termination and rectification of franchise contracts on performance failure and breach and how mitigations can be implemented during the term of franchise contracts to avoid failures occurring.

## 6.8.2 Innovation and excellence

A number of consultation responses highlight the need for balanced incentives and risk-sharing in the franchising process. Go-Ahead stresses that a franchising scheme can leverage operators' expertise in network design, marketing and zero-emission buses from a wider pool of operators and that incentives should be provided to enable this. Transdev proposes incentives per passenger above a target to manage risk exposure, advocating for capped risks to ensure accountability and prevent opportunistic behaviour. Suffolk County Council cautions that full franchising could stifle innovation, as operators might lack incentives to invest or change within contract terms and using public funds for risky innovations could face objections.

### **The Combined Authority's response**

CPCA believes that a Franchising Scheme is likely to encourage innovation at least as much as a commercially provided market would. The Economic Case identifies that the commercial market can also face challenges to innovate, with operators tending to be more risk-averse in changing service provision due to the narrow profit margins of the bus industry and threat of competition. The ability for a managing authority such as CPCA to share risk with operators will be able to provide an environment for new practices and improvements to be implemented. This is considered to be a key benefit of the centralised control offered through a franchising scheme.

CPCA agrees that the leveraging of operator expertise in bus operations and procurement of vehicles will be a key consideration in the specifications relating to risk sharing within contracts. While Paragraph 6.9.2 of the Assessment outlines that cost-based contracts will be favoured in the initial round of tendering, these are also envisaged to include incentives to improve quality of service. Subsidy-based contracts for future rounds of retendering would offer even greater opportunity to play to the strengths of operators in achieving patronage growth and quality improvements.

CPCA recognises that structuring contracts, including any contract review or renegotiation processes, will need to encourage operators to identify potential opportunities to improve services for passengers. This includes the appropriate level of risk sharing for operators, recognising that some factors are above the control of franchisees under this model. If the decision is made to proceed with the Proposed Franchising Scheme, then these points will be taken into account in developing the full contracts during their design phase.

## 6.9 Commercial Case Conclusion

The conclusion on the Commercial Case highlights that there are queries, concerns and risks perceived in the assessment of the commercial propositions for the bus reform options, but also that there is support for elements of CPCA's proposed approach.

In the short form questionnaire, the public were most likely to say that they supported the Commercial Case for franchising (210). From their perspective, the proposals in the Commercial Case give the Combined Authority more control and accountability (98), that franchising was beneficial (79) and would lead to better, more reliable services (79). Some said make the bus service a public service or focussed on public need (64). For the long form the main question for the Commercial Case, there were 61 public responses with 91 comments. The most common response was agreement and support for the Commercial Case for franchising (26) and that franchising was the better option (6) and that it would give the Combined Authority more control over the network (4).

A range of views were expressed in the consultation feedback regarding the franchising model and the approaches to procurement, lotting, services, fleet, depots, SMEs, risk allocation and performance.

There was general support for the commercial objectives and their use in the commercial assessment, but with some comments received about extending the objectives to be more passenger-focused and detailed comments were received suggesting modifications to the Assessment to reflect the attractiveness of the asset model to operators. CPCA has considered the feedback and remains of the view that the commercial objectives and assessment have considered elements of commercial success effectively. CPCA maintains that passengers are key to the achievement of its Bus Strategy objectives and has captured impacts on passengers



within the other Cases. The concerns around the approach to assets are noted and will be considered further during implementation planning.

Varied views were provided by the consultation responses on the subject of how franchise procurements should be staged; more detailed comments were also received on suggested enhancements to tender sequencing and evaluation processes. CPCA acknowledges these responses and notes that the timelines and processes outlined in the Assessment demonstrate the commercial viability of the Franchising option and that the feedback provided will be considered further during implementation planning.

Stakeholders provided responses on the approach to assets within the Commercial Case, discussing the provision of fleet, depots and relevant contract terms. CPCA acknowledges the feedback received and explained its view that the shared-risk franchising model selected for the Proposed Franchising Scheme is the most appropriate for CPCA, taking into account its capacity for funding investment and accepting risk.

Key stakeholders expressed a range of views around the lotting strategy for the Proposed Franchising Scheme, with the majority supporting the approach, but with some highlighting the potential advantages of procuring all lots in a single tender round. CPCA recognises the scope for this approach to attract more commercial interest from large operators but maintains that the lotting strategy outlined in the Assessment remains preferred in order to enable lessons to be learnt, facilitate SME involvement and manage workloads.

The allocation of risks within the bus reform options was addressed by a number of stakeholder responses, with comments centring around the allocation of responsibilities for revenue and customer services. CPCA confirmed that contracts would be initially let on cost-based contracts allocating revenue risk to CPCA, with the option to let subsequent procurement rounds using subsidy-based contracts as the franchised model matures. Customer service responsibilities would be led by CPCA and supported by operators.

Both key stakeholders and wider stakeholders noted the importance of performance management for franchise contracts, providing suggestions around robustness of processes and powers to penalise and reward, as well as the overall importance of promoting innovation and excellence. CPCA acknowledges the range and value of the views expressed and responded to outline its approach to performance management, while noting that more detailed work would be needed to develop the regime during implementation planning.

Following consideration of the comments raised in responses to the consultation with regard to the Commercial Case, CPCA is comfortable in confirming the conclusion of the Assessment that the commercial approach to an Enhanced Partnership and the Proposed Franchising Scheme provide sufficient detail and provisions for the introduction of either option.

CPCA remains satisfied that the Commercial Case addresses the consultation themes appropriately and that the Proposed Franchising Scheme represents a better opportunity to meet the commercial objectives due to the control and certainty it provides over outcomes across the bus network. However, the specific comments provided in relation to the details of contracting, the approach to asset acquisition, the approach to cross boundary services, school services, exempted services, procurement planning, contract durations, assets, to facilitating SME participation and the tender evaluation in refining these approaches will be taken into consideration should a decision be taken to introduce the Proposed Franchising Scheme. CPCA recognises that further market engagement and planning on all of these matters would also be essential to mitigating risks during the implementation planning phase.

## 7. Financial Case

### 7.1 Introduction

This section outlines the responses received through the CPCA Bus Reform Consultation regarding the Financial Case.

The Financial Case looks at the financial implications of the two options presented, a Franchising scheme and the development of an Enhanced Partnership. This case compares the two options to understand whether the Combined Authority would be able to afford either option, including costs for the initial transition and ongoing operation.

The Financial Case focuses on cashflows, affordability and financial risk. The case for franchising has been demonstrated to be affordable and sustainable in the long term. Both reform options require higher costs than the current situation, with investments in bus network improvements over a 30-year period. To introduce Franchising there would be additional costs for bus depots in Peterborough and Cambridge and an increase in staffing and system capabilities. For an Enhanced Partnership, CPCA would need to raise a higher level of further funding to manage the decline of the bus network in the long term than it would under the Franchising option.

Both options would need additional financial support for network improvements, but this is expected to increase bus usage and therefore revenue from fares. This revenue would predominantly be retained by operators in an Enhanced Partnership model and by the CPCA in a franchise model.

The Independent Audit concludes that CPCA's view in the Assessment that, notwithstanding both options being affordable, Franchising offers greater benefit through more improvements, albeit set against increased financial risk due to CPCA taking on more responsibility for fare revenue, has been reached using information and analysis of sufficient quality and has otherwise met the requirements for the Assessment set out in the Transport Act 2000.

The Financial Case also sets out a range of funding sources that are available to CPCA for both options. These are summarised over the appraisal period and includes existing and additional sources such as fare revenue, Government grant and Mayoral precept amongst others. The use of any of these funding sources is subject to further discussion and agreement, following a decision to implement either of the options.

This section responds to key themes raised across the responses received and looks to reply to responses on the following questions:

- L23. Investment costs anticipated by the Combined Authority in moving to Franchising or an Enhanced Partnership are set out in the Financial Case. Do you have any comments on these costs?
- L24. Potential sources of funding for bus service improvements under Franchising or an Enhanced Partnership are set out in the Financial Case. Do you have any comments on these?
- L25. The Financial Case says that Franchising carries more financial risk for the Combined Authority than an Enhanced Partnership, but offers greater control, resulting in greater benefits. Do you have any comments on the Combined Authority taking on this risk?

This section responds to issues raised by email, letter and online questionnaire in response to the consultation with sub-sections focused on each of the key themes raised. The Westco report includes a summary of responses to the question related to the Financial Case. It outlines that 1,086 participants responded to the questions; which included, 17 key stakeholders, 45 wider stakeholders and 1,024 members of the public.

### 7.2 Theme 1: Assessment assumptions and modelling

Consultees provided responses on the assumptions and modelling used to inform the Financial Case. These responses will be addressed within this theme and are captured under the following headings representing key assumptions:

- CPCA resource requirements
- CPCA technical, legal and professional fees
- CPCA procurement costs and mobilisation/transition costs
- Operator bidding costs
- Depot build costs
- Bus Service Operator Grant (BSOG)
- Mayoral precept
- Patronage growth

### **7.2.1 CPCA resource requirements**

Responses outlined that there may be additional resource requirements needed above that outlined within the Assessment, which have not been captured in the costs assumed within the Financial Case. The Assessment recognises that a move to Franchising or Enhanced Partnership will create a need to increase CPCA's capacity and widen the range of competencies. The Assessment outlines a need for 15 additional staff under the Franchising option and 10 additional staff for the Enhanced Partnership. Further information on staffing and CPCA's ability to manage are summarised in the response to the Management Case (Section 8 of this report).

Stephensons of Essex commented that *"the level of resource needed and the level of expertise needed, is dramatically under-estimated in the OBC. And consequently the costs and challenges involved in getting there"*. Similarly, Stagecoach commented that *"Table 7-25 lists nine different departments/functions within CPCA that would require additional capacity under Franchising. From our experience in other areas, we believe achieving that level of capacity and competency with just 15 additional people (Table 7-27) is underestimating the required workload and demands"*. Stagecoach concluded up to two or three times as many additional staff would be required for Franchising. Transport UK also noted the additional staffing costs for Franchising compared with an Enhanced Partnership and suggested that the on-going difference could be higher than modelled in the Assessment.

Contrasting views were provided by Go-Ahead, who outlined that they agree with the stated required competencies required for franchising and *"that the collaborative, partnership approach proposed by the CPCA in the consultation should help mitigate some of the risks associated with taking on additional responsibilities"*. Transdev noted that they had no comments on the resource requirements, but that they are *"happy to create introductions to other PTAs [Public Transport Authorities] we work with around the world to review these numbers"*.

#### **The Combined Authority's response**

CPCA recognises that a significant enhancement to its current organisational structure would be necessary to provide the capacity and the breadth of competencies necessary to manage franchising. A proposed team structure has been developed with reference to larger County Council teams and industry specialists with the necessary capacity, skills and competencies to deliver CPCA's ambitions.

CPCA is proposing to use the additional 15 members of staff for Franchising, to complement their existing resources which already cover some of the required competencies for an Enhanced Partnership or Franchising. The estimate of additional resource was based upon a first principles assessment of the number of staff required to fulfil CPCA's role under Franchising. This estimate was developed by experienced CPCA staff, with knowledge of local authority operations and structures. The assessment undertaken reflects the size of the bus network in the CPCA area and the type of franchising being proposed, which differ from those for other authorities that are pursuing franchising.

The Assessment also includes interim support costs as the CPCA plans to scale up the team initially with interim support and then reduce back down to a steady state but still with a higher number of staff than at present.

After considering the varied responses provided by key stakeholders, CPCA remains satisfied that the assumptions made within the Assessment around its additional resource requirements for Franchising remain appropriate and sufficiently robust to inform decision-making at this stage of bus reform planning.

As outlined in the Assessment, as proposals for bus reform develop and it becomes clear which delivery option will be used, the proposed team structure may evolve and require amendments to reflect priorities and the detailed nature of the approach being taken. CPCA will conduct further detailed work on the range of tasks anticipated with these ideally being conducted by CPCA officers but also utilising specialist consultancy support where appropriate and necessary.

## **7.2.2 CPCA procurement costs and mobilisation/transition costs**

It was raised by Stagecoach that the “£300k outlined for procurement costs is modelled to be split over 2026 and 2027 but has not been repeated for future franchising rounds and there does not appear to be financial provision for a transition/mobilisation associated with future rounds of tendering”.

### **The Combined Authority’s response**

The Assessment details that costs expected to be incurred for each procurement process, including costs for specific legal and planning support as well as costs of issuing notices. Similar comments regarding procurement costs were raised as part of the Independent Audit, to which CPCA supplied detailed comments. These are summarised as follows with more detail also having been provided in Section 5.4.1.

The retendering of franchises after the initial round will be conducted by CPCA staff as part of their future established business-as-usual operation. The first time a contract is awarded, there are additional steps which need to be undertaken including establishing tender review processes and putting in place the initial support functions which are then available for subsequent refranchising rounds. For these reasons certain costs are allocated to the initial contract letting procedure but not subsequent ones. CPCA would closely monitor the procurement approach to the initial tender process to inform future retendering.

## **7.2.3 Operator costs**

Stakeholders echoed some of the observations made during the Independent Audit with Stagecoach commenting that “Our experience shows that operating bus services is somewhat more expensive than considered by transport authorities”. Fenland District Council noted that comments raised by the audit “raises questions and uncertainty about the information that CPCA has relied upon for raising projections of costs” and that there is still uncertainty about its relevance to Cambridgeshire and Peterborough, particularly with regard to franchising and additional service mileage.

### **The Combined Authority’s response**

CPCA has utilised DfT Bus Statistics for English non-metropolitan areas as well as an estimate of the cost per km of contracted services (based upon notional timetables, according to frequencies and route length) to develop total operating costs for the network. A single, average operating cost rate per km has been used (which incorporates depreciation on vehicle capital costs) throughout the Assessment.

In response to the observations appended to the Independent Audit, CPCA provided their own set of clarifications. With respect to operator costs, CPCA noted that the estimate of bus operating costs has primarily utilised information available to the authority at the time of the Assessment. It also noted that established DfT data sources for the most recent publication and most relevant geographical area were used and further refined by the inclusion of a local cost figure derived from existing actual tendered service contract costs (thereby reflecting expected costs of potential bidders). The result aims to reflect a network wide estimate of commercial and supported service costs. It should be noted that the tendered service contract costs cover examples from the majority of operators in the region. CPCA is not seeking to over-complicate analysis at this stage and notes that its conclusions have been reached using information and analysis considered to be of sufficient quality by the Independent Auditor. CPCA will take the opportunity to enhance this analysis post-decision to be in the best place to analyse the costs put forward in bids for the relevant bus franchises.

CPCA has considered the feedback provided on operator costs and remains comfortable that the operator costs included within the Assessment and reviewed by the Independent Audit remain appropriate and sufficiently robust to inform decision-making at this stage of bus reform planning.

## **7.2.4 Operator bidding costs**

Within the current assessment it is assumed that total bidding costs incurred by operators will be £200,000 for the Franchising option every five years. Key stakeholders including Stagecoach and Dews Coaches argued that from their experience of bus franchising bidding (UK and overseas) that *“this could be a significant underestimate of the actual costs bidders will incur depending on the operating and competition models chosen”*.

### **The Combined Authority’s response**

The Assessment recognises that outside of London, franchises are a new way of procuring bus services, therefore experience is limited at this stage about how costs may differ depending on the structuring and implementation of this type of procurement. To this extent CPCA agrees with Stagecoach and plans to make tendering costs effective for all parties involved in the process.

As outlined within Section 6.5.2, tender documents and procurement processes will be consistent with those used for existing supported bus services. It is intended that the effort required by operators in the tendering process should be proportionate to the size and scale of each contract package. Engagement will be undertaken with current operators within the existing CPCA local bus market and with other interested operators, to understand how the pre-tender phase and procurement strategy can be structured to reduce the burden of participation for smaller operators and encourage the greatest amount of long-term competition possible.

Should bidding costs be higher than £200,000, CPCA envisage that any additional costs would be factored into the bidding. For larger contracts this addition is expected to be a small proportion when compared to the larger contractual payments over the 7 to 8-year contract period.

While the costs have a level of uncertainty at this stage, they are also dependent upon the number of tenders and the number of tenderers. CPCA considers £200,000 as a prudent assumption at this stage and notes that it has been subject to the Independent Audit. However, CPCA will continue to consider methods for cost-effective procurement following the issue of the proposed Franchising Scheme. This estimate of £200,000 is assumed to be split over two years (assuming a phased approach to contract packaging) and includes an additional allowance for inflation assumptions in future years.

## **7.2.5 Depot build costs**

The Assessment outlines that under any scenario, CPCA intends to provide more depot capacity. In the case of Franchising this includes the proposed provision of two new depots in Peterborough and Cambridge respectively to facilitate new entrants to the market and increase overall capacity. Consultees have questioned whether the costs attributed to these depots are accurate based on the methodology that has been adopted.

Stagecoach raised that *“The cost of providing two new depots at Peterborough and Cambridge has been derived by back working the cost of a new Warrington depot as reported in a newspaper article... there is significant risk that the build costs may have been under or overstated”*.

### **The Combined Authority’s response**

Depot build cost estimates used in the Assessment are underpinned by initial feasibility work undertaken in the Peterborough area, an assessment of land value costs in the Cambridge area and industry information. CPCA recognises that there is a degree of uncertainty associated with depot build costs and have included optimism bias within the assessment of capital costs to allow for this within the estimate. Additionally, CPCA have undertaken sensitivity testing to consider the potential impact of a level of borrowing for capital projects is £9m, which is 28% higher than the level assumed with the 46% optimism bias. This testing did not demonstrate a material impact on the level of precept required or the affordability of the Franchising option and as such CPCA considers the cost assumptions to be reasonable at this stage of bus reform.

If the decision is taken to progress with Franchising, a more detailed depot strategy and business case for the acquisition of depots will be developed which will refine these estimates.

## **7.2.6 Bus Service Operators Grant (BSOG)**

Within the Assessment a significant forecast income is assumed to come from BSOG and it is assumed that the BSOG rate will increase over the life of the Assessment. Consultees including Stagecoach have commented that *“there is limited evidence to support the assumption of them increasing”* and that *“the funding for the Enhanced Partnership and Franchise cases may therefore be overstated by c.£36m, which would have to be funded by other sources (e.g. a further increase to the Mayoral Precept)”*.

### **The Combined Authority’s response**

CPCA acknowledges the feedback provided on the assumption in the Assessment that BSOG will continue to be provided by the Department for Transport (DfT) and will be subject to annual increases. CPCA also notes that the future of this funding source is covered in detail within the Financial Case funding summary and was raised and addressed during the Independent Audit.

CPCA’s response to the Audit noted that during the COVID-19 pandemic and for a period afterwards the BSOG was supplemented by the DfT’s Bus Recovery Grant (BRG). CPCA believes that while the BRG was available, there was little need to increase the BSOG as it was easier to push additional funding through the BRG. Following the withdrawal of the BRG, CPCA believes that it is a reasonable assumption that the BSOG will continue to be provided by the DfT and that the BSOG will be used as a tool to increase funding to bus operators under an Enhanced Partnership, or to the franchising body under the Proposed Franchising Scheme. Sensitivity testing detailed in Paragraphs 5.103 to 5.105 of the Assessment considered the impact of reduced or removed Government support, as Stagecoach identified. If BSOG were not increased as forecast alternative funding would need to be identified which could include further Mayoral precept. Conversely, should additional funding be made available beyond that which is forecast (e.g. the 25/26 allocation of Bus Service Improvement Plan grant announced by DfT in December), the requirement for additional local funding would decrease.

The Assessment includes BSOG changes in the Risk Register and CPCA will continuously monitor its financial position to ensure that it can make informed decisions on bus services funding under either the Proposed Franchising Scheme or an Enhanced Partnership. The Assessment did not include other funding such as Bus Service Improvement Plan (BSIP) funding which has since been made available by the DfT.

CPCA has taken the feedback provided into account and retains the view that the assumptions made in the Assessment on BSOG will not have significantly different effects between the bus reform options and that the associated risks can be managed. As a result, CPCA does not consider that this feedback materially impacts on the Assessment’s recommendation.

## **7.2.7 Mayoral precept**

Within the Assessment, a key driver for funding is the Mayoral precept. Responses from the consultation from Stagecoach state that *“The OBC funding requirement is dependent on the assumed size of the Council Tax base. The OBC assumes that the base increases by 2% per annum (based on anticipated household growth in the CA area). However, the Audit Report points out that recent statistics indicate the forecast growth to be 1.74%. The difference in assumption will lead to a further shortfall of as much as £39m in the franchising case”*.

### **The Combined Authority’s response**

This point was raised as part of the Independent Audit; a summary of the relevant Audit response is as follows:

CPCA anticipates significant housing growth across the Combined Authority raising the taxbase. The average taxbase increase over the prior five years has been 3,997, however the average number of dwellings forecast for completion within the strategic sites averages 4,105 for the first 20 years. Including the delivery of homes outside of strategic sites will increase this further, indicating higher council taxbase growth during the period.

Beyond the currently identified sites, the previous government published the 'Case for Cambridge', which anticipated delivering an additional 150,000 homes by 2050, an average of more than 5,000 a year in Cambridge alone. While the status of this publication was uncertain even before a new Government was elected, the new Government's manifesto pledged to substantially increase housebuilding across the country so the national political will indicates future housebuilding will accelerate.

Since the Economic Case was published the Government have announced statutory house-building targets for all local authorities. In the CPCA area that target is 5,802 homes a year, which would significantly exceed the average over the last 5 years. While the contribution to the taxbase of each home is uncertain this further underscores the ambition to deliver more homes in the area than have been seen in recent years.

A change of £39m over the 30-year case is a 1.3% increase in the total cost of the network and substantially smaller than the modelled sensitivities. In practice CPCA calculates its council tax requirement on an annual basis, taking into account up-to-date forecasts, so has the ability to adjust the required precept to counteract a reduced taxbase – an increase of less than £2 in the precept across the period would be required to mitigate this change.

CPCA has taken the feedback provided into account and retains the view that the assumptions made in the Assessment on the precept base are sufficiently robust and that the associated risks can be managed. As a result, CPCA does not consider that this feedback materially impacts on the Assessment's recommendation.

### **7.2.8 Patronage growth**

Consultees have also raised comments concerning the rate of sustained growth in patronage that is included within the Assessment. Fenland District Council and Transport Focus noted that CPCA "*outlines an ambition to double bus usership by 2030 as part of the bus strategy*". Transport Focus outline that this growth is "*something that Transport Focus welcomes and is a bold ambition, if somewhat surprising*". Transport Focus also note that "*the other mayoral combined authorities who have consulted on franchising proposals have all forecast a decline in patronage, based on long-term historic trends and other factors*".

#### **The Combined Authority's response**

Baseline passenger demand is expected to change due to a balance of several external factors. The Assessment considers external factors that include fare changes, population growth and the impact of major development sites. Fare changes are expected to have a negative impact on demand; however, population growth across the network is forecast and has been applied according to local area housing stock forecasts and major development sites are forecast to contribute additional demand above and beyond this national forecast of population growth.

CPCA anticipates that Franchising will also enable significant bus service improvements to be introduced, unlocking benefits across Cambridgeshire and Peterborough and further increasing passenger demand. The assessment adopts an elasticity-based approach assuming that passenger demand is likely to increase as a result of enhanced service levels, improved bus performance, improved ticketing and the introduction of bus priority schemes. This methodology is considered robust and has utilised recognised methodologies and data sources to justify the forecast demand including use of DfT's TAG Databook, methodologies from previous bus reform assessments and data from case studies including Greater Manchester and Jersey.

The introduction of benefits such as bus priority and therefore improvements to accessibility and reliability are forecast to lead to patronage growth. This is in accordance with CPCA's bus strategy where bus service improvements lead to a virtuous cycle of passenger growth and service improvement, contributing more users, increased revenue, improved viability and further service enhancements.

While the above are all expected to drive patronage growth it should be noted that the business case, while recognising the CPCA's ambition to double patronage by 2030, takes a significantly more cautious approach to forecasting and has total patronage being 13% higher than in 2023.

It is noted, however, that there remain elements of uncertainty within demand forecasts and therefore CPCA would introduce franchising gradually and in accordance with the outcome of the consultation. It would study

the impacts of any interventions carefully as they progress and adjust plans as needed (in accordance with relevant legislation).

### **7.2.9 Bus priority**

Go-Ahead raised that consideration of funding for infrastructure is important to deliver service improvements and subsequently drive demand growth and efficiencies. Regarding bus priority infrastructure, Go-Ahead raised that “£10m is allocated to both Franchising and Enhanced Partnership options for bus priority projects, although it is not stated over what period or whether it is supplemented by projects funded by other streams. The assumption noting Table 5-5 of the Full Assessment is the £10m is spent between 2025 and 2027, with no further funding for projects allocated from 2028 onwards. Noting the substantial level of development and forecast increase in road traffic, it is arguable that further funding should be made available in subsequent years, whether part funded by Section 106 monies (which we understand are currently excluded from the funding strategy – 5.17 of the Full Assessment) or investment by the Authority, to drive further modal shift”. Based on this Go-Ahead conclude that additional external funding sources should be considered to ensure long-term franchising affordability as increases in farebox, precepts etc are unlikely to be able to deliver the required improvements beyond 2027.

#### **The Combined Authority’s response**

CPCA acknowledges the comments received on funding for bus priority infrastructure and notes their relevance to both the Proposed Franchising Scheme and an Enhanced Partnership, but also that the schemes are not an inherent component of either bus reform option.

CPCA believes that it is important to commit to bus priority measures, evidenced by the fact that, separate from the assessment of franchising, CPCA commissioned detailed work to identify a programme of quick wins for bus priority using already committed funding. While acknowledging that further work is required to account for any impacts on bus operation, passengers and other road users, the results of this work were used to assess the potential benefits of a package of bus priority investments under the bus reform options.

At this stage any financial benefits associated with bus priority have not been monetised. The case for investment in specific bus priority measures will be the subject of separate feasibility studies and a business case. CPCA have also made a wider commitment to deliver bus priority in the Local Transport and Connectivity Plan and as part of the Local Growth Plan. In pursuing bus priority schemes, CPCA will consider all potential funding sources, including Section 106, funding from the relevant Highways Authority and funding from the DfT.

CPCA has taken the feedback provided into account and retains the view that the assumptions made in the Assessment on bus priority will not have significantly different effects between the bus reform options. As a result, CPCA does not consider that this feedback materially impacts on the Assessment’s recommendation but will continue to work to improve provision of priority for bus services, whichever bus reform option is pursued.

## **7.3 Theme 2: Funding and financing sources**

Numerous stakeholders commented on the funding sources available to CPCA for the initiation and ongoing operation of either Bus Franchising or implementing an Enhanced Partnership.

Bus operators serving Cambridgeshire and Peterborough outlined that the sources of funding are ‘sensible’ (Whippet) and that a thorough procedure has been undertaken based on the level of information that has been made available (Transport UK).

A number of stakeholders raised concerns regarding the funding pots generally with others providing more detailed comments regarding particular funding streams. Amongst operators there was a consensus that there is a need to ensure that long term funding is in place to support and ensure the realisation of benefits associated with Franchising.

Stagecoach responded to the Independent Audit findings on residual risks and uncertainties to funding requirements and affordability, by stating that “it is our view that the Outline Business Case Assessment should



*be re-assessed in light of the recent budget, the independent Audit Report and following receipt of responses to this consultation exercise to iron out any inconsistencies in the current modelling”.*

Go-Ahead raised that it is important to “ensure sufficient funding remains available in place long-term to support the delivery of the benefits of the Proposed Franchise Scheme” and that “if the region is to make a successful transition to a franchised market, it will need sufficient funding on an ongoing basis. Without access to third party funding to support this, the case could become more marginal”.

England’s Economic Heartland echoes this point, outlining that “concerns remain regarding the long-term funding to support the franchising scheme” ... “particularly given the discretionary nature of bus services at a time when there is significant pressure on local government funding”.

Fenland District Council raised a similar point, suggesting that as the business case has “lots of references to external funding and precept funding” there are concerns regarding the ability to secure the external funding and what happens if this funding is not secured. Based on this uncertainty Fenland District Council conclude that there is “financial risk” a “need for external funding” and that the “viability for the franchising option is unknown”.

However First Bus recognised that “National elections and regular spending reviews may affect, over time, the level of funding available to CPCA and this might affect the bus network irrespective of the operating model chosen by CPCA.”

### **The Combined Authority’s response**

The conclusions of the Financial Case within the Assessment are that both bus reform options are affordable to CPCA, noting that both Franchising and the introduction of an Enhanced Partnership will require additional financial support to realise bus network improvements. At this stage the Assessment compares Franchising and the introduction of an Enhanced Partnership setting out a clear ceiling for funding, based on realistic funding levels incorporating farebox income, government funding and local taxpayer funding. Sensitivity testing has also been carried out due to the uncertainty of future funding, to show that the proposals remain affordable under a variety of scenarios.

CPCA reaffirm their response to the Independent Audit and subsequent responses received during the consultation, on the analysis that has been carried out at the stage of the Assessment and the consideration of uncertainty in relation to funding requirements and affordability:

- CPCA acknowledge that as franchising progresses, more detailed cost and revenue estimates would be undertaken, in collaboration with operators who would be able to provide the most up-to-date data. This is a prudent next step, building on the robust analysis already detailed at this stage of the Assessment.
- In addition to showing how funding requirements from different sources would change, the sensitivity tests in the Assessment show how CPCA might respond. The Assessment shows that CPCA could (if required) reduce the proposed level of service so that the cost of providing those bus services remains within the proposed affordability envelope. It is accepted that in sensitivity models, a level of uncertainty is provided for, but more extreme events could occur and such events could represent a downside risk beyond these that are modelled in the Assessment. These events would affect all options (including the reference case) and therefore be unlikely to change the conclusion of the Assessment.

As such, CPCA disagree that the Assessment should be reassessed, as it provides the detail required at this stage of assessment, accounting for uncertainty, to inform a decision on bus reform and no material changes to the external operational environment have been identified that are considered likely to change the recommendation. As outlined above, if the decision is made to progress the Proposed Franchising Scheme, further cost and revenue estimates will be undertaken during the implementation planning stage.

Over time, CPCA expects that bus network improvements will lead to increases in bus revenue as usage increases, counteracting the external funding requirement to some degree. Without these interventions bus passenger journeys will continue to decline making it more difficult to implement service enhancements and creating a greater need for non-farebox funding streams. Long-term funding certainty and further investment from the Government, would be welcomed by CPCA but cannot be predicted with certainty at this stage.

Responses have also outlined concerns that there is a risk of funding being prioritised for other CPCA activities due to the current financial climate and funding requirements across the Combined Authority. However, improving the bus network is a key manifesto pledge of the elected Mayor and also forms part of the wider long term transport plan for CPCA. This means that CPCA will continue to have responsibilities for bus network management including to ensure that the Combined Authority is well served by public transport notwithstanding any change of elected Mayor. While the decision on adopting the Proposed Franchising Scheme lies with the elected Mayor, the implementation of bus franchising and meeting its obligations under the long term transport plan is the responsibility of CPCA. There are also CPCA processes in place for making funding decisions, so funding would not be transferred without going through the formal process and robust justification.

### **7.3.1 Mayoral precept**

A number of responses were received regarding the ‘Additional Mayoral precept’ which has been included as a funding source. The Mayoral precept is funding raised through a charge on council taxpayers across the CPCA area and has been included specifically to raise funds to financially support bus services under both options. Different perspectives have been reflected within the responses, some in favour and others raising concerns regarding this precept.

First Bus outlined that the proposed use of local transport levies and Mayoral precepts under both Franchising and an Enhanced Partnership is an *“innovative way of securing local funding that delivers local improvements and reduces the risk of reliance on other, external funding sources such as central government”* . First Bus also outlined that these funding streams *“reduce the political risk as local politicians, stakeholders and residents can clearly see where the money they are contributing is being spent and can potentially influence these spending decisions accordingly”* .

Alternatively, it was raised by Dews Coaches and the Confederation of Passenger Transport that the Financial Case does not include contingency for the possibility that the *“increase in Mayoral Precept is not accepted by all councillors”* . Stagecoach raised similar concerns outlining that the increase would be unpopular with *“those that do not and have no intention of using public transport”* .

Stagecoach outlined that from their experience a large increase levied in this way has never been seen within the UK, raising concerns that the precept is not realistic. The nearest comparator is London which saw a 112% increase from 2019 to 2024, but this precept funds the whole TfL network including, all emergency services and the London Underground as well as the entire bus operation, which is vast.

There is also a call from local authorities for complete transparency regarding funding breakdowns to ensure that any contributions can be linked directly to service improvements. The MP for Huntingdon outlined that residents have expressed concern that *“the trebling of the bus precept ... has disproportionately funded projects outside our area while delivering minimal local benefits. This has created the perception that Huntingdon serves as a financial “cash cow” without equitable returns”* .

Similar points have also been raised by Fenland District Council outlining that this increased tax payment will not be affordable for all residents and that residents would want to directly benefit from this tax uplift. *“The Council is aware of the proposed increases in the mayoral precept to assist with the scheme delivery. We question the affordability of this approach. It is unclear how Fenland residents, especially those within the poorest wards will be able to pay. It is also extremely hard to justify this for the same or similar level of buses that we have now. As the increased level of service to be expected is unclear, the benefit from the extra funding taxpayers will be expected to provide is unknown. Fenland residents need to understand what the extra funding will provide for them, assuming they are able to pay”* .

#### **The Combined Authority’s response**

As set out in the Assessment, it is recognised that there is a degree of cost and benefit uncertainty at this stage of the process. However assumptions used to inform the Assessment including potential funding sources have been considered in accordance with recent local and national funding policy and utilising the best available data for benchmarking where available. The use of information and its analysis was considered to be of sufficient

quality (and thereby meeting the requirements of the Transport Act 2000) by the Independent Audit and is therefore considered reasonable.

The Mayoral precept would be required for either Franchising or the introduction of an Enhanced Partnership and forms a substantial part of the allocated funding. Improving the bus network was a key manifesto pledge of the current elected Mayor and owing to CPCA's responsibilities for bus network management utilising the precept is considered an acceptable and reasonable approach. Supporting CPCA's responsibilities for bus network management through utilising the Mayoral precept is considered an acceptable and reasonable approach by CPCA. However, potential funding from other sources will also be explored as they become available over time, including possible use of BSIP allocations.

It should be noted that local authorities have a variety of ways for raising funds to support transport projects in their areas through imposing levies or charges on residents and local businesses. By way of example, Liverpool City Region Combined Authority is able to raise an amount of funding through the Mersey Tunnel tolls together with a Mayoral precept to support local transport schemes, while Nottingham City Council imposed a Workplace Parking Levy to support the Nottingham Express Transit light rail system. Where there has been a limited use of Mayoral precepts before an increase is proposed this can appear as a significant percentage increase over the previous amount while in real terms the actual additional amount payable is relatively small. In estimating the level of increase of the Mayoral precept, CPCA have focussed on the actual amount required and the benefits released to the overall regional economy rather than being sidetracked by the level of the percentage increase of a particular funding stream.

At this time, no upper limit on the amount of additional precept that could be requested has been identified. However, CPCA have undertaken sensitivity testing to test the impact of a 46% optimism bias applied to costs and a test where the level of borrowing for capital projects is £9 million, a 28% increase on top of the optimism bias. Under these scenarios there was no material impact on the level of precept required or the affordability of the Proposed Franchising Scheme.

CPCA notes the concerns outlined by some key stakeholders on the parity of direct benefits from improvements to buses between different geographical areas within the region, funded in part by phased uplifts in the average value of the Mayoral precept. In response to the comments on the justification of an increased Mayoral precept, when residents, particularly in smaller towns and rural areas, would have access to the 'same or similar' levels of service, CPCA reiterate that services levels proposed in the medium term investment Franchising and Enhanced Partnership scenarios would remain above the current reference case network, accepting that the exact level for any particular services could vary by service category. Franchising provides CPCA with full control of the bus network, including the level of service, this is not the case currently (apart from those services supported by CPCA) or guaranteed as part of the Enhanced Partnership.

If a decision is made to progress with the Proposed Franchise Scheme, CPCA will act transparently and clearly communicate the anticipated level of service once developed as part of the implementation planning and network review stages. As with all precepting authorities the CPCA annually publishes how much Council Tax it anticipates will be raised from each of the Authorities within it, provides regular budget monitoring information for in-year expenditure as well as producing annual accounts - as such there is, and will be, transparency from revenue raising to expenditure.

### **7.3.2 Bus Service Operators Grant (BSOG)**

A number of consultees also commented on the certainty of BSOG funding being available to the Combined Authority. Consultees have outlined that this income is currently under review and could change significantly, posing a risk to the affordability of CPCA bus reform. Specifically these concerns have been raised by Dews Coaches, Stagecoach and Fenland District Council, noting that BSOG is under review and that its continuation is uncertain.

#### **The Combined Authority's response**

CPCA acknowledges the feedback provided on the assumptions made regarding availability of BSOG in the Assessment. BSOG for all franchised services would be devolved to CPCA from DfT and will be subject to annual

increase, in accordance with Paragraph 1.51 of the DfT's guidance on Bus Franchising. CPCA also notes that the future of this funding source was raised and addressed during the Independent Audit and that while the Government is currently reviewing BSOG and considering alternative approaches, it is anticipated that whatever replaces it will still offer the opportunity for associated monies to be devolved to franchising authorities.

Within the Financial Case, CPCA treats BSOG consistently for both options considered, therefore the risk of its withdrawal would apply to all options, including the reference case. While it is recognised that no Government funding source is certain in the future, it is prudent and reasonable to base the Financial Case on assumptions of the funding that is currently known to be in place. It is also worth highlighting that the Bus Franchising Guidance specifically asks those undertaking an assessment of a franchising scheme to consider "how devolved BSOG would be used" and so therefore it is considered a relevant assumption.

The Assessment also includes BSOG changes in the Risk Register and CPCA will continuously monitor its financial position to ensure that it can make informed decisions on bus services funding under either the Proposed Franchising Scheme or an Enhanced Partnership. CPCA retains the view that the assumptions made in the Assessment on BSOG are unlikely to have a substantially differing impact between the bus reform options and the associated risks can be managed. As a result, CPCA does not consider that this feedback materially impacts on the Assessment's recommendation.

### **7.3.3 Revenue uncertainty**

A number of consultees made comments regarding the uncertainty around estimates of income from bus fares. Dews Coaches make the following point about fare box revenue, "Revenue is also only assumed. Without changes being supported and therefore used by the passengers, numbers could decline – especially after the £2 cap ends". Similarly, Fenland District Council raised that "Estimates of income from bus fares need to be exercised with caution given how quickly and easily numbers of bus users can change.

Transport Focus also raised a point on revenue uncertainty, enquiring what contingency plans are on place. "Transport Focus would like to understand what contingency plans are in place if the revenue stream from ridership or funding does not increase in line with increased costs. How does CPCA plan to intervene if a gap in funding is created? Have methods such as promotional activities been considered?"

#### **The Combined Authority Response**

CPCA acknowledge the comments made by key stakeholders on uncertainty related to fare revenue income. As outlined in the Assessment, both bus reform options are expected to result in substantially higher total income to the bus sector than the current situation, with franchising resulting in higher patronage generating higher levels of revenues, as the overall size of the bus market would increase with more services being operated and more passengers expected.

Fare revenues have been forecast based on assumptions, in line with DfT's Transport Appraisal Guidance (TAG) with verification provided by the Independent Audit. Annual reference case patronage is based on pre-fare cap introduction levels of patronage, with the possible changes to passengers numbers and usage resulting from the bus reform options being used to forecast future revenues, which has been based on average fare revenue per trip derived from pre and post introduction of £2 fare cap scheme. Additionally in the Assessment, fares have been assumed to increase at the rate of inflation, according to GDP forecasts in TAG Databook plus 1.58%, in line with historic trends and considering fare elasticities to account for responses to price changes on patronage levels.

The sensitivity tests in the Assessment show how funding requirements from different sources could change and how CPCA might respond. The Assessment shows that CPCA could (if required) reduce the proposed level of service so that the cost of providing those bus services remains within the proposed affordability envelope.

As with responses to other funding sources, it is accepted that in sensitivity models, a level of uncertainty is provided for, but more extreme events could occur and such events could represent a downside risk beyond these that are modelled in the Assessment. These events would affect all options (including the reference case) and therefore be unlikely to change the conclusion of the Assessment.

The mitigation of risks to revenue uncertainty have also been raised and addressed as part of the Independent Audit, related to Financial Case sensitivity testing. In line with the Bus Franchising Guidance (2019 edition), CPCA produced high-level mitigation plans to address sensitivity tests, including mitigation of lower patronage resulting in reduced fare revenue. High-level risks for franchising and Enhanced Partnership options are considered in Tables 3-19 in the Assessment, this includes the risk of economic downturns leading to reduced patronage and fare revenue. In the case of franchising, mitigations could include retention of contingency from fare income received (where available) to meet shortfalls, periodically revise patronage and fare income forecasts, review bus service provision within franchise contracts against revised forecasts. In the case of Enhanced Partnership, CPCA could retain contingency within the bus service support budgets or periodically revise patronage and fare income forecasts.

The identification of funding risks and associated mitigations will continue to be reviewed and updated as part of the implementation planning process following the decision on bus reform.

### **7.3.4 Other funding sources**

Responses to the consultation have outlined other funding streams to be considered for both options that could be drawn upon or explored.

Go-Ahead specified that other funding streams should be considered including workplace parking levies and parking charges to deter car use and promote bus services. Go-Ahead – *“Reference to exploring other avenues of funding including workplace parking levies, which could also serve to stimulate demand (and revenue) are particularly welcomed in the Full Assessment, although it is disappointing to note these have been discounted. We would also question why parking charges are not considered as a separate option to raise funds... Such options have the additional benefit of encouraging bus usage (including P&R) and facilitating modal shift alongside wider benefits of reduced congestion and air pollution”*.

Whippet also raised the potential for other funding sources, in particular to fund the two depots in Cambridge and Peterborough. Whippet – *“We would strongly encourage the CPCA to look at other funding options (e.g. Public Private Partnership model) for the two depots in Cambridge and Peterborough. This can remove the need for CAPEX, whilst providing the desired facilities for a slightly higher OPEX. Ascendal is happy to provide case studies as to how this can be achieved”*.

#### **The Combined Authority’s response**

CPCA appreciate the responses on additional funding sources suggested by key stakeholders. As part of the Assessment, a number of funding sources were explored, assessed and discounted, including the workplace parking levy, which was discounted on account of the time required to establish the scheme and likely contention involved in determining appropriate levy zones. The Assessment has compared the options for reform without assuming further budgets or funding schemes are available than are currently, with this approach sufficiently cautious to provide confidence to decision makers on the robustness of potential funding sources considered. CPCA maintains the stance that basing the Financial Case on assumptions of the funding that is currently in place is prudent.

As part of the implementation planning phase, CPCA expects to actively manage financial risks and explore opportunities for additional funding, as part of the usual requirements for strategic financial management across all the organisation’s activities.

## **7.4 Theme 3: Costs of implementing the Proposed Franchising Scheme**

Responses have been received regarding the proposed costs of implementing the Proposed Franchising Scheme or an Enhanced Partnership.

### **7.4.1 Costs of implementing a Franchise Scheme**

General comments received from consultees recognise that the expected cost is higher under a franchised framework. Whippet made the comment that *“The cost is clearly higher under a franchised framework,*

*particularly in the transition period, as the CA will then be taking on a far greater responsibility for planning, procurement and monitoring. In themselves, if well resourced, these have the potential to then deliver the commercial objectives that are desired. Paying well and getting the right resource to lead this process is key”* . Similar points were raised by Stephenson of Essex who commented that *“the cost is likely to be higher for Bus Franchising, particularly in the transition period as the CA will be taking on greater responsibility for planning, procurement and monitoring”* .

Cambridgeshire Sustainable Travel Alliance support the additional costs associated with Franchising, commenting that *“Given that franchising will produce greater benefits for local communities, the additional investment to adopt this operating system is worthwhile. Only under franchising will the Combined Authority have sufficient control over the bus network and how public funds for buses are invested to be able to halt disruptive bus cuts and plan routes and services that better meet communities’ needs”* .

First Bus also outline that *“The additional marginal costs of the Franchising approach as set out in the appraisal appear to yield considerably greater benefits over this longer period (to 2052) and justify the additional spend, provided that secure sources of funding (as proposed) are guaranteed over this period”* .

Transport UK agreed that the costs described in the Financial Case, including capital costs (for construction of bus depots and bus priority infrastructure); Institutional costs (including professional fees, procurement costs, CPCA staff costs and ‘System’ costs) and Bus Operating Costs (in the case of the CPCA paying for operators to run franchises) are all relevant.

### **The Combined Authority's response**

CPCA recognises the costs in implementing a Franchising Scheme and these have been presented within the Financial Case based on information that is currently available to CPCA.

Consultees have not disputed the fact that Franchising demands higher costs when compared to delivering an Enhanced Partnership in particular recognising that transitional costs are required alongside capital investment and ongoing management costs. The Assessment concludes that the costs associated with Franchising are affordable to CPCA at this stage based on the sources of funding currently available, the high level of benefits that can be unlocked by delivering bus service improvement through franchising and that any additional management costs are necessary based on the additional responsibilities that come with a Franchising arrangement. The Confederation of Passenger Transport (CPT) outlined that *“a strong Enhanced Partnership model will deliver the same outcomes with less cost to the LTA and in a faster timescale and makes the best use of available capacity and capability”* . CPT also set out their belief that bus operators already co-operate with CPCA and therefore the foundations of an Enhanced Partnership are already in development, so *“an Enhanced Partnership model could deliver the benefits quicker, at less cost and risk to CPCA”* . CPCA acknowledge that an Enhanced Partnership could deliver a number of benefits at a lesser cost and risk; however, the Enhanced Partnership option would not yield as many benefits when compared to Franchising. There will also be additional costs incurred associated with both options attributed to an increased requirement for staffing and systems capacity and capability to take on greater roles and responsibilities.

As outlined within the Assessment, the introduction of an Enhanced Partnership would offer good value for money, comes with limited risks and responsibilities for CPCA and could be managed through an incremental workload increase for the Combined Authority. However, it is also noted that an Enhanced Partnership has some limitations in terms of limits to introducing ticketing and network integration schemes, an imbalance towards investment rather than control over outcomes and the likelihood of political challenge possibly due to the handover of large amounts of investment to the private sector with less control on outcomes.

### **7.4.2 Reassessment of costs**

Other comments outline that costs and contributing factors to funding should be reassessed. Dews Coaches commented that *“Costs and contributing factors to funding the initial investment should potentially be reassessed. The probability of Franchising costing more than anticipated is high, as the CPCA have no other comparable authorities experience to draw upon. Revenue is also uncertain. The costs Operators would also have to factor into contract bids is undetermined, so accuracy of the project cost is unlikely”* . Stephenson of

Essex commented that there is a “*huge level of guesswork in the numbers*” giving the outcome a “*very high level of risk*”.

This has been reiterated by the Confederation of Passenger Transport who commented that “*the costs to move to and maintain a Franchised model have been underestimated and do not allow for many uncertainties mentioned throughout this document. We would advise the CPCA to reassess the costs, clearly lay out each cost and to ensure contingencies are included*”.

Fenland District Council outline that they find it difficult to justify the substantial difference in costs between Franchising and introducing an Enhanced Partnership. Fenland District Council outline that “*it is noted that the Enhanced Partnership cost for the medium level is £6million capital plus £600k running costs. Cost of franchising in the first year is £41million plus £1.4million per year. [Fenland District Council] is perturbed about the affordability of the franchising option. It is suggested that the potential benefits are not fully understood, given the assumptions in the business case and the lack of scenario testing focusing on more limited growth*”.

These concerns were also shared with Stagecoach who outlined that “*Whilst the OBCA document sets out in detail the assumptions behind the financial case, it appears there are key areas that have either not been fully considered or underestimated. We believe there is considerable risk that the funding required to deliver Franchising is likely to exceed even the larger Mayoral Precept requirement set out in Table 7-23*”.

### **The Combined Authority’s response**

CPCA has confidence that the assessment of costs is based on robust evidence and represents a reasonable forecast. This is supported by the Independent Audit having raised no major concerns with the approach taken in the Assessment to model costs for both the Franchising and Enhanced Partnership options. The Audit confirmed that the Assessment used data and analysis of suitable quality and took account of the relevant DfT guidance, satisfying the requirements of Section 123D of the Transport Act 2000.

It is recognised that the costs associated with Bus Franchising are higher than those for an Enhanced Partnership. This is particularly the case when comparing costs associated with initiation, capital investments and ongoing management costs. Additional costs will partly be moved from the private sector, but most are the costs associated with implementing stronger or expanded management systems, reflecting the additional responsibilities that CPCA would be taking on. However, these costs are considered affordable with the sources of funding that have been identified and justifiable by the benefits that are to be realised.

The CPCA recognise that as franchising progresses, more detailed cost and revenue estimates would be necessary, in collaboration with operators who would be able to provide the most up-to-date data. This is a prudent next step, building on the robust analysis already detailed at the stage of the Assessment.

However, having considered the feedback provided, CPCA remains of the view that the costs included within the Assessment, and reviewed by the Independent Audit, remain appropriate and sufficiently robust to inform decision-making at this stage of bus reform planning and that a reassessment of costs is not needed.

## **7.5 Theme 4: Financial and cost risks to Combined Authority**

The responses from consultees discuss risks to CPCA associated with introducing the proposed bus reform options.

Generally, stakeholders have recognised that the financial risks associated with Franchising are higher but are more likely to be offset through careful management and provide the CPCA with more control over the bus network and services within the Combined Authority. Whippet outlined that “*Whilst risks remain higher, these can be offset by ensuring quality and robust resource is in place to successfully manage the transition to franchising. We would also recommend looking at other markets which have transitioned to franchising to look at lessons learnt (including Manchester, Channel Islands, Singapore, Perth and Sydney)*”. England’s Economic Heartland commented that “*although franchising would carry more financial risk than an enhanced partnership, it would give CPCA more control over the bus network and services with the CPCA area*”.

Transdev outlined that “while more financial risks are carried by the Authority, more opportunities arise as well. For instance, decrease of health costs by having less polluted cities, etc”. This viewpoint is shared with Go-Ahead who outline that the financial risk associated with the Franchising Scheme is “necessary in order to realise the wider benefits of franchising outlined and the Authority’s Bus Strategy in this particular area. It also provides the Authority with the levers to stimulate demand. Assuming greater financial risk is also necessary in order to deliver the benefits of increased competition for franchise contracts, by levelling the playing field (a stated Commercial Objective) and removing key risks and barriers to entry for operators as part of the procurement exercise”.

CPCA concur with the thinking of Go-Ahead and Transdev that introducing the Proposed Franchising Scheme has the potential to deliver additional benefits arising from service enhancements including possibly fare capping, marketing/branding and, where possible, enhanced schedules / frequencies. Coupled with ongoing investment in bus priority measures these enhancements could further stimulate passenger demand and ultimately help mitigate some of the financial risk.

Specific risks raised by consultees are captured under the following headings:

- Risk of insufficient operator interest/competition
- Long-term funding not secured
- Risk of funding shortfall
- Contingency for service provision
- Limited potential for cross-subsidisation

### **7.5.1 Risk of insufficient operator interest/competition**

A number of consultation responses outlined a risk of insufficient operator interest in the Proposed Franchising Scheme and that options for promoting competition and operator interest should be considered to support desired outcomes. Peterborough City Council noted that “getting a competitive market and bids for routes will be challenging” and Go-Ahead suggested that “consideration is made to certain details of the proposed scheme to maximise the advantages derived from a competitive procurement”.

#### **The Combined Authority’s response**

CPCA acknowledges and welcomes the feedback provided on the risk of insufficient operator interest to support competitive procurement. The Proposed Franchising Scheme has been developed to encourage and optimise a competitive market for franchise contracts, providing opportunities for a wide range of operators of all sizes and encompassing both existing local bus operators and external operators. Features designed to achieve this include a range of lot sizes, provision of depot facilities for large lots and a two-stage procurement to allowing operators who did not secure contracts in the first round to have opportunities in the second round.

The responses received from operators to this consultation demonstrates that there is a level of interest in the Proposed Franchising Scheme, at least in principle. If the Mayor decides to proceed with the Proposed Franchising Scheme, CPCA will continue to engage with operators and the CMA as scheme design is developed to support adoption of further measures to ensure there is competition and interest amongst operators, including the enactment of supporting strategies such as the depot strategy and lotting strategy.

In the event that levels of competition were to be lower than expected and that contract prices exceed expectations, there will be options to manage this, by either awarding the most suitable contract, choosing not to award and retender with different service packages, or awarding for a shorter period while developing a new approach. Conversely, if contract prices are lower than expected, there will be opportunities to award a contract with a higher level of service or allocate the surplus to a contingency fund for supporting other contracts.

Having considered the feedback provided on competition, CPCA remains comfortable that the risk of low operator interest can be managed and that the Assessment provides an appropriate and robust basis for decision-making.



## 7.5.2 Long-term funding not secured

The Financial Case outlines that for Franchising, or the comparable Enhanced Partnership, to be implemented, additional expenditure would be required to deliver the benefits. First Bus consider this additional spending as acceptable so long as “*the funding is in place and is secured long term*”, noting that this is also the case for an Enhanced Partnership.

Go-Ahead raise similar concerns, outlining that “*any uncertainty over long term funding would clearly undermine the benefits and relative advantages of franchising and validity of the overall assessment*”.

### The Combined Authority response

CPCA recognises that both Franchising and an Enhanced Partnership require substantial financial support in the long term to realise CPCA’s Bus Strategy ambitions and objectives. It is important for the overall financial security of CPCA that a long-term sustainable solution is sought; balancing appropriate levels of risk exposure and sufficient control to effectively realise benefits.

The analysis shows that either of the bus reform options pursued would require financial support throughout implementation. The medium investment scenarios, as currently envisaged, would require financial backing to maintain services in the long term under either Franchising or an Enhanced Partnership. Both bus reform options have been demonstrated within the Assessment’s Financial Case to be affordable and sustainable in the long term, through management of forecast available funding and the levels of service provided.

## 7.5.3 Risk of funding shortfall

Stagecoach raised that under the current system “*bus operators have the flexibility to adjust fares and service provision to cover increases in costs. Under franchising, flexing fares and services is still possible, but any fare increases, or service reductions would be politically unattractive and may not sit easily with the CPCA’s desire for lower and capped daily fares*”. Based on this, if actual costs are higher than the costs assumed in the proposal Stagecoach have raised that there could be a “*significant funding shortfall*” that would need to be met either by passengers (increased fares or reduced service levels), the taxpayer (additional public funding), or a mixture of both.

Similar points have been raised by the Confederation of Passenger Transport, who outline that identified funding streams including BSOG are uncertain and as such they expected “*the financial case to have factored in the potential risk of reduced funding, given that the future levels of reimbursement and support are unknown*”.

Dews Coaches also raised concerns regarding funding shortfalls and questioned whether an Enhanced Partnership could be more reactive to what is successful and what needs to be reviewed as the bus network develops. Dews Coaches stated that “*The revenue estimate could be inaccurate, or costs higher than expected. Franchising will offer less flexibility to change. Is there a proposal of where to find the additional money, should the projection be incorrect?*”

### The Combined Authority response

CPCA have carefully considered the likely costs associated with all elements of each scheme through collaboration with operators and have incorporated an optimism bias to cover any likely overspend. However, whichever option is adopted, CPCA will closely monitor spend and through robust management will ensure that appropriate and available funding sources are utilised to keep delivery on track.

As part of the Assessment, sensitivity testing has been undertaken to understand the impact of increased costs on the need for additional funding and the overall affordability of each option. This was also highlighted in response to the Independent Audit where comments were raised regarding cost certainty.

For the capital expenditure elements, the assessment applies an optimism bias of 46% on top of cost forecasts and it is usual at this stage of development for there to be uncertainty. Additionally a sensitivity test was undertaken where the level of borrowing for capital projects is £9m (28%) higher than the level assumed with

optimism bias. The result showed no material impact on the level of precept required or the affordability of the franchising proposition.

Funding sources have been identified at this stage based on those that are currently available to CPCA, meaning their availability is relatively certain. However should substantial cost uplifts be experienced, CPCA recognise that a series of contingencies must be in place to ensure the correct level of funding is available. As implementation draws nearer CPCA will continue to evaluate funding sources that are available to them allocating funds such as those made available most recently through BSIP to facilitate bus reform.

CPCA concurs, that in the current system, commercial operators do have the ability to adjust fares and/or flex services to cover higher costs, this can also have a negative impact on patronage and the trust residents place in public transport (if fares are significantly higher and services reduced) and historically has also led to the CPCA funding those additional services.

CPCA are therefore confident that funding shortfalls could be managed (without significantly impacting scheme delivery) as significant contingency is built into current assessments and additional funding can be allocated (including Government funding such as BSIP, or local funding from increasing the Mayoral precept). Nonetheless CPCA will closely monitor the costs and funding availability associated with the preferred option through the implementation planning stages to minimise funding shortfalls.

#### **7.5.4 Contingency for service provision**

Under the Proposed Franchising Scheme, consultees have raised that there is a risk CPCA will need to provide replacement services as contingency should contracts be terminated due to performance problems or insolvency. England's Economic Heartland outlined that from their own work on bus operation models *"consideration as to provide replacement or back up services if a provider should fall through, will need to be considered by CPCA, if it takes on sole responsibility for bus services. We would encourage the CPCA to consider the possibilities for a shadow fleet or alternative provision which can be used in the event of emergencies to ensure robustness in the system and secure the gains expected in terms of passenger experience, public trust and general reliability of the service"*.

##### **The Combined Authority's response**

CPCA recognises the concerns expressed around the potential need for contingency services under Franchising and the impact on the Financial Case. CPCA wants to encourage network stability, with security for passengers to rely on the availability of services. CPCA notes that the need to provide replacement services can arise under all operating models, including the current deregulated model and both bus reform options. CPCA also has had experience of providing replacement services in recent years as operators have withdrawn a number of commercial services since 2020.

Detailed contingency planning for dealing with an inability of an operator to provide the contracted services, for example due to insolvency, will be developed during implementation planning. At this stage, it is envisaged that rather than using a shadow fleet approach, Parent Company Guarantees will be mandated for larger lots and potentially for smaller lots as well. This would provide CPCA with additional funding for the emergency contracting of another operator, to provide the services which the original franchisee failed to do so. This is currently considered not to be so essential for smaller lots, as CPCA are more likely to have the resource available to re-procure these in an emergency.

Having considered the feedback provided on contingency services, CPCA remains comfortable that the risk of service withdrawal can be managed and that the Assessment provides an appropriate and robust basis for decision-making.

#### **7.5.5 Limited potential for cross-subsidisation**

Responses from the consultation also raised that Cambridgeshire and Peterborough has a high rural to urban ratio which presents a risk to the financial case and limited potential for cross-subsidisation. The Confederation of Passenger Transport specifically raised that *"The CPCA has a high rural to urban ratio, which poses a risk to the financial case. In big metropolitan areas such as Manchester, where the mix is more balanced between rural*

*and urban, the higher density of residents in urban areas means there is a way to support the provision of rural services through cross subsidisation”.*

### **The Combined Authority’s response**

CPCA recognises the comments provided with regard to the significant rural to urban ratio within Cambridgeshire and Peterborough. Furthermore, the Assessment takes into account the pattern of population densities across the CPCA area, which consists of two modest urban areas, along with large rural areas with dispersed population. Cambridgeshire and Peterborough is not unique in this pattern of population distribution and while it is clear that the rural population of the CPCA area makes up a slightly higher proportion than the national average, this is not substantial, although it is understood that some other Combined Authority areas such as Greater Manchester, West Midlands and West Yorkshire will have proportionally much smaller rural populations. However, areas such as West of England and South Yorkshire have broadly similar rural population proportions. Forecast population growth will continue to shift the rural/urban ratio as the region develops.

The law does not allow for the provision of cross-subsidies between profitable and unprofitable bus services in the current deregulated system or under an Enhanced Partnership. Within these models, operators can make high margins on the most profitable routes, whilst also seeking additional funding from CPCA to support non-commercial routes. Under the Proposed Franchising Scheme, effective cross-subsidisation by CPCA would be permitted. CPCA has stated that using funds from profitable, urban services, to support unprofitable, rural services, is a key policy objective for franchising.

It is, however, not possible to state that all unprofitable services are rural, as there are some inter-urban services, that operate between market towns and serve rural areas in between, that may currently be profitable. Better co-ordination of integrated transport services under a franchised system will enhance public transport options for rural areas, making services more financially viable and aiding cross-subsidy opportunity. While it is acknowledged that a higher-than-average proportion of CPCA’s population lives in a rural area, it is not considered exceptionally high and CPCA does not consider that its rural/urban split necessarily imposes significant restrictions on the opportunities for cross-subsidisation.

Having considered the feedback provided on cross-subsidisation, CPCA remains comfortable with the affordability assessment presented in the Financial Case and that the Assessment provides an appropriate and robust basis for decision-making.

## **7.6 Financial Case Conclusion**

The Financial Case section of this report has evaluated the main themes generated by consultees. These responses mainly focus on the themes of:

- Assessment assumptions and modelling
- Funding and financing sources
- Costs of implementing the proposals
- Financial and cost risks to the Combined Authority.

### **Assessment Assumptions and Modelling**

To develop the Financial Case for both Franchising and an Enhanced Partnership, a series of assumptions were required around costs and funding.

A number of consultees raised comments that insufficient resources have been assumed to be needed to deliver Franchising. CPCA are proposing to use a balance of existing staff, 15 additional staff members and interim staff to deliver franchising which is considered to be appropriate based on the tasks and level of effort anticipated. CPCA will conduct further detailed work on the range of tasks anticipated during the implementation planning stage.

Consultation feedback also queried cost assumptions around procurement and tendering, operating costs and depot build costs. CPCA has detailed the data sources and methodologies used to derive these costs, noting that these have been reviewed during the Independent Audit.

Other comments in this section focused on particular assumptions regarding BSOG, Mayoral precept, patronage growth and bus priority. CPCA has set out the approach and rationale underpinning the assessment of BSOG and Mayoral precept as funding sources, again noting that they have been reviewed during the Independent Audit. CPCA has detailed the data sources and methodologies used to model patronage growth and has provided additional detail on the bus priority upgrades assumed within the Assessment.

Overall, CPCA believe cost and funding source assumptions are reasonable at this stage and have been verified by the Independent Audit. CPCA will continue to review costs and funding availability following formal decision regarding the most suitable option and the transition to implementation.

### **Funding and Financing Sources**

Numerous consultees commented on the funding sources available to CPCA for the initiation and ongoing operation of either the Proposed Franchising Scheme or implementing an Enhanced Partnership. A mix of positive and negative responses were received, with some consultees outlining that the funding sources are sensible and a thorough procedure has been undertaken based on the level of information made available. In contract, some consultees raised concerns that long term funding remains uncertain and concerns that some funding streams such as BSOG and the Mayoral precept may not be available to the extent that has been included within the appraisal.

As detailed within the Assessment, it is recognised there is a degree of cost and benefit uncertainty at this stage, however assumptions used to inform the Assessment including funding sources have been considered in accordance with recent policy and utilising the best available data for benchmarking where available. This approach has been verified by the Independent Audit and is therefore considered reasonable.

Additional funding streams have also been proposed by consultees, CPCA recognise and appreciate these suggestions and these will be considered further at the implementation stage.

### **Costs of Implementing the Proposals**

General comments received from consultees recognise that the expected cost is higher under the Proposed Franchising Scheme. Given that franchising will produce greater benefits for local communities, many consultees see the additional investment to adopt this model as worthwhile, although CPT disagreed and stated that an Enhanced Partnership could provide the same level of benefits. CPCA responded to reaffirm how the Assessment shows greater benefits for Franchising.

CPT and a number of other key stakeholders also expressed broad doubts about the assessment of costs for the Proposed Franchising Scheme and asked for these to be reassessed. CPCA noted that the costs had been subject to an Independent Audit that confirmed their suitability for use in decision-making, but also that these costs would be reviewed further at the implementation stage to inform the detailed development of bus reform.

### **Financial and cost risks to the Combined Authority**

A common theme within responses was the increased financial risk associated with Franchising compared to current arrangements and the introduction of an Enhanced Partnership. In some cases, responses outlined that these risks are worthwhile based on the benefits that can be attained through Franchising however other respondents demonstrated greater concern that risks and uncertainty within the Financial Case impact the validity of the business case.

These risks are mostly related to the new funding risks faced by CPCA, particularly around long-term funding, funding shortfall, contingency funding for service withdrawals and cross-subsidisation opportunities. CPCA provided responses discussing the sensitivity testing carried out for the Assessment and the range of mitigations and reactions available to manage funding risks.

Concerns were also raised by stakeholders around levels of operator interest in competing for franchise lots and the potential to impact contract payment costs. CPCA have noted the range of approaches detailed in the Assessment and available for further development during the implementation planning phase to encourage competition for lots and to respond to low operator interest.

After considering the consultation feedback, CPCA remains confident that the risks associated with either bus reform option can be managed and notes that the approaches will be developed further during the implementation planning phase.

### **Overall Conclusion**

Consultees have outlined that concerns exist regarding the overall costs of delivering the Franchising Scheme and that there are risks anticipated.

Regarding costs, CPCA can conclude that having considered points raised, this has not altered the view that options remain affordable within the budget available. CPCA have carefully considered the likely costs associated with all elements of each scheme through collaboration with operators and have incorporated an optimism bias to cover any likely overspend. However, CPCA will closely monitor spend associated with adopting either option and through robust management will ensure that appropriate and available funding sources are utilised to keep delivery on track.

Regarding risks, the comments have reiterated that franchising will bring additional risks for CPCA, in particular revenue risk that was previously carried by local bus operators. CPCA believes the risks identified can be managed by adopting its approach to risk management and concurs with stakeholders that these risks are necessary to deliver the substantial benefits of bus reform.



## 8. Management Case

### 8.1 Introduction

This section outlines the key themes within the Management Case arising from the consultation, along with CPCA's response.

The Management Case considers the factors which influence the deliverability and robustness of arrangements within CPCA to deliver, monitor and evaluate the bus reform options – either Franchising or Enhanced Partnership – including management arrangements and responsibilities, governance processes, risks and mitigations, management of the transition process and contingency plans.

In the short questionnaire, the following question was asked specifically about the Management Case:

- S6: The Management Case sets out how the Combined Authority would manage the bus network under Franchising or an Enhanced Partnership. Do you have any comments on these plans?

In the long questionnaire, the following two questions were asked specifically about the Management Case:

- L26: The Combined Authority will need to increase its capacity and capability to manage bus service improvements, both in the case of Franchising or Enhanced Partnership. Have you got any comments on these plans?
- L27: The Management Case sets out how the Combined Authority would manage the bus network under Franchising or an Enhanced Partnership. Do you have any comments on these plans?

This section outlines the issues raised in line with these questions, as part of the feedback from key stakeholders to the long and short questionnaires, as well as correspondence received by email. Additionally where issues have been raised as part of the responses to the Commercial Case questions (Section 6) and other questions, which CPCA considers to having a bearing on the Management Case, these have also been outlined. The main themes identified in this feedback are reflected and responded to in this section.

This section also considers and responds to key themes from the wider public feedback to the Bus Reform Consultation, which again have a bearing on the Management Case, that are captured and quantified in the Westco report. Section 9 of the Westco report includes a summary of the responses to the questions relating to the Management Case. It outlines that a total of 937 participants responded to the question on the Management Case, as part of the short questionnaire, with 56 participants responding to L26 and 53 participants responding to L27 within the long questionnaire. Additionally a number of key and wider stakeholders responded via email, which has been captured in Westco report and this report's appendix.

In analysing the responses from key stakeholders, the predominant feedback was from bus operators, constituent councils, neighbouring authorities and other associated transport industry representatives.

Generally there is a level of agreement on the recognition that additional resources are required within CPCA for the delivery of either bus reform option. The key focus of the responses include:

- CPCA's capacity to manage the transition to and implementation of bus reform options, including additional staff requirements, ensuring the right skills are in place within the necessary timescales.
- Clarity on the roles and responsibilities as part of the Proposed Franchising Scheme, including queries about day-to-day roles and responsibilities both during the transition and if franchising is implemented.
- Management of the transition period including managing risks during transition, implementation and operations of bus reform options, which is also linked to the Commercial and Financial Cases of the Assessment.
- Role of key stakeholders in future partnership working, including constituent councils.

## 8.1.1 CPCA Implementation of Bus Reform

CPCA has begun to develop transition plans for bus reform, if it is approved.

### **Proposed Franchising Scheme**

If the Proposed Franchising Scheme is approved, CPCA officers (taking on board comments from consultation responses) will move quickly to a programme of implementation. There are a number of workstreams identified to be delivered on an ongoing basis if CPCA proceeds with bus franchising. These are:

- 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 there will be a need for 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 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.

As franchised bus contracts are awarded and services move towards a mobilisation phase, CPCA will work closely with the preferred bidders to ensure they are ready for the ‘go live’ day of contract. CPCA will then work closely through them throughout the operation of their contracts, to ensure service performance meets quality incentive contract requirements to the benefit of CPCA residents and business. CPCA will also engage extensively with all stakeholders working with the Communications team, as well as develop and implement a customer services strategy.

CPCA 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, CPCA have included ‘safety’ as a clear separate pillar in any implementation planning, including benchmarking with best practice elsewhere, including Manchester and London. This reflects the clear responses received during the consultation outlining the need for the vital focus on safety.

### **Enhanced Partnership**

If the Mayor decides not to make the proposed franchising scheme, CPCA will move quickly to begin negotiations with all current bus operators in CPCA to develop an Enhanced Partnership, based on that discussed in the Bus Reform Consultation document and the Outline Business Case Assessment and best practice elsewhere.

This will require the negotiation of a legal agreement of duties and commitments under an Enhanced Partnership, between CPCA, bus operators in the area and the local Highway Authorities, under the Bus Services Act 2017 and competition law. CPCA staffing will grow and develop in order to carry out its responsibilities under an Enhanced Partnership and to monitor and assess agreed improvements achieved.

## **8.2 Theme 1: CPCA capacity to manage and responsibilities within bus reform options**

A main theme emerging from consultation responses includes comments on CPCA's capacity to manage the bus reform options, to differing levels depending on competencies needed for Franchising or Enhanced Partnership proposals, along with the requirement for, and recruitment of, a sufficiently skilled level of resources within the proposed implementation timescales.

In particular, the responses received on this main theme within the Management Case and as part of other Cases (such as the Commercial and Financial Cases) demonstrated there were varied opinions, ranging from positive, negative or mixed, on CPCA's capacity to manage the Proposed Franchising Scheme within its existing organisational structure or the proposed structure as part of the Assessment, including the identification of additional resources and skills required.

Subthemes within this include general comments on resource requirements, employment, recruitment and staffing, comments on the availability of skilled resources within the industry and within the timescales for implementation, as well as comments on the potential differences in administrative burdens between bus reform options – Franchising and Enhanced Partnership. Responses from bus operators and other stakeholders also focussed on the implications of the use of consultants, particularly during the implementation phase.

This main theme was also linked to comments related to bus operator staff and recruitment within the Management, Commercial and Financial Cases, in terms of the potential opportunities and challenges presented by the bus reform options and in particular the Proposed Franchising Scheme. This has been outlined and responded to in more detail as part of the Commercial Case (in Section 6.5).

### **8.2.1 CPCA capacity to manage including additional staff and recruitment**

Bus operators including Whippet and Stagecoach state that the proposed management and governance structures and timelines for implementation for both franchising and Enhanced Partnership options are sensible and appear to be reasonable. However, bus operators also reiterate the requirement for sufficient skilled resource to be in place to ensure improvements in decision-making processes and timeliness of decisions within the Authority, as well as to ensure proactive monitoring and management of the bus reform option selected.

Additionally bus passenger representatives and user groups, such as Cambridge Sustainable Travel Alliance, recognised that *“Although the Combined Authority would need to adapt to a greater degree and it would take longer to implement franchising, the Management Case demonstrates that it has considered the issues involved and can manage the transition and deliver this option successfully.”*

Recommendations for timely access to skilled resources and strengthening specific roles (i.e. contracting/procurement, operational and engineering, community transport) have been outlined by a number of local transport and district authorities, as well as the Community Transport Association.

Cambridgeshire County Council recommended *“that CPCA ensures it secures access to the required level of resource and expertise to complete the contractual requirements of franchising in a timely manner”*.

Stagecoach outlined the importance within the new core management teams of *“a strong focus on operator management and accountability....with an equally strong focus on areas which can directly impact service provision and the customer, such as operational, engineering and customer service employees, rather than just a reporting and monitoring structure”*.

Peterborough City Council stated that *“Looking at the various roles and outputs the CPCA will need a substantial team to deliver on this work”*.



East Cambridgeshire District Council recommended *“It is essential that the CPCA increases its capacity and capability in order to implement and maintain a successful franchising scheme and to ensure that the benefits and objectives promised are delivered for the benefit of all residents in the CPCA area.”*

First Bus recommends that *“CPCA discuss with other Mayoral Combined Authorities with recent experience of Franchising or Enhanced Partnership to understand resource requirements for both the Franchising process during transition and then subsequently in “steady state” operation”. While Stephenson’s of Essex outline their concern that “the level of resource needed and the level of expertise needed, is dramatically under-estimated in the OBC. And consequently the costs and challenges involved in getting there”.*

More generally, Go-Ahead recommends that *“It is worth considering how the parties can retain and recruit the required skills without disadvantaging the other parties which otherwise has the potential to increase challenges of delivering the required services. In cases where discrete responsibilities will transfer from operator to the Authority under franchising, e.g. customer services, there may be a case for TUPE to be applied, ensuring access to experienced employees and safeguarding job security.”*

Suffolk County Council outlines opportunities that franchising could bring *“if neighbours also go for franchising, there is the possibility of creating an agile, cross-border staff group to help upskilling across all authorities and share knowledge”.*

### **The Combined Authority’s response**

As outlined in the Management Case, CPCA recognises that enhancements to its current organisational structure would be required to provide the capacity and the breadth of competencies necessary to manage either an Enhanced Partnership or the Proposed Franchise Scheme. This would be achieved through a combination of upskilling, recruitment and consultancy support.

CPCA currently has a small public transport team that provides the competencies required to manage the interventions in the existing bus network, particularly the specifying and awarding of contracts for supported bus services to fill gaps in the commercial bus network. For example, the team has already acquired senior staff with extensive expertise in different franchising-type operations in Transport for London and Transport for Greater Manchester and in bus operations in a senior role with a major UK operator. This team liaises with bus operators and other interested parties in respect of all aspects of bus provision and supporting infrastructure, along with management of the concessionary travel scheme for older and disabled people.

CPCA acknowledges that the level of staffing and recruitment for either bus reform option requires an increase in capability and capacity within the Combined Authority. As outlined in the Management Case, the Combined Authority propose to employ people within the organisation to support the development and implementation of bus reform. As is standard CPCA practice with the implementation of any programme, more specific detail about how we will recruit the resource required will be developed at a later stage in delivery, following a decision on whether to proceed with the Proposed Franchising Scheme or an Enhanced Partnership. Bus operators as required by franchising contracts would be responsible for the employment of drivers and operational staff responsible for the provision of bus services.

The Assessment outlines the level of detail on proposed management structures and wider expansion of the capabilities within CPCA, both in the longer-term and as part of the initial procurement. As recognised in the Independent Audit report, the overall proposition of resourcing is not fully developed, however it is consistent with the level of detail appropriate at this stage of the Assessment, the level of effort expected and the associated risks identified. Any implementation planning will develop this in detail.

The Management Case (Table 6.1) further recognises that the existing team has limited capacity at this stage for franchising and that substantial capacity increases would be needed in key areas, including strategy programme management, pricing/fares and ticketing, bus planning and development, as well as procurement and monitoring and human resources/finance. It is also recognised in the Management Case (Table 6.2) the requirement for additional capacity requirements in the team for bus planning, procurement and monitoring, related to Enhanced Partnership delivery. Additionally, as outlined in Section 6.7.2 of this report, the allocation of customer service responsibilities would sit with CPCA.

CPCA recognise the extent of organisational and resourcing change required in CPCA will be determined by which delivery option is chosen. However, regardless of option, a substantial uplift in resourcing will be necessary if the ambitions of a step-change improvement in the overall bus network is to be realised. As part of the implementation planning stage, CPCA expect to carry out both recruitment and staff training and development activities over the life of its franchising proposals. An initial budget to factor this in has been set out in the Assessment to support the development of CPCA teams' capacity to manage franchises. CPCA will conduct further detailed work during the implementation planning stage on the range of tasks, which would ideally be conducted by officers and where necessary – particularly during the transition and first procurement – identify where specialised interim support is required (further addressed in Section 8.2.3).

The proposed level of staffing will continue to be developed progressively over the coming months and years through implementation planning and delivery stages, to ensure resourcing requirements are kept under review during the process. Additionally, as neighbouring authorities consider and potentially implement bus reform within their regions, CPCA will continue to identify opportunities for knowledge sharing and the potential for support in the upskilling of staff within neighbouring authorities.

## **8.2.2 Responsibilities within the Proposed Franchising Scheme**

The majority of key stakeholders, either provided no comment or have stated the governance and management processes and regimes outlined in the Management Case within the Assessment are detailed sufficiently and appear well thought out.

There were queries from wider stakeholders and members of the public, as to whether the governance of a franchised bus network would be undertaken by CPCA, or through the formation of an arms-length organisation. A suggestion was made that this could limit the political influence on the continued delivery of franchising.

A number of responses, including from Dews Coaches, Stagecoach, Whippet, Suffolk County Council and Confederation of Passenger Transport, sought further clarification of the day-to-day responsibilities for management of the contracts, responsibilities for network control and management and customer service. In particular, SMEs responded that they may need to recruit additional internal staff to manage these responsibilities and requested that all operators be consulted on their allocation. SMEs also asked that the final allocation be fully detailed as part of the tender documents to provide confidence in preparing bids.

Additionally, comments have been made on the requirements for performance monitoring and reporting, including the level of staffing required to manage this from both CPCA and bus operators. This is particularly in relation to the potential cost of administrative support for franchising, without the potential corresponding benefits to bus users and the wider travelling public. Stagecoach specifically mention that a franchising light or Enhanced Partnership+ option could reduce the management administrative burden on CPCA.

### **The Combined Authority's response**

While a number of respondents questioned whether the franchises would be managed directly by CPCA or an arms-length organisation, the Assessment is based on governance being undertaken directly by CPCA. This does not rule out the use of an arms-length organisation if such an option would provide better value and resourcing. Any applicable changes to the Bus Franchising Guidance or legislation implemented through the Bus Services Bill which relate to franchise governance would also need to be taken into consideration by CPCA as part of its implementation planning.

Roles and responsibilities as part of either bus reform option have initially been outlined within the Assessment and further discussion is provided in Section 6.7.2 of this report. In particular, if the Proposed Franchising Scheme is pursued, further information and engagement with key stakeholders is expected to be carried out as part of implementation planning, including those responsibilities related to ongoing performance monitoring and reporting. If the Proposed Franchising Scheme is implemented, tender documents will explicitly outline the roles, responsibilities and expectations of operators and CPCA, building further on the initial detail outlined in the Assessment.

### 8.2.3 Use of consultants

Two key stakeholders specifically outlined their concern for the use of consultants in the implementation of a Proposed Franchising Scheme, in particular with regards to practical operational experience and limited local knowledge. The Confederation of Passenger Transport have encouraged CPCA “to engage with operators where possible, to ensure that their expertise and local knowledge are captured. We would be concerned that the introduction of consultants, who may be unfamiliar with the area and passengers’ needs could result in unintended consequences, the wrong allocation of services or lead to service cuts. And higher costs.” This is mirrored in Whippet’s response to the Management Case, which states “given other regions across the UK will be pursuing bus franchising at a similar time, there will be a large shortage in suitable resource to support this process. Rather than utilising consultants who have no practical experience of running operations, we would suggest reaching out to identify resource that has been actively involved in delivering transformational bus services.”

#### **The Combined Authority’s response**

Recognising the differing resource requirements when considering the day-to-day management and the initial implementation of franchising, CPCA have identified the potential use of interim resource to support during implementation and mobilisation. As outlined in the Management Case, CPCA will conduct further detailed work on the range of tasks and timescales required, including outlining those tasks that would ideally be conducted by CPCA officers and those that would require specialised interim support (or resources within the wider bus industry, where there could be further skills required).

As the case for change has been developed, CPCA has supplemented its own team with external resources. During the transition to a new delivery option, it will continue to use external assistance to support the timescales for delivery within the financial envelope set by the CPCA Board, which will reduce as CPCA puts in place its own team. Ultimately, the aim will be to have the majority of functions provided in-house, although in some instances it may be beneficial to retain interim resource on a part-time or ad-hoc basis to provide on-going support and capacity, or to address particular challenges as they arise.

## 8.3 Theme 2: Management of transition period and risks

A number of comments received from key stakeholders, regarding the transition period, were more focused on the procurement timescales and mobilisation concerns with franchising, these are highlighted in responses to the Proposed Franchising Scheme and Commercial Case (Section 3 and Section 6).

However comments from operators were also received regarding timelines, both in terms of the management of the transition and the implementation of the Proposed Franchising Scheme. Stagecoach outlined that “the indicative timelines within Tables 7-28 and 7-29 appear reasonable, noting the significantly shorter timescales required for an Enhanced Partnership. The governance regime is clearly detailed and appears well thought out, as do the planning stages....”. Conversely Stephenson’s of Essex stated they thought that implementation timescales were “brave – given the staff and resource constraints outlined in the previous question and the track record of decision-making process and timeliness within the Authority”.

Additionally other responses outlined that the management and funding of the transition would be critical to the delivery of the Proposed Franchise Scheme. South Cambridgeshire District Council stated that “the Council also expects the CPCA to ensure it has the funding, capacity and capability to manage the transition and the service on an ongoing basis”.

There were also a limited number of responses regarding how CPCA would specifically ‘manage’ risks regarding bus reform transition, these were separate to wider risks relating to the bus reform options assessed, in terms of deliverability, which have been covered in the Assessment and the respective Commercial (Section 6.7) and Financial (Section 7.5) sections of this report.

Those who specifically did respond on risks within the Management Case generally outlined that the risks had been identified and clearly mitigated to the level required for the Assessment at this stage. Cambridgeshire

Families for Sustainable Travel stated that “*there are management risks, but these have been laid out and can clearly be mitigated*”.

Dews Coaches highlights that “*there is risk of Franchising not being deliverable in the time frame. Decision-making takes time, even with the proposed additional team of 15. The timescale of Franchising leaves the project vulnerable to the team, suppliers and operator change. The huge ambition of CPCA and with such an extended launch – staff will inevitably turnover, to unknown effect on the delivery of the project*”.

### **The Combined Authority’s response**

CPCA recognises that to facilitate the transition from the current situation to either the Proposed Franchising Scheme or an Enhanced Partnership, it will need additional resources as initially outlined in the Assessment, along with expected timescales. As the recruitment of additional staff has already started, there should be increased in-house capacity to manage the transition. The Management Case outlines that during the transition to a new delivery option, CPCA will also continue to use external assistance, which will reduce as CPCA puts in place its own team.

The initial resource plan and timescales for delivery of either bus reform option have been developed by experienced CPCA staff, with knowledge of local authority operations, under a number of different bus operational structures. The assessment undertaken reflects the size of the bus network in the CPCA area and the type of franchising or Enhanced Partnership being proposed. CPCA believe the resources identified (including the additional 15 staff for the Proposed Franchise Scheme) and timescales outlined in the Assessment are appropriate for this stage for both bus reform options considered and make allowances for CPCA’s governance and decision-making processes.

Additional staff will focus attention on preparations for the commencement of the new delivery model. However, they will also need to deal with any matters arising during the transition period. CPCA are currently developing initial transition plans to inform the implementation planning phase once a decision has been made on bus reform (see section 8.1.1). Requirements for staffing and the programme will be reviewed throughout the implementation planning and on-going delivery stages, as part of the risk management strategy. If further resources are required this will be identified and escalated as necessary within CPCA, both within the transition phase and throughout the delivery stages.

It is not intended that any significant reduction in bus service would occur during mobilisation to Franchising. However, CPCA would manage the risk of this happening and have some contingency funding in place to procure additional supported services during transition. It is also acknowledged that the level of resources required to manage the transition to an Enhanced Partnership would depend on the ambitions within the Enhanced Partnership. Equally, the extent of influence sought by CPCA would determine the extent of negotiations with operators needed and the level of concerns or challenges that might arise in the operator objection phase and consultation.

CPCA recognises the importance of identifying, managing and mitigating risks as part of the planning and implementation of bus reform within Cambridgeshire and Peterborough. The Management Case within the Assessment sets out key governance processes and risk management strategies related to both bus reform options. A full risk register is also contained within the Economic Case. Specific risks relating to the Commercial and Financial Cases were raised and addressed as part of the Independent Audit, these have also been covered in this report in Sections 6.7 and 7.5 respectively.

CPCA acknowledges that dynamic and comprehensive project management is needed to ensure bus reform is delivered in a timely and effective manner. A dedicated project manager would be identified to drive the process, monitor progress and coordinate activities and actions. They would liaise continually with all involved and facilitate weekly update meetings with project team members to discuss progress, identify risks and challenges and agree actions to overcome these. Oversight would also be carried out by the Assistant Director and Executive Director (as part of the CPCA Project Oversight Cluster under current governance and management), who report to CPCA’s Transport and Infrastructure Committee Board and onwards to the Combined Authority Board. Figure 6-3 in the Assessment outlines the clearly defined programme governance framework that would oversee the bus reform programme and its delivery.

CPCA also recognise that it is important to maintain some flexibility on the management of risks to deal with any arising matters, when dealing with specific transition period risks such as the need to step in to replace services that operators withdraw prior to the introduction of any franchised services.

In managing risks within the transition, Tables (6-8 and 6-9) in the Management Case outline the implementation and transition risks of the bus reform options. In particular, it outlines that if CPCA has insufficient staff or capability to implement change, this could lead to implementation delays which would frustrate the transition. A mitigation measure is to recruit additional staff with appropriate skills well in advance of implementation, with budget accounted for to buy in interim support to assist as necessary.

## **8.4 Theme 3: Role of key stakeholders in ongoing engagement and future partnership working, including constituent authorities**

This theme summarises the comments and queries provided about the role of constituent authorities in the management and oversight of the bus reform options and implications for wider partnership working and engagement with other key stakeholders, such as operators. It should be noted that this report was prepared ahead of the consultation on the English Devolution White Paper.

A number of responses were advocating the important role of key stakeholders within the consideration of bus network design, England's Economic Heartland state *"Given the increased control and flexibility that the CPCA would have in managing the bus network under the franchising model, it offers opportunities for strategic consideration of bus network design to ensure it can adapt to meet the changing needs of the place. This should be done in partnership with local communities, employers and services and the governance structures in place should reflect the need for this kind of ongoing engagement"*.

Cambridgeshire County Council outlined that as the *"Initial consultation on the operation of the franchising scheme is expected within 24 months. The Council would like to be consulted as part of this process and to be fully engaged as part of the development of any further, more detailed proposals"* and *"the Council would like to understand the processes that would be in place for reviewing, monitoring and quality control of services that would operate under any proposed franchising arrangements"*.

Peterborough City Council further elaborate on this point, stating that the *"management case clearly sets the full end to end service and it is good to see the engagement with other interested parties as being one of the key bullet points. If Franchising moves forward, it is essential that we engage all stakeholders when building the new services and routes and maintaining this consultation post implementation will ensure the services deliver to the needs of the public. Looking at the various roles and outputs the CPCA will need a substantial team to deliver on this works"* and *"to that extent we offer support to Franchising but reiterate it is key that we are part of the development and engagement on all aspects, so we ensure it is delivered with the residents and not seen as being forced on them"*.

Bus operators were keen for ongoing consultation and market engagement during the implementation planning stages of bus reform. In particular, First Bus propose that *"wider stakeholder and market engagement in timescales proposed will help to ensure the Franchising Scheme continues to meet developing stakeholder aspirations"* and *"engaging prospective operators in network design activity maximises professional expertise and knowledge within the sector, resulting in a network that can be operated more efficiently whilst ensuring high levels of punctuality and reliability are retained"*.

Additional Go-Ahead outline the importance of *"ongoing engagement with operators (both local and from outside the area) is encouraged to further address any concerns and refine the process and terms should Franchising be adopted"* and *"welcome the CPCA's recognition of the role which remains for operators to help inform proposals, using their extensive experience from local and other markets. In this regard a close collaborative partnership with any operators engaged in the franchising process would be key to its success (both incumbents and potential new operators)"*. They also ask for further clarity on *"how bus operators would be involved in management and governance of services, inputting into any operational decision-making where their participation and insights are relevant and would add value. Would the input be limited to the Bus Operator's Forum as suggested by Figure 7-9 unless operator representation is planned within the Bus Management Group, for example?"*. Finally adding that *"regardless of model adopted, it is clear a successful*

*bus operation delivering for the local community requires a strong partnership approach between proactive bus operators and local transport authorities supported by open communication and regular engagement. This will help leverage the skill and experience from operators to support delivery of the stated objectives”.*

*This last statement is echoed by Campaign for Better Transport who advise that “to improve the proposed franchising Scheme, we recommend incorporating mechanisms for ongoing stakeholder engagement, particularly with passengers and local communities. This will ensure that the system remains responsive to the evolving needs of the public”.*

Fenland District Council, in supporting an Enhanced Partnership scheme, welcomes that an Enhanced Partnership could “*facilitate new ways of working with local bus operators and to be involved in this approach”.*

A number of Local Authorities and elected representatives including the Member of Parliament for Huntingdon were keen to ensure democratic oversight is included in the proposed management of bus reform options. The MP for Huntingdon recommended the establishment of “*an independent oversight board involving local MPs, council representatives and residents to regularly review the system’s performance, financial health and adherence to agreed goals”.*

South Cambridgeshire District Council stated “*The Council is keen to ensure that governance arrangements for the franchising set up (in whatever entity the franchise is established) have democratic oversight, including taking on board the views of local members”.*

East Cambridgeshire District Council outlined that “*The consultation document states that individual authorities would be able to influence the shape of franchised operations within their areas, liaising with both the Bus Board and Bus Management Group. But as it is a sub group of the CPCA Board, how will the CPCA ensure that each local authority area be fairly represented on the Bus Board and that decisions taken are in the interests of the geography as a whole”.*

### **The Combined Authority’s response**

As outlined in Section 3.9 of this report, CPCA absolutely agrees with suggestions that ongoing consultation and engagement with stakeholders is an important aspect of implementation of either bus reform option.

Listening to and understanding the views of key stakeholders and the public has been the primary objective of the consultation undertaken on the Assessment. A detailed plan to ensure that all stakeholders, relevant parties and passenger representatives continue to be engaged with in an appropriate manner is anticipated as part of the implementation planning process, this includes wider consideration of calls for independent oversight.

CPCA is committed to ongoing engagement as part of bus reform within Cambridgeshire and Peterborough, recognising the importance of collaborative ways of working with partners and informed decision making in the implementation planning and delivery stages of either the Proposed Franchise Scheme or an Enhanced Partnership.

As outlined in paragraph 6.158 in the Assessment, engagement would continue as part of the monthly Bus Forum meetings, as well as be within the remit of the Bus Management Group, who would maintain contact with stakeholder interest and individual authorities regarding the operations of the franchised network. Individual authorities would be able to influence the shape of franchised networks within their areas through engagement with the Bus Board and Bus Management Group under a franchising governance structure. Further consideration of the future engagement protocols would be determined by CPCA, with constituent Councils, as part of the implementation planning stage, including the development of Terms of Reference for the Bus Board and Bus Management Group.

Engagement and oversight of the Enhanced Partnership Scheme is proposed through the Enhanced Partnership Board, formed from the existing Bus Operator’s Forum including CPCA officers, Highway Authority officers, all bus operators, community transport representatives and Transport Focus.

The Transport Act 2000 states that a franchising scheme must include a description of the franchising authority's plans for consulting organisations a representative of users of local services in order to seek their

views on how well the scheme is working. This is acknowledged in the Assessment and consultation materials, with initial plans for this developed for modelling purposes.

In particular, the Combined Authority understands that the opportunity to provide the public with greater control and say over the bus network would be a key benefit of implementing the Proposed Franchising Scheme.

The suggestions on who could be consulted are outlined in the Assessment and dependent on the bus reform option. It is intended that consultation and engagement will build on existing regular opportunities for engagement, such as the Cambridgeshire and Peterborough Bus Forum and be wide-ranging, to include appropriate stakeholders, such as council representatives, bus users and non-users and representatives of vulnerable or interest groups. The results of the consultations would be used to shape subsequent definition, packaging and provision of franchised services through a network review process.

It is recognised that a balance will need to be found between allowing the scheme to be in delivery for a period and not waiting too long to get feedback to understand how the scheme is perceived. CPCA will consider an ongoing programme of engagement with communities of interest on the operations of contracts, including as part of the continuous monitoring and evaluation, as well as best practice on engagement and consultation from other authorities (i.e. Manchester) and to provide transparency to stakeholders, representative groups and the public. Comments received as part of the Consultation on future engagement and consultation with stakeholders on the performance of franchising after implementation have been identified and addressed within Section 3.9 of this report.

The Assessment emphasises the importance of transparent communication and collaborative review processes, ensuring that stakeholders are informed, involved and invested in the performance and improvement of the bus network. Initial engagement strategies will be further developed as part of the mobilisation and implementation planning stages to outline plans for engaging with key stakeholders, including communication channels and forums for feedback.

Operator engagement would also be informed by regular contractual reviews as per the terms of any franchising contracts. Users and partners will be provided with clear information on contract performance against KPIs so they can provide informed feedback on specific routes and contracts. Collation of this wide range of perspectives would generate the best position for CPCA and operators to assess any need for future changes to specific routes or timetables. CPCA agrees that under-represented groups will require specific attention in engagement to ensure the needs of passengers and potential passengers are fully understood.

## **8.5 Management Case Conclusion**

This section has considered the responses received to the Bus Reform Consultation regarding the Management Case. The conclusion on the Management Case highlights queries, concerns and risks perceived in the consideration of organisation's ability to manage bus reform, the level of staffing and resources required to deliver bus reform options and the transition process, the management of risks and the role of key stakeholders and partnership working. It also concludes that there is support for elements of CPCA's proposed approach to management outlined for both reform options.

There were varied opinions, ranging from positive, negative or mixed, on CPCA's capacity to manage the Proposed Franchising scheme within its existing organisational structure or the proposed structures as part of the Assessment, including the identification of additional resources and skills required. However there was also recognition as to the step-change in staffing required to deliver the bus reform options. Again, views varied as to the level of additional staff required within CPCA, both during the transition and delivery phases. CPCA acknowledge the extent of organisational and resourcing change required will be determined by which delivery option is chosen and are addressing this as part of the implementation planning stage. However, regardless of option, a significant uplift in resourcing will be necessary if the ambitions of a step change improvement in the overall bus network is to be realised.

Roles and responsibilities as part of either bus reform option have initially been outlined within the Assessment, this will continue to be developed as part of the next stage. In particular, if the Proposed Franchising Scheme is delivered, further information and engagement with key stakeholders will be carried out as part of

implementation planning. If the Proposed Franchising Scheme is implemented, all tender documents will explicitly outline the roles, responsibilities and expectations of operators and CPCA.

Comments provided by key stakeholders across a number of Cases outlined different risks of the bus reform options as well as the risks of not implementing any reform. CPCA recognise the importance of identifying, managing and mitigating risks as part of the planning and implementation of bus reform. Key governance processes and risk management strategies related to both bus reform options will continue to be reviewed, monitored and updated throughout implementation planning and delivery following the decision on bus reform.

A number of stakeholders highlighted issues regarding consultation on bus reform during and post-implementation and the role of stakeholders in shaping future networks under franchising. CPCA agrees that ongoing consultation and engagement with stakeholders will be key to shaping the scheme and bus networks to maintain alignment with requirements and intends to develop a detailed stakeholder engagement plan as part of the implementation planning process.

After consideration of these responses, CPCA are confident that the findings do not significantly alter the findings of the Management Case. CPCA is comfortable in confirming the conclusion of the Assessment that the management approach to an Enhanced Partnership and the Proposed Franchising Scheme provide sufficient detail to enable the decision to implement either option.





## 9. Equality Impact Assessment

### 9.1 Introduction

This section outlines the key themes within the draft Equality Impact Assessment (EqIA) arising from the consultation, along with CPCA's response.

The Public Sector Equality Duty, as set out in the Equality Act 2010, requires public authorities to:

- Eliminate unlawful discrimination, harassment and victimisation.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic.
- Take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it.
- Encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
- Foster good relations between people who share a protected characteristic and those who do not.

The draft EqIA considers the potential equality impacts of changes to services or policy on people with protected characteristics<sup>8</sup> resulting from the assessment of bus reform options – the Proposed Franchising Scheme and Enhanced Partnership. The potential changes to bus service provision considered as part of the EqIA include routes, services frequencies and achievable journey times, fares and ticketing, cross-subsidisation of services, service quality improvements, accessibility improvements and branding.

The draft EqIA concluded that the Proposed Franchising Scheme would have an overall positive impact on protected characteristics of age (particularly younger and older people), disability (people with physical and sensory impairment), gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

No or neutral impacts are expected across the protected characteristics of marriage and civil partnership.

In the consultation document, as part of the short (S7) and long (L28) questionnaires, the following question was asked specifically about the draft EqIA:

- S7/L28: The Combined Authority's draft Equality Impact Assessment (EqIA) identifies the potential impacts of the proposed Franchising Scheme or Enhanced Partnership on people with protected characteristics. Do you have any comments on it?

This section outlines the issues raised in line with this question, as part of the responses from key stakeholders to the long and short questionnaires, as well as correspondence received by email. Additionally where issues have been raised as part of the responses to the other Cases, which the Combined Authority considers to having a bearing on the draft EqIA, these have also been outlined. The main themes identified in these responses are reflected in this section.

This section also considers key themes from the wider public responses to the bus reform consultation, which again have a bearing on the draft EqIA, that are captured and quantified in the Westco report. Section 10 of the Westco report includes a summary of the responses to the questions relating to the draft EqIA. It outlines that a total of 880 participants responded to the question on the draft EqIA, as part of the short and long

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<sup>8</sup> Relevant protected characteristics on the bus reform options are age, disability, gender reassignment, pregnancy and maternity, race (ethnicity), religion or belief, sex and sexual orientation.

questionnaires. Additionally a number of key and wider stakeholders responded via email, which has been captured in the Westco report and this report's appendix.

In analysing the responses from key stakeholders, the predominant feedback was from bus operators, County and District Councils, neighbouring authorities and bus passenger representatives and user groups.

Generally there is a level of agreement on the importance to ensure continued access to bus services for people with protected characteristics, in particular when no other transport option is available. The key focus of the responses include:

- Benefits and impacts not included within the EqIA
- Further involvement of people with and groups representing people with protected characteristics
- Demand responsive transport

## 9.2 Theme 1: Benefits/impacts not included in the EqIA

A number of key stakeholders noted that they felt the Proposed Franchising Scheme would offer an improved service, provide better control and therefore protection of bus services and would be an improvement on existing arrangements. With Whippet stating that *“With the CA having much greater control under a Franchising Scheme, we believe that this would best serve different groups with protected characteristics across the region”*. This included groups such as younger people and women who would benefit from increased services. Cambridgeshire Families for Sustainable Travel outlined that *“our current bus system restricts some people's life chances more than others and therefore transforming the bus network will particularly benefit younger people, older people, women and disabled people. This places a strong moral case on the Combined Authority to act in the way that will create the largest benefit and do the most to reduce inequalities”*. Cambridge City Council noted *“This is particularly important for groups who are more likely to experience social isolation, people on low incomes and those eligible for concessionary fares, people with disabilities or caring responsibilities, young people aged under 25 who need to travel before 9:30am, the elderly and those with young families.”*

Some key stakeholders felt that there could be potential disadvantages to disabled people during the transitional phase to a franchised network, particularly if there is a loss of services in rural areas. These issues were also reiterated by responses from members of the public. East Cambridgeshire District Council stated the *“Equality Impact Assessment should consider the impacts on people during the phasing in of the Franchising Scheme factoring in the potential change to, loss or reduction of bus services during this time. This could have a significantly negative effect on people, particularly on specific groups”*

Others, such as Community Transport Association (CTA) stated that the Proposed Franchise Scheme could result in decreased funding of community transport, if not considered and consulted as part of the future transport network. This could have an impact on bus services and those reliant on community transport. The CTA state that this *“would have significant impact on those with mobility issues who cannot regardless of franchising outcomes access regular public transport”*.

The potential impact of increased use of digital services will need to be fully mitigated in order to ensure fair and equitable services to all passengers. There is also some concern about the impact of increased use of bus services which could see a decrease in seat availability. This would have a negative impact on disabled and other protected characteristics.

Go-Ahead stated that there needed to be more attention placed on inclusive recruitment of bus drivers as part of the Proposed Franchising Scheme, particularly to be considered as a potential social value element within tender evaluation. This includes running a competitive procurement that has the potential to encourage those with disabilities or the long-term unemployed to apply. Similarly, Transport Focus stated that the role of the bus driver will be particularly important in making those with protected characteristics to feel comfortable and safe when accessing bus services. This includes the call for more training and support for drivers.

### **The Combined Authority's response**

While the majority of respondents did not specifically comment on the draft EqIA, CPCA recognises the concerns outlined by wider stakeholders and the public about the benefits and impacts that transitioning to a franchised network may have on those with protected characteristics.

The provision of Transition Notices are expected to ensure a smooth transition from the current deregulated situation to franchised bus operations, therefore limiting the temporary risks to people with protected characteristics, such as those with disabilities, as far as practicable. The Transport Act 2000 and supplementary regulations (UK Statutory Instruments, 2018 No. 406, Regulations 4-5) set out measures to ensure that passengers are provided with continued reliable services throughout the transition period from deregulated to franchised bus operations. This includes the ability for Notices for service change variations/cancellations to be extended from 70-112 days, as well as the opportunity for replacement services to be registered at short notice, if required. This should result in minimal disruption to services during the transition period, as it encourages bus operators to maintain the existing level of service until the franchising agreement formally begins. If services are withdrawn, CPCA would be able to procure interim replacement services within the statutory service withdrawal notice period, as has happened previously as part of supported services contracts.

Should any disruption occur, there is the possibility it would have a disproportionate impact on people with protected characteristics. A greater proportion of people with protected characteristics do not have access to a car, particularly affecting people who are older, younger and disabled. While franchising should ultimately result in a better quality of service from this perspective, as CPCA would be able to implement simplified ticket options and design routes to areas currently not served, any temporary disruption/worsening of the current bus network (including service withdrawals) may disproportionately disadvantage these groups.

To mitigate this possibility, CPCA will continue to work with bus operators to maintain the existing levels of service. Ongoing dialogue with operators and the ability of CPCA to procure interim replacement services if required should ensure there is no worsening of accessibility amongst people with protected characteristics during the transition phase.

CPCA recognise the importance of inclusive recruitment across all roles within either bus reform option. If the decision is made to deliver the Proposed Franchising Scheme, the implementation planning stage and development of the procurement strategy will consider social value as part of the tender contracts.

## **9.3 Theme 2: Further involvement of protected groups/representatives**

A number of key stakeholders outlined the importance of continued involvement and engagement of those representing people with protected characteristics if the Proposed Franchising Scheme is taken forward, particularly engaging in the development of the future bus network, implementation planning and staff training. The Campaign for Better Transport states *“Engaging with local advocacy groups during implementation can ensure that services are designed to meet the diverse needs of all users”*.

### **The Combined Authority's response**

As outlined in the draft EqIA, CPCA have undertaken extensive engagement and market research with wider stakeholders in the development of the Assessment, to understand local attitudes and perceptions towards existing services and obtain people's views on what future bus provision should look like. Wide representation was sought across urban and rural areas, amongst users and non-users of buses.

The Management Case of the Assessment, Section 6, outlines the expected ongoing engagement during the implementation planning phase, mobilisation and performance management with bus operators and key stakeholders (including representatives of people with protected characteristics).

## **9.4 Theme 3: Demand Responsive Transport**

A number of key stakeholders commented on the importance of shared and demand responsive transport (DRT) within bus reform options, particularly to those people with protected characteristics wanting to travel. In

particular, Cambridgeshire County Council outlined that they “*would support the expansion of shared transport as part of the introduction of franchising including the investigation of taxi schemes and DRT*”.

Additionally Stagecoach queried the EqlA benefits for certain groups identified related to DRT, stating “*the benefits described for elderly and disabled passengers largely focus on DRT that is not detailed in the consultation document and in scope under Franchising or Enhanced Partnership*”

### **The Combined Authority’s response**

CPCA recognises the importance of demand responsive transport as a key provision within the wider transport network, for all users especially those without access to fixed-route bus services or those with protected characteristics which makes travel by conventional bus services difficult or not possible at all.

Within the EqlA, DRT is referred to in relation to ‘DRT and Feeder services’, these terms were used to capture certain service types to inform the development of the assessment approach. These were defined as either demand responsive services connecting rural communities to market towns or local services connecting smaller settlements to market towns.

During the assessment process a network hierarchy was developed (and presented in the Assessment) to provide a framework for frequency enhancement and a target level of service across the network. This resulted in those ‘DRT and feeder’ type services being classified on a more refined basis based not only on their route, but also service frequency. Table 3-1 in the Assessment presents desired service frequencies for primary, secondary and local service categories, within which ‘local’ includes feeder, local and/or DRT services.

While the term DRT has been used in the EqlA, it acts as a proxy for the provision of services under the ‘local’ category in Table 3-1. These services are proposed to be tailored to meet users’ needs, hence why they may be beneficial to people with protected characteristics.

Given the recent introduction of the Tiger On-demand DRT service in the CPCA area, delivering such services is not reliant on franchising and therefore was not a key focus of the Assessment. To meet the requirements of the guidance and help decision makers, the Assessment focused on the reform of local bus service operations (comparing bus reform options) rather than any specific routeing amendments from the existing network.

The Assessment considers an uplift in mileage and frequency of service using evidenced assumptions to aid robustness of forecasts. How exactly this level of mileage operates in the future will be subject to any network review and evaluation of the Tiger On-demand service. Additionally, increases in services could come forward in the form of longer operating hours, more Sunday services or higher off-peak frequencies. For more rural services these could be developed as fixed, semi-fixed or on fully flexible on-demand services.

## **9.5 Equality Impact Assessment Conclusion**

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 seeded through responses on other Cases, including Strategic, Commercial and Management. These provided further insight into current bus passenger experiences and expectations for the future bus network.

Main themes of comments directly regarding the EqlA included the further involvement of groups or representatives of those with protected characteristics throughout the implementation process, the impacts of the transition to franchising in terms of continuity of services and the implications on those with protected characteristics, as well as the how DRT was considered within the Assessment.

These comments have been considered by CPCA, with an updated EqlA provided alongside this report. It should be noted that the EqlA is a live document and that if the Proposed Franchising Scheme is made, the EqlA will be reviewed as part of the implementation planning process, as further data and information is made available and through associated ongoing engagement.

No comments have been raised by stakeholders relating to the draft EqlA on the Proposed Franchising Scheme which would result in any material changes to the EqlA at this time.

## 10. Support, opposition and changes to the Proposed Franchising Scheme

### 10.1 Introduction

This section summarises responses from the Bus Reform Consultation in relation to the Assessment conclusion and summary. The Assessment concluded that the Proposed Franchising Scheme was the preferred way forward, subject to outcomes of the Independent Audit and Consultation. All comments for which a technical response is appropriate have been included within Sections 3 to 9 and as such only concluding remarks have been provided on the overall assessment conclusion from CPCA.

In the short questionnaire, the following three questions were asked relevant to the Assessment Conclusion:

- S8: To what extent do you support or oppose the introduction of the proposed Franchising Scheme?
- S9: Are there any changes that you think would improve the proposed Franchising Scheme?
- S10: Do you have any further comments?

In the long questionnaire, the following three questions were asked relevant to the Assessment Conclusion:

- L29: To what extent do you support or oppose the introduction of the proposed Franchising Scheme? Why do you think this?
- L30: Are there any changes that you think would improve the proposed Franchising Scheme?
- L31: Do you have any further comments?

Responses to these questions provided a large volume of substantive content, the majority of which has been considered under the thematic analysis relating back to individual Cases, particularly the Strategic and Commercial cases. These responses have been summarised in Section 4 of the Westco summary report 'Overall opinion of the Proposed Franchising Scheme'.

### 10.2 Overall support and opposition for the Proposed Franchising Scheme

A total of 1,468 participants, including key stakeholders, wider stakeholders and members of the public, provided a response to Question S8/L29, as set out in Table 10-1.

**Table 10-1: Response to Question S8/L29**

View expressed on implementing the Proposed Franchising Scheme	Responses	Proportion
Support	915	63%
Neutral	266	18%
Oppose	183	12%
Neither support nor oppose	104	7%
<b>TOTAL</b>	<b>1,468</b>	<b>100%</b>

After responding to the closed question, participants in the long form version of the questionnaire only were asked to explain why they chose their answers.

Many respondents emphasised the potential benefits of franchising, including improved reliability, better coordination and greater public control over services (5). Supporters highlighted the opportunity for franchising to address environmental concerns by reducing car dependency and cutting emissions (4). Some believed it could revolutionise bus travel, particularly in urban centres like Cambridge and Peterborough (4).

However, concerns were raised about financial risks and ongoing funding sustainability (4). Respondents stressed the importance of learning from other authorities' experiences to mitigate these risks (4). Others questioned whether a one-size-fits-all model was appropriate for such a diverse region (3).

Some suggested a lack of clarity in key areas, including funding strategies and operational frameworks (3). There was apprehension about the potential disruption to existing services during a transition phase and doubts about the ability of the Combined Authority to deliver the scheme effectively (3). Despite these reservations, there is broad agreement that the current system is not working and significant change is required (5).

Taking just organisational responses (65 respondents), as opposed to total responses, raw support was higher with 75% supporting the Proposed Franchising Scheme. Fifteen per cent were neutral and just nine per cent opposed the scheme.

Among bus operators who responded to the consultation, 5 of 9 (56%) supported or strongly supported franchising, whereas 3 operators (33%) opposed or strongly opposed it, with one operator neither supporting nor opposing.

### **The Combined Authority's response**

CPCA acknowledges the support expressed by many stakeholders for the Proposed Franchising Scheme, the Preferred Option recommended by the Assessment. CPCA also recognises that other stakeholders have expressed concerns or disagreement with this and has considered this.

The recommendation on a preferred way forward has not been based simply on the proportion of stakeholders in favour of each option. Nevertheless, CPCA notes that a majority of stakeholder responses support progression of the Preferred Option identified by the Assessment, the implementation of the Proposed Franchising Scheme.

## **10.3 Recommended improvements to Proposed Franchising Scheme**

### **10.3.1 Overall response**

Respondents made over a hundred comments and highlighted about fifty different kinds of improvements they thought could be made to the proposed Franchising Scheme. These improvements were wide-ranging and at a granular level.

At a high level, respondents were most likely to make comments about different aspects of franchising (36), bus services (24), commercial elements (9) and infrastructure (7). The area where there was the most agreement was that the Proposed Franchising Scheme would benefit from greater ongoing consultation with the public and other stakeholders (5). Respondents stressed the importance of integrating local knowledge and ensuring decisions reflect community needs, particularly regarding route planning and service adjustments.

Encouraging greater bus usage, promoting modal shifts away from car dependency and improving overall sustainability (4) were all supported. Calls for more frequent routes and expanded coverage (4) highlighted the demand for greater access and convenience. Preventing monopolies by fostering competition for routes (4) was also seen as essential for maintaining service quality and fairness. Additionally, respondents emphasised the importance of learning lessons from other regions and countries (4) to adopt best practices and avoid repeating past mistakes.

There were also repeated mentions to reduce congestion and traffic (3). Better service reliability (3), improved coordination with railway stations (3) and adequate depot provisions for all franchisees (3) were also underscored. Finally, respondents noted the need for more, ongoing information and clarification (3) regarding proposed changes and their impact.

### **The Combined Authority's response**

CPCA recognises that further work would be needed to develop more detailed plans for implementation of Franchising in order to ensure it is a success, as acknowledged within the Consultation Response, the Assessment and the BSIP. If the Mayor makes the decision to proceed with the Proposed Franchising Scheme,

the Combined Authority commits to further engagement with stakeholders during the implementation and transition phase.

### **10.3.2 Bus operator response**

A wide range of changes to the Proposed Franchising Scheme were recommended by bus operators. All issues for which a technical response was considered appropriate have been included within Sections 3 to 9.

Both Go-Ahead and Transport UK tended to support franchising, though expressed hesitancy in entering the CPCA market due to maximum size of franchises being too small and that incumbents could have advantages over new entrants, if the proposed depot strategy is favoured. Go-Ahead also qualified their support subject to the availability of funding and investment in bus priority continuing beyond 2027.

First Bus also supported franchising and recommended a stronger emphasis on infrastructure improvements and bus priority. Transdev strongly supported franchising but recommended reducing exposure to revenue risk and providing depots and fleets for contracts. Transport UK also raised concerns about stranded assets at the end of contracts.

Whippet strongly supported franchising and recommended discussions between them and CPCA regarding tender specification and evaluation and depot financing options. Go-Ahead also made recommendations that the procurement process is simplified and that it is balanced in favour of quality over cost, that the franchising dates consider other Authorities' procurement processes, that revenue risk remains with CPCA and that parking levies or charges are considered to incentivise modal shift as well as fund bus enhancements.

Stagecoach neither support nor oppose franchising and advised that they will work collaboratively with CPCA regardless of the operating model chosen. CPT also noted that operators "are supportive of a collaborative, partnered approach and will continue to work with CPCA, regardless of the outcome of the consultation", going on to recommend that CPCA read CPT's Practical Guide to Franchising and ensure that bus operators are engaged with early to understand the potential of an Enhanced Partnership in the area, depending upon the decision made by the Mayor.

Delaine Buses strongly opposed franchising, believing that is not the right approach for a Shire county, but noting that ongoing development and growth will make CPCA less like a typical Shire county. Stephenson's of Essex also strongly opposed franchising, believing it to be very risky with limited upsides compared to an Enhanced Partnership. They suggested a reassessment of likely costs and better provision for the inclusion of SMEs within CPCA. Dews Coaches opposed franchising but encouraged the CPCA to utilise the resource of the CPT's Practical Guide to Franchising if the decision to proceed is made.

#### **The Combined Authority's response**

CPCA acknowledges the range of views amongst bus operators with respect to the Assessment conclusion and summary. The Combined Authority recognises that all bus reform options are reliant on operators to deliver bus services and that the best result will be delivered by a strong competitive operator market that shares CPCA's strategic goals. If the Mayor makes the decision to proceed with the Proposed Franchising Scheme, the Combined Authority will engage further with operators and CPT during the implementation and transition phase to ensure the valuable operator knowledge is utilised.

We note the concern of some SME operators to franchising as an approach. We will 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 SME operators a toolkit to assist them in their selecting of which bus franchising contracts to bid for.

### **10.3.3 Other key stakeholder responses**

A wide range of changes to the Proposed Franchising Scheme were recommended by other key stakeholders – statutory stakeholders as defined in the Bus Services Act 2017 and the Bus Franchising Guidance (March 2024

edition). All issues for which a technical response was considered appropriate have been included within Sections 3 to 9.

### **Constituent Authorities**

Peterborough City Council strongly supported Franchising but recommend that lots are commercially viable and phased over time, to encourage interest from many operators and to further investigate the use of shared depots to ensure this can work for operators.

South Cambridgeshire District Council supported Franchising, noting a desire for Franchising to support achievement of economic and transport aspirations.

Cambridgeshire County Council neither supported nor opposed Franchising, but support bus reform “*to give greater control and influence over the shape and stability of the network, and the ability to ensure service connections and integrated fares and ticketing*”. The County Council also recommend that “*CPCA ensures it secures access to the required level of resource and expertise to complete the contractual requirements of franchising in a timely manner*”.

East Cambridgeshire District Council neither supported nor opposed Franchising but suggested that more detailed information should be provided to residents and other stakeholders regarding the level/type of bus service that is anticipated to be available in their area so they can make an informed decision regarding the benefits of franchising for themselves and their local area. Residents should be made aware that franchising will be funded in part by an increase in council tax via the Mayoral precept.

Fenland District Council opposed franchising and recommended an Enhanced Partnership approach was favoured, as this would offer more achievable benefits with less risk than Franchising.

### **Neighbouring Authorities**

Suffolk County Council supported Franchising and noted that control of buses needs control of roads, development, parking charges and enforcement to be fully effective.

Lincolnshire County Council neither supported nor opposed Franchising, noting that their concern is limited to the effects on cross-boundary services.

### **Other User Groups and Transport Bodies**

The Campaign for Better Transport expressed strong support for Franchising, advising that the Proposed Franchising Scheme could be improved by incorporating mechanisms for ongoing stakeholder engagement and integrating digital ticketing solutions.

Transport Focus also supported Franchising, noting that it “*could have a transformative effect on local bus services in Cambridgeshire and Peterborough*”.

Cambridgeshire Families for Sustainable Travel suggested that bus operators must include appropriate provision of pram space. They also suggested that young people’s independence and opportunities must be a priority for bus network redesign.

England’s Economic Heartland states that the success of the franchising approach is dependent on its delivery alongside a wider set of infrastructure improvements, technological upgrades, behaviour change programmes and the better use of data to continually monitor and improve the local public transport system. It is essential that the Proposed Franchising Scheme is introduced as part of a clear and comprehensive integrated travel plan, with long-term, stable political support and buy-in across local partners. They also recommend that CPCA considers governance arrangements under the Proposed Franchising Scheme to ensure that these arrangements preserve its ability to make long-term decisions and effectively deliver its overall strategy.

The Community Transport Association opposed franchising, recommending exemptions and subsidies for Section 19 and 22 providers. They also recommended greater representation and consideration for not-for-profit bus providers.



### **The Combined Authority's response**

CPCA recognises that key stakeholders hold diverse perspectives with regards to the Assessment conclusion and summary. The Combined Authority acknowledges the feedback provided and will work closely with key stakeholders to further develop bus reform after the Mayoral decision is made. If the Mayor makes the decision to proceed with the Proposed Franchising Scheme, the Combined Authority will engage further with key stakeholders during the implementation and transition phase to ensure their valuable insights are utilised and that their concerns are addressed, as described in Sections 3 to 9.

## **10.4 Conclusion**

CPCA acknowledges and thanks all stakeholders for the comments provided with respect to its Assessment conclusion and summary. CPCA recognises there are differences of opinion between stakeholders, with some in support and others against implementation of the Proposed Franchising Scheme and that there are significant points for consideration driving these views.

CPCA has followed the statutory process set out by the Transport Act 2000 to assess the bus reform options and has provided opportunity for both key stakeholders and wider stakeholders, including the general public, to participate in the consultation.

CPCA acknowledges that it will need to continue working closely with stakeholders to successfully implement any bus reform, as this was raised by many responses. CPCA thanks stakeholders who have offered their commitment to supporting this work.

Lastly, CPCA recognises that if the Mayor makes the decision to proceed with the Proposed Franchising Scheme, further detailed work will be required to successfully implement the scheme and realise its full ambitions for buses in Cambridgeshire and Peterborough.



## **11. Conclusions and Final Recommendation to the Mayor**

### **11.1 Introduction**

This section builds on its response to the Assessment Conclusion and the individual Cases, to provide a final post-consultation recommendation of the preferred way forward for Bus Reform.

The Assessment of the options for Bus Reform in Cambridgeshire and Peterborough was completed by CPCA in accordance with the Transport Act 2000, which specifies the statutory process that authorities must follow in order to decide whether to implement a franchising scheme.

A detailed assessment was produced of an Enhanced Partnership option and a Franchising option against the current situation (reference case), with the aim of identifying which option would best achieve CPCA's strategic objectives for buses and its ambitions for inclusive and sustainable economic growth. The assessment also tested whether the options offered Value for Money, were affordable and deliverable.

In accordance with the Transport Act 2000, the Assessment has been externally audited and then released for public consultation. This report details the analysis of the responses received through that statutory consultation.

The following sections discuss this report's conclusions on each case, in the light of the responses received from the consultation and their impact on the Assessment's original conclusion – that Franchising is the preferred option for CPCA to progress with Bus Reform in Cambridgeshire and Peterborough – and sets out a final recommendation to the Mayor.

### **11.2 The Proposed Franchising Scheme**

The Proposed Franchising Scheme is the draft of the legal scheme which is required to be made in accordance with the Transport Act 2000 in order to implement franchising across buses in Cambridgeshire and Peterborough. The details within the Proposed Franchising Scheme included:

- Details on franchise contracts including the minimum mobilisation period (the time between a contract start date and buses being on the road) which was specified as six months.
- Information on the routes included in the franchising scheme and services which will not be included (see Annex 1, 2 and 3 of the Proposed Franchising Scheme document published as part of the Bus Reform Consultation).
- Details on plans for consultation on the operation of the scheme (see Section 8).
- The Franchising Scheme Area which was specified as the CPCA area.

As per Section 3 of this report, the Consultation Response has demonstrated a range of comments in relation to the Proposed Franchising Scheme, cutting across the following themes 'applying franchising to Cambridgeshire and Peterborough geography', 'lotting strategy', 'services to be franchised', 'exempt services', 'decision date', 'entry into first contracts', 'mobilisation period' and 'consultation'.

As per Section 3.10 of this report, having considered the issues raised, CPCA remains of the view that the Proposed Franchising Scheme does not need to be updated, except to reflect recent changes to the bus network. None of the responses raised issues which significantly affect the appropriateness of the scheme details.

However, in recognition of how the bus network has evolved since the Assessment was produced changes have been made to the Proposed Franchising Scheme in relation to the 'services to be franchised' and the 'exempt services'.

CPCA has reviewed the list of services for the Proposed Franchising Scheme and if a franchising scheme is made, intends to revise that list to reflect changes to services that have taken place since the network that was used as the basis for the Assessment. This means that the list of services in any final franchising scheme will

reflect the principle of the services operated at the time of the scheme being made, subject to the exemptions outlined in the scheme – closed school services, rail replacement and any local service specified in the scheme up to the point where the first service contract in which that service is specified (exempt services are discussed further in Sections 3.4 and 3.5 of this report).

This list, while largely comparable with the list consulted on, also differs in several ways. This is consistent with the note included in Annex 1 to the Proposed Franchising Scheme published with the consultation documentation that noted that the list is provisional and could be subject to change. A summary of the minor changes are outlined below to reflect the changes to the current bus network, as of 20<sup>th</sup> December 2024. CPCA consider these to be minor changes to the network as a whole, so therefore do not warrant further consultation of the Proposed Franchising Scheme.

The amendments made to the list of services include:

▪ **Annex 1 - Included Services:**

- 25 - Peterborough - Alwalton Business Park (added)
- 29 - Hampton - Peterborough Hospital (removed - service withdrawn in March 2024)
- Eye - Thorney (removed)
- 303 - Huntingdon - Chatteris (new service introduced October 2024)
- ZIP3 - Ely - Chatteris (new service introduced October 2024)
- 21 - Ramsey - St Ives (incorporated into 301 service)
- 22/A - Warboys - St Ives (incorporated into 301 service)
- 1 - St Ives - Barr Hill (service withdrawn in November 2024)
- V4 - St Ives - Boxworth (renumbered 68)
- V4 - St Ives - Barr Hill (service withdrawn in November 2024)
- 67 - St Ives - St Neots (new service starting in January 2025)
- Ting renamed Tiger on demand (West Huntingdonshire)
- Tiger on demand (Fenland) (new service)
- Tiger on demand (East Cambridgeshire) (new service)
- Tiger on demand (South Cambridgeshire) (new Service)
- 25 - Trumpington P&R - Babraham P&R (service withdrawn in March 2024)
- 43A - Sutton St James - Wisbech (moved to Annex 2 - Excepted Services)

▪ **Annex 2 - Excepted Services:**

- 312 - Newmarket - Bury St Edmunds (added)
- 28 - Tilbrook - Kimbolton - Bedford (added)
- 43A - Sutton St James - Wisbech (moved from Annex 1 - Included Services)

## 11.3 Strategic Case

The Assessment found that the Strategic Case had established CPCA's objectives for bus reform and identified the challenges facing the existing system – specifically, declining bus patronage, increasing costs and network instability. The Strategic Case detailed the development of suitable bus reform objectives to reflect both customer and operator market challenges alongside the development of outcomes that would contribute to the objectives set out in the Cambridgeshire and Peterborough Bus Strategy and Bus Service Improvement Plan.

The Strategic Case considered options including an Enhanced Partnership and the Proposed Franchising Scheme, identifying that both could deliver interventions and improvements above and beyond the current situation. However, although an Enhanced Partnership could deliver benefits, some of CPCA's aspirations may need to be compromised to achieve the required operator consensus on Enhanced Partnership initiatives. The Strategic Case concluded that the Proposed Franchising Scheme would be the more promising option for CPCA due to its ability to provide greater control over strategic outcomes at higher investment levels. The Proposed Franchising Scheme would enable CPCA to achieve the step-change envisioned for the bus network and attain broader ambitions more decisively and effectively.

As set out in Section 4 of this report, there was broad support in the consultation responses concerning the need for reform as well as the assessment of how likely the different options for reform would be in meeting the Combined Authority's objectives for bus. Challenges were made in the consultation responses regarding the existing bus delivery, operator initiatives, reform options, rural services and cross-boundary services.

As per Section 4.8 of this report, this Consultation Response report concludes, after taking into account both the level of support for the Strategic Case and the challenges raised, CPCA continues to have confidence in the evidence presented in the Strategic Case and the conclusions reached. None of the responses raised issues which significantly affect the case outcomes.

## **11.4 Economic Case**

The Assessment found that the Economic Case demonstrated the Value for Money of the two alternative bus reform options in accordance with both HM Treasury's Green Book Guidance and the Bus Franchising Guidance (2019 edition). Both options were assessed against the reference case, which is the currently expected future bus network and services that would be operated without any further bus reform or significant uncommitted investment from the public sector.

The Economic Case concluded by presenting the Net Present Value of monetised impacts and a Value for Money assessment, in line with the Bus Franchising Guidance (2019 edition). Both reform options represent 'high' Value for Money to the public based on the results of the Economic Appraisal, because they are forecast to generate benefits considerably higher than the costs required to implement them, when compared to the reference case. However the Assessment shows that Franchising provides opportunity to realise further benefits above those estimated for an Enhanced Partnership model. At each level of investment, Franchising performs slightly better in terms of economic benefits.

As set out in Section 5 of this report, challenges were made in the consultation responses regarding the assumptions used, risks and uncertainties and the modelled costs.

As per Section 5.5 of this report, this Consultation Response concludes, after taking into account the challenges raised, that CPCA continues to have confidence that the findings of the Economic Case are robust. None of the responses raised issues which significantly affect the case outcomes.

## **11.5 Commercial Case**

The Assessment concluded that the Commercial Case had explored the commercial implications of each bus reform option on the market for bus services in Cambridgeshire and Peterborough and assessed them against the commercial objectives set out by CPCA. This concluded that Franchising maximises the potential to meet these objectives, allowing CPCA better control for the delivery of bus services overall, however, it also notes that this option presents substantial implementation, operation and financial risk that will need to be managed.

The greater control over all aspects of the bus network under franchising would also afford CPCA the flexibility to proactively manage levels of resources deployed to ensure continued commercial viability and affordability and to manage risks. The scale of the change, particularly in delivery of the Proposed Franchising Scheme is recognised across the Assessment and is reflected in the Commercial Case, which outlines a range of the approaches the Combined Authority would look to take on procurement, contracts, assets, implementation and employment considerations that are all intended to drive a competitive and diverse market for franchised contracts.

As set out in Section 6 of this report, particular challenges were made in the consultation responses regarding the franchising model and the approaches to procurement, assets, SMEs, lotting, risk allocation and performance.

As per Section 6.9 of this report, this Consultation Response has discussed a wide variety of comments on the Commercial Case and concludes that after taking into account both the level of support for the Commercial Case and the challenges raised, CPCA continues to have confidence in the commercial assessment presented in the Commercial Case and the conclusions reached. None of the responses raised issues which significantly affect the case outcomes, although CPCA recognises that further market engagement and planning on specific themes raised will be needed during the implementation planning phase, should a decision be taken to introduce the Proposed Franchising Scheme.

## **11.6 Financial Case**

The Assessment concluded that the Financial Case had explored whether each option was affordable to CPCA within the budget available and under different scenarios. Its analysis concluded that both Enhanced Partnership and Franchising are affordable to CPCA, taking into account potential risks. Both options will require substantial financial support; while Franchising is more costly, this is mitigated as it is also forecast to deliver higher bus network patronage and carries the advantage that cross-subsidisation between routes is possible.

As set out in Section 7 of this report, particular challenges were made in the consultation responses regarding the assumptions and modelling, funding and finance sources, costs of implementation and financial risks to the Combined Authority.

As per Section 7.6 of this report, this Consultation Response concludes that after considering the responses provided by stakeholders on the Financial Case of the Assessment, CPCA continues to have confidence in the affordability assessment presented in the Financial Case and the conclusions reached. None of the responses raised issues which significantly affect the case outcomes, although CPCA recognises that further engagement and planning on specific themes raised will be needed during the implementation planning phase, should a decision be taken to introduce the Proposed Franchising Scheme.

## **11.7 Management Case**

The Assessment concluded that the Management Case had explored whether each bus reform option was deliverable by CPCA and how it would manage and mitigate risk. Franchising would entail an expansion of responsibilities and require additional resources and competencies and the Management Case details how this can be achieved through CPCA's existing corporate structure. In comparison, the additional resources and competencies needed to deliver an Enhanced Partnership would be more limited. Both bus reform options are concluded to be deliverable.

As set out in Section 8 of this report, particular challenges were made in the consultation responses regarding CPCA's capacity to manage, allocation of responsibilities, management of the transition period and stakeholder roles in the delivery of bus reform.

As per Section 8.5 of this report, this Consultation Response concludes that after considering the responses provided by stakeholders on the Management Case of the Assessment, CPCA continues to have confidence in the deliverability assessment presented in the Management Case and the conclusions reached. None of the responses raised issues which significantly affect the case outcomes, although CPCA recognises that further engagement and planning on specific themes raised will be needed during the implementation planning phase, should a decision be taken to introduce the Proposed Franchising Scheme.

## **11.8 Equality Impact Assessment**

The Equality Impact Assessment concluded that the Proposed Franchising Scheme would have a positive impact on the protected characteristics of age (especially older people), disability (especially people with physical and sensory impairments), gender reassignment, sex, pregnancy and maternity, and race. No impact or

neutral impact was seen across the protected characteristics of sexual orientation, religion or belief, or marriage and civil partnership.

As set out in Section 9 of this report, the main issues raised in the consultation were around vehicle specification, potential disruption to services during the transition to franchising and impacts on community transport.

As per Section 9.5 of this report, having considered the issues raised, CPCA remains of the view that the Equality Impact Assessment accurately captures the likely impacts upon protected groups. None of the responses raised issues which significantly affect the EqIA outcomes. Notwithstanding this view, the Equality Impact Assessment is a live document and if the Proposed Franchising Scheme is made the Equality Impact Assessment will be reviewed during the implementation and planning phase.

## **11.9 Final remarks and recommendation**

The Assessment's Conclusion set out that after carrying out analysis of each bus reform option across all five cases, Franchising offers clear strategic benefits and greater opportunity to achieve CPCA's objectives and ambitions for Cambridgeshire and Peterborough compared to both the reference case and an Enhanced Partnership option.

However, the Assessment also made clear that Franchising requires significant capital investment by CPCA and has additional key risks including:

- Responsibility for farebox revenue.
- Management of market transition and procurement of services.
- Depot acquisition.
- Additional resources and new capabilities required for delivery.

The Assessment showed that an Enhanced Partnership model also offers increased benefits beyond the reference case. When compared with Franchising, this would present lower risks for CPCA but also lower levels of certainty and control for CPCA due to the requirement to agree its delivery with local bus operators.

Both Franchising and Enhanced Partnership are justifiable options in terms of delivering High Value for Money, with Franchising performing slightly better in terms of economic benefits at each level of investment. Both bus reform options are affordable and deliverable. However, the distribution of these benefits could be influenced by CPCA if it controlled the design and implementation of the bus network through Franchising, ensuring that benefits from investment and enhancement target those who are likely to gain most.

The Assessment therefore concluded that Franchising was the preferred option for CPCA to progress with, but this was subject to both the Independent Audit and the outcome of the Consultation.

The statutory Independent Audit found, in all material respects:

- The information relied on by CPCA 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
- CPCA had due regard to the Guidance issued under section 123B of the Act in preparing the Assessment.

Overall, the Consultation has found there are substantial levels of support for the implementation of the Proposed Franchising Scheme with strong support from the wider public and some stakeholders, but also a range of criticisms and concerns were raised by both key stakeholders and wider stakeholders. CPCA has given very serious consideration to all the feedback raised and this is reflected in the Consultation Response, which has recognised and responded to each of these comments. CPCA proposes a number of actions to be undertaken alongside the Proposed Franchising Scheme in response to consultation. These are:

- Investigate the benefits for longer mobilisation periods for some contracts, where this will support greater competition, for example by allowing small and medium-sized operators to compete
- Continue to consult and engage stakeholders on franchising during the implementation phase, through mobilisation and then moving on to the ongoing operation phase
- Ensure a full and ongoing engagement with our Community Transport operators to ensure our franchising programme considers the opportunities and risks for them
- 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 SME operators a toolkit to assist them in their selecting of which bus franchising contracts to bid for.
- Include 'safety' as a clear separate pillar in our implementation planning, benchmarking with best practice elsewhere, including Manchester and London
- Ensure transparency in the development of these implementation plans through ongoing reporting to Transport and Infrastructure Committee and full CA Board if proposals are moved forward

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.

After careful consideration of the consultation feedback, taking into account the range of issues raised by both key stakeholders and wider stakeholders, the Consultation Response has found that the five cases continue to support the Assessment's conclusion that Franchising was the preferred option for CPCA to progress with.

The feedback provided during consultation has been very helpful in strengthening the commercial proposition and delivery approach, either by reaffirming the Assessment's original strategies or by providing useful inputs for further consideration by CPCA during the implementation planning phase. The feedback has also:

- demonstrated that the key role that the local bus network performs for communities and residents in Cambridgeshire and Peterborough
- pointed to the strategic importance for bus in future development and economic growth in Cambridgeshire and Peterborough
- highlighted the significant challenges faced in respect of the currently predicted long-term decline in bus use and a shrinking network.

Franchising provides a much greater level of control to enable CPCA to respond to these challenges for the local bus network, in comparison with an Enhanced Partnership, supporting its identification as the preferred option for bus reform. If the Proposed Franchising Scheme is approved, CPCA will move quickly to an implementation phase, learning from this consultation, stakeholders and other sources of knowledge and experience in this, to enable further refinement and realistic, detailed planning.

The Consultation Response also makes clear that a decision to implement the Proposed Franchising Scheme would have implications beyond Cambridgeshire and Peterborough and that CPCA will need to continue close engagement to work with bus operators, bus workers, bus users, constituent authority partners and community groups to ensure that the scheme successfully delivers on the bus reform objectives. The Proposed Franchising Scheme will 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, this Consultation Response reaffirms the Assessment's conclusion and recommends to the Mayor that CPCA proceed with the Proposed Franchising Scheme as the preferred option for bus reform in Cambridgeshire and Peterborough.

CPCA would like to thank all the consultation participants and who shared their views and experience to inform this Consultation Response and recommendation to the Mayor to proceed with the Proposed Franchising Scheme, in accordance with Section 123G of the Transport Act 2000.