



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

Agenda Item No: 4.2

Bus Services

To:	Cambridgeshire and Peterborough Combined Authority Board
Meeting Date:	30 June 2021
Public report:	Yes
Lead Member:	Mayor Dr Nik Johnson
From:	Paul Raynes, Director of Delivery and Strategy
Key decision:	Yes
Forward Plan ref:	KD2021/023
Recommendations:	<p>The Combined Authority Board is recommended to:</p> <ul style="list-style-type: none">a) Mandate officers to continue discussions on bus market reform with bus operators and other partners with the aim of progressing a franchising business case and developing a Bus Service Improvement Plan;b) Approve an increase of £100,000 in the bus reform budget to reflect the award of capacity funding by the Department for Transport; andc) Approve the creation of a £189,000 Covid Bus Service Support Grant budget and to authorise further grants received for this purpose to be included in this budget subject to such increases being reported to the Board in their regular budget update report.
Voting arrangements:	<p>Recommendation a) a simple majority of all Members present and voting.</p> <p>Recommendations b), and c) - A vote in favour by at least two thirds of all Members (or their Substitute Members) appointed by the Constituent Councils, to include the Members appointed by</p>

Cambridgeshire County Council or Peterborough City Council, or their
Substitute Members.

1. Purpose

- 1.1. Bus market reform is one of the Combined Authority's key priorities. This report provides a summary of current work on bus market reform and sets out future opportunities to improve bus services to communities in Greater Cambridgeshire.

2. Background

- 2.1. The bus reform programme centres on the Combined Authority's statutory powers to franchise bus services or enter into statutory partnerships with bus operators. We already intervene in the bus market by giving direct support to 70 routes which operators are unable to run at a commercial profit, but which are judged to be socially necessary. Those routes account for about 10% of the total bus network and the direct subsidy is expected to cost taxpayers £3 million in 2021-22. This funding for supported services is awarded through public tender exercises. This is not the limit on public subsidy to the bus industry, though: operators are forecast to receive over £9 million through the reimbursement of concessionary fares, and an estimated £4-5 million in Bus Service Operators' Grant (BSOG).
- 2.2. In total, and in a normal pre-Covid year, public subsidy accounts for about a third of the total turnover of the bus industry in Greater Cambridgeshire – much more than the operators make in profits. Yet the Combined Authority can currently only use small fraction of that to influence operators' decisions. The DfT's BSOG grant provides per-mile payments which – with the current fleet of diesel buses – creates a financial incentive to produce carbon emissions, in conflict with both the government's and the Authority's objectives. It is unusual for taxpayers' money to be distributed so generously without a clear line of sight to the policy outcomes it is buying.
- 2.3. Franchising is one way to impose conditions on the bus industry in return for the subsidy it receives. Statutory Quality Partnerships and Enhanced Quality Partnerships are other methods. The Combined Authority agreed to begin the statutory decision-making process for a potential franchising arrangement in 2019, and issued the relevant statutory notice to do that on 15 May 2019. Work was begun on preparing the business case required under the Bus Services Act.
- 2.4. Since March 2020, the social restrictions needed to manage the Covid pandemic have reduced ridership drastically. At the trough, Greater Cambridge buses were carrying a fifth of normal passengers. Even now, following the Step 3 unlocking, passenger numbers across the area are down by about half compared to normal. Commercial operation has been impossible. The industry has been maintained by extra emergency government subsidies. Against that background of market disruption, work on the franchising business case was suspended.
- 2.5. The current position is this:
 - The final phase of Covid unlocking is in sight; this means it will be possible to proceed with a statutory business case based on visibility about the state of the bus market, even though recovery to any "new normal" will still take some time;
 - The government has said that it will only offer ongoing subsidy to the bus industry to support post-covid recovery where Transport Authorities and operators have agreed a Bus Service Improvement Plan; that plan must involve either a statutory partnership

arrangement, or franchising;

- The Mayor put a clear policy of bus market reform to the people of Greater Cambridgeshire which was endorsed at the ballot box in the recent election.

Next Steps

2.6. Bus Market Reform

Officers have continued to engage with senior officials at the Department for Transport (DfT), with local bus operators and other partners. This work has taken into account the government's National Bus Strategy (*Bus Back Better*). The government will make grant funding available to areas which commit to produce a Bus Service Improvement Plan (BSIP) by October 2021. The BSIP should describe the improvements the Transport Authority, bus operators and other partners plan to make from April 2022. The delivery arrangements for those improvements should be either a statutory Enhanced Partnership, or franchising. Capacity funding is available for Combined Authorities which commit to work on franchising. A Bus Operators Forum has been set up under independent chairmanship, bringing together all the bus companies operating in Greater Cambridgeshire, representatives of passenger groups and employers, and officers from the CA and highways authorities. Liaison is also taking place with the Greater Cambridge Partnership. The forum members have agreed to work cooperatively to develop the Bus Service Improvement Plan and assemble evidence for the statutory business case needed to evaluate franchising and enhanced partnership. This has included discussions about highways improvements and bus priority measures, as well as fare and service improvements which the operators might be asked to make. The Combined Authority has been awarded £100,000 of capacity funding to support this work; approval is sought to increase the Authority's bus reform budget line by that amount.

2.7 Zero Emission Buses

There are currently only two zero emission buses operating in Greater Cambridgeshire. It is a recommendation of the Independent Commission on Climate Change that the fleet should be decarbonised by 2030; this is in line with the net zero ambitions of the Local Transport Plan. The government invited expressions of interest by 21 May in a grant fund for introducing zero-emission buses over the next 18 months (the zero emission bus regional area fund, or ZEBRA). The Combined Authority, working in partnership with GCP, the Regional Energy Hub, councils, UKPN and bus operators, developed a submission to the fund which the government is now considering. This is a very strongly competed bidding process. The next step, if the EOI is accepted by the government, would be the development of a full business case during the summer.

2.8. Demand Responsive Transport

Two rounds of competitive tendering for a Demand Responsive Transport trial have been undertaken and a contract will be awarded imminently. The service will commence in early August on a six-month trial. This will be an app-based bus service akin to Uber, with booking of a bus journey being possible in real time either through on a smartphone or by telephoning a call centre which can make the booking. By adjusting the route and aggregating rides in real time, it is possible for a bus to serve several passengers making different point to point journeys in one trip. The service will run six days a week and operate in the western half of Huntingdonshire providing links to a large number of rural

communities as well as St Neots, and providing app-driven bus links to Huntingdon and Cambourne. This service is a trial of the technology, a trial of the public's enthusiasm for a very different type of bus service, and a test of the system's financial viability.

2.9 Supported services contracts

Local supported bus service contracts previously awarded by Cambridgeshire County Council and Peterborough City Council were novated to the CPCA on 1 April as part of the transfer of functions. Of these contracts, 44 expire at the end of July 2021. A procurement exercise is currently concluding to put replacement arrangements in place to enable continuity of service for passengers. The total value of these contracts is £2.1 million. These contracts are being let on a rolling basis, which allows flexibility around future bus market reform developments.

2.10 Covid Bus Services Support Grant

Covid Bus Service Support Grant (CBSSG) has been paid to bus operators in lieu of revenue foregone since the start of the first lockdown (17 March 2020). There are two kinds of CBSSG funding – one goes directly to the operators of commercial (unsupported) bus routes; and the other is paid to Local Transport Authorities (LTA) including the Combined Authority, to pass on to the operators of financially supported services.

At its August meeting the Combined Authority Board was informed of an increase of £440k in its 2020-21 Budget in light of the award of the latter kind of CBSSG. As the need for COVID support to bus operators has continued beyond the period covered by that allocation further tranches of grant have been awarded to the Combined Authority for continuing support.

At the end of 2020-21 the Combined Authority held a balance of £189k of CBSSG funds which were yet to be passed onto bus service operators. The Board are asked to approve the creation of a budget in 2021-22 in order that these funds can be passed on to the bus service operators; these funds are ringfenced therefore cannot be used for other purposes.

The Combined Authority is expecting at least one further tranche of CBSSG to be awarded by DfT this year and the Board are asked to approve the inclusion of future tranches of CBSSG in this budget, subject to these increases being reported via the regular Budget monitoring report.

4 Financial Implications

4.1 The table below sets out a summary of the financial impacts on the budget and Medium-Term Financial, both increases to the budget are fully funded by specific grants from the DfT and so have no wider impact on the Combined Authority's budgets.

Financial change summary (£'000)			2021-22	2022-23	2023-24	2024-25
Current MTFP	Bus Review Implementation	Approved	-*	-	-	-
		STA	-	-	-	-
Change Requested	Bus Review Implementation	Approved	100	-	-	-
		STA	-	-	-	-
	Covid Bus Service Support Grant (new)	Approved	189	-	-	-
		STA	-	-	-	-
Revised MTFP	Bus Review Implementation	Approved	100*	-	-	-
		STA	-	-	-	-
	Covid Bus Service Support Grant (new)	Approved	189	-	-	-
		STA	-	-	-	-

*The Bus Review Implementation budget has an underspend of £1,742k in 2020-21, which the Combined Authority Board is being asked to carry forward into 2021-22 at its meeting on the 30th June.

4.2 The submission of the ZEBRA EoI has no direct financial implications to the Combined Authority however the submitted project included local financial contributions. If the EoI is successful, the Board will be presented with a Business Plan in line with the Assurance Framework which will include a request for a contribution to the project.

5. Legal Implications

5.1 Demand Responsive Transport procurement is being carried out under Chapter 17, Paragraph 3.6: Delegated Authority Chapter 3, Paragraph 11
New supported bus service contracts are awarded under Chapter 17, Paragraph 3.5 (non-Key) Delegated Authority

6. Appendices

6.1 None

7. Background Papers

[National Bus Strategy](#)

Statutory Notice on Franchising – [Notice-of-intention-to-consider-franchising-v0.1-2-May-19.pdf \(kinstacdn.com\)](#)