



<b>Transport &amp; Infrastructure Committee</b>	Agenda Item
<b>17 January 2024</b>	<b>6</b>

Title:	Bus Reform
Report of:	Neal Byers
Lead Member:	Cllr Anna Smith
Public Report:	Yes, with EXEMPT appendix.
Key Decision:	Yes
Voting Arrangements:	<b>Recommendations A, C &amp; D:</b> No vote required <b>Recommendation B:</b> 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 Cambridgeshire County Council and Peterborough City Council, or their substitute members.

<b>Recommendations:</b>	
A	Note the progress of the Bus Reform business case, independent audit and recommendation to be considered by the CPCA Board
B	Comment on and agree the principle of proceeding with Franchising as the preferred model for bus reform (sections 2.14 - 2.18), for consideration of the CPCA Board
C	Note the Draft Proposed Franchising Scheme as described and set out in the exempt Appendix A
D	Note that the CPCA Board will receive the updated business case, report of the independent auditor and recommendation to proceed to public consultation.

<b>Strategic Objective(s):</b>	
The proposals within this report fit under the following strategic objective(s):	
X	Achieving ambitious skills and employment opportunities
X	Achieving good growth
X	Increased connectivity
X	Enabling resilient communities

## 1. Purpose

- 1.1 Transport is a cornerstone of the economic, social, and environmental fabric of Cambridgeshire and Peterborough. As we navigate a post-pandemic landscape, the need for a resilient, efficient, and user-centric public transport system is more pressing than ever. Our region's prosperity and growth are inextricably linked to the effectiveness of our transport systems, with buses playing a pivotal role.
- Currently, the Cambridgeshire and Peterborough Combined Authority (CPCA) supports a bus network that is integral to the daily lives of our residents, facilitating access to employment, education, healthcare, and leisure activities. However, this network is not without its challenges. The prevailing deregulated system, which has been the operational norm since 1986, is showing signs of strain. Decreasing patronage, exacerbated by the COVID-19 pandemic, alongside increasing operational costs, has brought us to a crossroads. The status quo is unsustainable; a bold, transformative approach is required to revitalise our bus services and align them with the evolving needs and expectations of our community.
- 1.2 In this context, we find ourselves considering a shift in how bus services are managed and operated within our region. Franchising presents a promising alternative to the current deregulated model, offering a pathway to a more coordinated, efficient, and user-focused bus network. This model aligns with the broader strategic objectives of CPCA, including enhancing connectivity, supporting economic growth, fostering social inclusion, and contributing to environmental sustainability.
- This paper outlines the rationale for consulting on bus franchising as a viable option for Cambridgeshire and Peterborough, while retaining the option to introduce an Enhanced Partnership. The paper summarises the potential benefits, challenges, and implications of transitioning to a franchised bus system. The aim is to ensure that our bus network not only meets the current needs of our residents but is also poised to adapt and thrive in an ever-changing transport landscape.

## 2. Proposal

- 2.1 **The Vision**
- The CPCA envisions a transformative future for its bus network, one that is not only responsive to the current needs of its residents and businesses but also considers future demands and challenges. This vision is underpinned by a set of factors that align with our broader strategic objectives, encompassing social, economic, and environmental considerations.
- Enhanced Accessibility and Connectivity:**
- Our primary ambition is to significantly improve the accessibility and connectivity of the bus network. This involves expanding the network to underserved areas, enhancing the frequency and reliability of services, and extending operational hours to provide more comprehensive coverage throughout the day and week. The goal is to make buses a viable and preferred option for a wider array of travel purposes, including commuting, education, healthcare access, and leisure activities.
- Economic Growth and Opportunity:**
- A robust and efficient bus network is pivotal to supporting the region's economic aspirations. By facilitating easier access to job markets, commercial centres, and educational institutions, an enhanced bus service can play a crucial role in driving economic growth and opportunity across Cambridgeshire and Peterborough.
- Social Inclusion and Equity:**
- Recognising the diverse needs of our community, the bus network aims to promote social inclusion by providing affordable, safe, and accessible transportation options. This is particularly crucial for vulnerable groups, students, the elderly, and those without access to private vehicles, ensuring that all residents have equitable access to essential services and opportunities.
- Environmental Sustainability:**
- In line with regional and national targets for carbon reduction and environmental sustainability, the bus network aims to contribute significantly to these goals. This includes transitioning to low or zero-emission buses, promoting modal shift away from private car usage, and integrating the bus network with other sustainable transport modes such as cycling and walking.

	<p><b>Customer-Centric Service and Experience:</b></p> <p>A key ambition is to transform the customer experience of bus travel. This involves not just the physical aspects of travel, such as comfort and convenience but also the overall service experience including ticketing, customer service, and the provision of real-time travel information. Embracing digital technologies and innovations plays a significant role in achieving this goal.</p> <p><b>Financial and Operational Sustainability:</b></p> <p>Ensuring the long-term financial and operational sustainability of the bus network is crucial. This involves exploring funding models, enhancing the cost-effectiveness of services, and ensuring that the network can adapt to changing demographic and travel patterns over time. It also requires the consideration of additional public investment to improve bus services.</p> <p>The ambitions for the bus network in Cambridgeshire and Peterborough are comprehensive and multifaceted, aiming to create a convenient, reliable and easy to use public transport system. These ambitions set the context for considering franchising or an enhanced partnership as a strategic approach to realise this transformative vision for our bus services.</p>
2.2	<p><b>Existing Challenges and the Need for Bus Reform</b></p> <p>As the CPCA contemplates the future of its bus network, it is important to acknowledge the existing challenges that necessitate bus reform. These challenges not only impede the current effectiveness of our bus services but also pose significant barriers to achieving our long-term strategic ambitions.</p> <p><b>Declining Patronage and Service Viability:</b></p> <p>One of the most pressing challenges is the declining patronage of bus services, a trend exacerbated by the COVID-19 pandemic. This decline has affected the commercial viability of many routes, leading to service reductions and cancellations, particularly in less densely populated or economically less affluent areas. The result is a vicious cycle: reduced services lead to lower patronage, which further diminishes service viability.</p> <p><b>Operational and Financial Constraints:</b></p> <p>The increasing operational costs, partly due to rising fuel prices and maintenance expenses, pose significant financial challenges. These costs are coupled with limited funding options, placing a strain on the ability to maintain, let alone expand, service offerings. The need for investment in modern, eco-friendly buses adds another layer to these financial challenges.</p> <p><b>Network Fragmentation and Lack of Coordination:</b></p> <p>Under the current deregulated system, the bus network suffers from fragmentation, with multiple operators running different services with limited coordination. This fragmentation leads to inconsistencies in service quality, fare structures, and scheduling, making the network less user-friendly and hindering the potential for integrated multimodal transport solutions.</p> <p><b>Customer Experience and Accessibility Issues:</b></p> <p>Customer experience varies significantly across the network, with issues such as lack of real-time information, inconsistent service quality, and inadequate coverage during off-peak hours and in rural areas. Improving accessibility for all, including those with mobility challenges, is a key concern that needs to be addressed.</p> <p><b>Environmental Impact:</b></p> <p>The environmental impact of the existing bus fleet, primarily comprised of diesel-powered vehicles, is a growing concern, especially in light of regional and national goals for reducing carbon emissions. Transitioning to a greener fleet is important and requires substantial investment and strategic planning.</p> <p><b>Response to Changing Travel Patterns:</b></p> <p>The evolving nature of work and travel patterns, accelerated by the pandemic, presents both a challenge and an opportunity. There is a need to adapt the bus network to meet these changing patterns, such as the rise in flexible working, which affects peak travel times and demands for connectivity.</p>
2.3	<p><b>The Road to Better Buses</b></p> <p>The journey towards an improved public transport system begins with investment in our bus infrastructure and services. This includes modernising fleets, expanding routes, and better service management. These improvements result in tangible benefits: increased ridership, reduced urban congestion, and a significant step towards improved connectivity for urban and rural communities.</p>

	<p><b>Ongoing Bus Consultation</b></p> <p>The CPCA has been working with members, bus operators and the public to examine where the network could be strengthened with further investment through the Mayoral Precept. The following sets out the types of improvements which have been identified and will be further developed, alongside other feedback provided through public engagement. This list is by no means exhaustive, but provides examples of where investment could improve the network:</p> <ul style="list-style-type: none"> <li>• Primary (core) service enhancements across the CPCA network – earlier morning journeys; increased frequency; continuation of peak frequency into early evening; additional stops.</li> <li>• Introduce new services.</li> <li>• Reinstatement of rural services, including evening and weekend services</li> <li>• Network remodelling to create better connectivity between services, including busway stops and railway stations and other interchanges.</li> </ul> <p>The CPCA will consider the outcome of the consultation on the medium-term financial plan, alongside input from TIC members and the CPCA Board to further develop the opportunities to invest into bus services.</p>
2.4	<p>However, to transform these incremental gains into systemic change, a more coordinated approach is required. This is where bus reform is considered to examine how changes to the way bus services are governed can secure a more efficient and effective network, from increased levels of investment. The question of bus reform includes a wider consideration of the system which supports the bus services, such as the following aspects:</p> <p><b>Processes and service planning</b></p> <ul style="list-style-type: none"> <li>• Single range of network-wide, all-operator tickets</li> <li>• Opportunity to subsidise fares for particular groups or offer fares discounts to promote certain services</li> <li>• Single network identity</li> <li>• Ability to plan and simplify the whole network, ensuring connections between services and overall network efficiency, such as use of Park &amp; Ride sites as interchange hubs</li> <li>• Reinvestment of surplus revenue from profit-generating services to cross-subsidise socially-necessary services</li> <li>• Ability to achieve integration of different types of transport (local bus and school/college transport)</li> </ul> <p>Therefore, the question of bus reform is set in the context of an ambition to invest further into the bus network. As the investment level in buses increases, the CPCA needs to consider the associated decision to introduce either an Enhanced Partnership or Franchise.</p>
2.5	<p><b>The Case for Reform: Franchising and Enhanced Partnership</b></p> <p>In addressing the challenges facing our bus network, the CPCA is considering two primary models for reform: Bus Franchising and Enhanced Partnership. Each model offers distinct approaches to improving our bus services, and their potential merits and challenges have been given careful consideration through the business case process.</p>
2.6	<p><b>Enhanced Partnership (EP)</b></p> <p>Potential: An Enhanced Partnership allows for a collaborative approach with existing bus operators. It can lead to quick wins in improving services, as it builds on existing relationships and structures. EPs can introduce unified standards for service delivery, fare structures, and potentially, some level of integrated ticketing. This model is particularly beneficial where there is a willingness among operators to work together towards shared objectives.</p> <p>Challenges: The effectiveness of an EP is highly dependent on the degree of consensus and collaboration among participating operators. It may offer less control to CPCA compared to franchising and could be limited in its ability to bring about changes or large-scale network restructuring. The EP model is less likely to ensure consistency across the entire network, as operators retain a significant degree of autonomy.</p>

2.7	<p><b>Bus Franchising</b></p> <p>Potential: Franchising offers CPCA the ability to exert comprehensive control over the bus network, including routes, timetables, fares, and service standards. This model facilitates a more coordinated and user-focused approach, allowing for a unified brand, integrated ticketing systems, and a more efficient allocation of resources. Franchising can also drive improvements in service quality and consistency, making the bus a more attractive option for users.</p> <p>Challenges: Implementing a franchising model requires substantial upfront investment and resource commitment. There are complexities involved in the tendering process and ongoing management of contracts.</p>
2.8	<p><b>Enhanced Partnership vs. Franchising in the context of increasing Public Sector investment</b></p> <p>The escalating levels of public sector investment in the bus network present distinct opportunities and challenges within the frameworks of Enhanced Partnership and Franchising models. The increasing reliance on public funding necessitates a careful evaluation of how this investment translates into control, efficiency, and network enhancement under each model.</p>
2.9	<p><b>Enhanced Partnership (EP)</b></p> <p>Opportunities with increasing investment: Enhanced Partnership allows for quicker implementation and leverages existing operator relationships. Increased public investment can facilitate specific improvements in service quality, infrastructure enhancements, and customer experience initiatives. It can also support targeted subsidies for fare reduction or service expansion in underserved areas.</p> <p>Challenges with increasing investment: As public sector investment grows under an EP model, a significant challenge emerges in the form of limited direct control over the network. Despite increased funding, the CPCA will find its influence over route planning, service frequency, and overall network design constrained. This situation can lead to inefficiencies, as the authority's ability to direct investment towards strategic, long-term network improvements is limited. Furthermore, reliance on operator consensus under an EP might slow down or limit the scope of changes that can be effectively implemented, potentially leading to a mismatch between investment and desired outcomes.</p>
2.10	<p><b>Franchising</b></p> <p>Opportunities with increasing investment: In a franchising model, heightened public sector investment directly translates into greater control and the ability to shape the network according to strategic objectives. This model offers the potential for a holistic redesign of the network, ensuring that public funds are aligned with broader goals like enhanced connectivity, environmental sustainability, and social inclusion. Franchising can foster a more efficient allocation of resources, with the ability to implement integrated ticketing, unified branding, and consistent service standards across the network.</p> <p>Challenges with increasing investment: The primary challenge in a franchising model is the significant upfront investment and the complexities of contract management and oversight. As the public sector's financial stake increases, so does the responsibility for ensuring efficient, effective, and sustainable service delivery. The transition to a franchised system will involve navigating complex negotiations with existing operators and managing the associated political and operational risks.</p>
2.11	<p>While both EP and franchising models offer pathways to improve the bus network, the impact of increasing public sector investment on each model varies considerably. Enhanced Partnerships, while beneficial for incremental improvements and leveraging existing structures, are more likely to fall short in offering full control commensurate with increased investment. On the other hand, franchising, with its greater direct control and strategic alignment, can ensure that increased public investment is more effectively and efficiently channelled towards comprehensive network transformation. However, it requires a more substantial commitment in terms of resources and management. The decision between these models should therefore consider the balance between the desired level of control, the scale of investment, and the long-term strategic objectives of the CPCA.</p>
2.12	<p><b>Introduction to the Outline Business Case (OBC) Assessment for CPCA Bus Network Reform</b></p> <p>The Outline Business Case (OBC) for the CPCA bus network reform serves as a comprehensive assessment tool, designed to evaluate the potential pathways for transforming the region's bus services. The OBC's primary objective is to identify the most effective and sustainable model for bus service delivery, aligning with CPCA's strategic goals of improved accessibility, sustainability, and service quality. The updated, post audit, OBC will be provided to the CPCA to inform their decision. The following summarises the key points of the business case to inform debate at the committee.</p>

2.13	<p><b>Scope of the OBC</b></p> <p>The OBC considers a range of scenarios and factors to ascertain the most viable approach for bus network reform. It considers the economic, financial, commercial, and strategic dimensions of various bus service delivery models, providing a multi-faceted analysis of each option.</p> <p>Three Investment Scenarios:</p> <p>Central to the OBC are three investment scenarios – low, medium, and high – each representing different levels of financial commitment and corresponding service enhancements. These scenarios are evaluated across two potential delivery models of Bus Franchising and Enhanced Partnership (EP).</p> <p>Key Considerations:</p> <p>The OBC assessment closely analyses the impact of each scenario on various aspects of the bus network, including:</p> <ul style="list-style-type: none"> <li>• Economic viability, focusing on the benefit-cost ratio and net present value to gauge the overall financial feasibility.</li> <li>• Strategic alignment with CPCA's broader transportation goals, including environmental sustainability and enhanced public accessibility.</li> <li>• Risk management, particularly the uncertainties associated with transitioning to a new operational model.</li> <li>• Commercial viability and the degree of public sector influence in shaping the bus network to meet regional needs.</li> </ul>
2.14	<p><b>Outcome of the OBC</b></p> <p>The OBC's findings are instrumental in guiding CPCA's decision-making process for bus network reform. It provides a detailed evaluation of how each investment level under the franchising and EP models aligns with the authority's objectives, offering insights into the potential benefits and challenges associated with each approach. In the following section, we specifically discuss the case for adopting a franchising model, drawing on the evidence and analysis presented in the OBC.</p>
2.15	<p>The case for adopting a franchising model for the CPCA bus network is supported by several key findings from the OBC assessment. The business case reflects the balance which needs to be considered between the strategic and economic benefits and the additional financial and commercial risk associated with a franchise scheme. The following points summarise the key aspects of the OBC in relation to a franchise scheme.</p> <p>Economic Analysis:</p> <p>The medium investment franchising scenario demonstrates the best performance in terms of Benefit-Cost Ratio (BCR) and Net Present Value (NPV), reflecting the balance of investment costs against the benefits to passengers from improved services. This level of investment is projected to provide the best value for money compared to the low and high investment scenarios.</p> <p>Officers are currently testing additional scenarios to identify the 'tipping point', between the low and medium investment scenario, where the value for money decision moves from and EP to a Franchise scheme. This additional information will be presented to the CPCA board to help evidence the move toward franchise at a lower level of investment.</p> <p>Financial Sustainability:</p> <p>The medium investment scenario suggests that franchising, although requiring financial support initially, would start to generate revenues after 12-15 years. This contrasts with the high investment scenario, which would need ongoing financial support due to the high costs of operating a comprehensive, high frequency network.</p> <p>The financial dimension for the OBC identifies a wide range of funding sources, with three primary sources highlighted as being most likely to enable investment which can underpin the longer-term investment. These sources include: Mayoral Precept, Transport Levy and government grant. The business case separates out the operating costs of both EP and franchise arrangement from service improvements and capital investment. The breakdown of the contribution of each of these elements is set out in the OBC and will be reported to the CPCA Board.</p> <p>Public Sector Influence and Control:</p> <p>Franchising under medium investment offers CPCA high public sector influence, essential for guiding the distribution of benefits and dealing with uncertainties. This is particularly important as the CPCA</p>

	<p>looks to steer the bus network towards its strategic goals of improved accessibility, sustainability, and service quality.</p> <p><b>Strategic Alignment and Benefits:</b></p> <p>Franchising aligns with CPCA's strategic objectives by offering an opportunity to design a comprehensive bus service that meets the region's specific needs. This model allows for significant enhancements, improvements in infrastructure such as bus lanes, shelters, and fare capping to keep prices affordable.</p> <p><b>Risk Management:</b></p> <p>While franchising presents a higher level of uncertainty during the transition phase compared to Enhanced Partnerships, it shows lower uncertainty during operation. This suggests that once the franchising system is established, it offers a more stable and predictable operational environment.</p> <p><b>Commercial Viability:</b></p> <p>Franchising under the medium investment scenario provides CPCA with more control over the design of the overall scheme, enabling it to effectively meet its commercial objectives and ensure the delivery of intended outcomes.</p>
2.16	<p><b>Comparative advantage of franchising over an enhanced partnership:</b></p> <p>When compared to an enhanced partnership, franchising in the medium investment scenario outperforms in terms of economic benefits. The franchising model offers better control and oversight of the bus system, providing better value for money and is more likely to achieve CPCA's strategic outcomes.</p> <p>The business case shows that the medium investment scenario for franchising presents a well-rounded case for reforming the bus network in the CPCA area. It balances economic viability with strategic benefits, offers greater control and influence for the public sector, and aligns with long-term goals of enhancing the bus service in terms of sustainability, coverage, and user experience. The decision to pursue this model should take into account its ability to meet CPCA's strategic objectives, its financial sustainability, commercial viability, and practical feasibility.</p>
2.17	<p><b>The tipping point - When franchising becomes the preferred choice over an enhanced partnership</b></p> <p>There is a tipping point in the investment trajectory where the shift to bus franchising becomes the preferred way forward. This tipping point is characterised by a level of service development where the scale of public investment suggests more oversight and public control will provide better value for money. Beyond this tipping point franchising emerges as the preferred way forward to maximise social value and value for money of the investments made, ensuring that the bus system evolves into a more efficient, reliable, and user-focused service. This tipping point is between the medium investment scenario and the low investment scenario, suggesting that franchising would remain the preferred way forward with a reduction from the medium investment scenario.</p>
2.18	<p>Based on the OBC, it is proposed that the principle of moving to a franchise model as public investment increases is presented to the Combined Authority Board as the preferred option for bus regulatory reform and that the public are consulted on this.</p>
2.19	<p><b>Draft Proposed Franchising Scheme</b></p> <p>The Draft Proposed Franchising Scheme describes how the CPCA would implement such a scheme on the Region's bus network. It outlines for the purpose of consultation when the decision would be taken to implement franchising, when it would be put in place in each area, how long between the local service contract's start date and service provision (buses on the road), as well as information on the routes and areas franchising would be put in place in, and those bus services that would not be included. The Proposed Franchising Scheme is included in exempt Appendix A.</p>
2.20	<p>The Scheme outlines existing bus routes which would be included and allows flexibility to change, develop and improve them based on public feedback and input from the board. The CPCA would determine the service frequencies and timetables of these routes that bus operators would run under a local service contract. Once the franchising scheme is implemented in an area, all bus services that stop in that area must run under a local service contract or have a service permit, unless it is excepted from the franchising scheme or is an interim service.</p>

2.21	The Act allows the Proposed Franchising Scheme to be amended after the consultation closes, this will enable the Board and Mayor to respond to any network changes and also confirm the pace and scale of the franchise.
2.22	It is currently proposed that the whole of the CPCA area would become part of the scheme. Bus service contracts would be rolled out across two "Rounds". This is currently anticipated to cover the Greater Cambridge Travel to Work area in one round and the north Cambridgeshire and Peterborough area in a second round. Each round would include a range of contract sizes to encourage large and SME operators to bid for contracts.
2.23	The rationale for this approach would be to allow sufficient time for the franchise contracts to be procured and mobilisation to take place, as well time for the local bus industry to adapt smoothly to a new model of operation.
2.24	The Act states that there must be a minimum period of 6 months between when the contract is entered into and when the bus service provision will start, to provide adequate time for mobilisation. The CPCA proposes at least 9 months for the mobilisation of each large franchise contract. It is proposed that the CPCA would facilitate depots to be made available within each round of large franchise contracts.
2.25	The Mayor will take the final decision on whether to implement a franchising scheme, or pursue other partnership options, following final consultation with the CA Board at a public meeting later in 2024. If franchising is chosen, then it is proposed that the franchising scheme would be made at that point of the final decision.
2.26	All identified routes are organised by origin and destination points. These may be subject to change as demands on the network change and grow alongside the funding decisions of the board. At this stage they reflect the current network and its needs.
2.27	The first franchised services are currently expected to be operating from September 2026. Contracts would be put out to competitive tender for the bus services in those areas and operators would bid for them. There would be multiple 'lots' of varying sizes in each Round to allow for large, medium, and smaller operators to bid for contracts that are within their resourcing capacity. This would allow local small and medium operators the opportunity to continue to provide a similar level of service that they do in the current network, as well as opening the opportunity for expanding their services by bidding for multiple contracts. After the mobilisation period, where operators will prepare to deliver the new bus services under the CPCA's specification, buses in that Round would be running under contract, unless on a service permit or exempted from the scheme.
2.28	<b>The independent auditor's report</b> Following the preparation of the Assessment, the Act requires an Authority to obtain a report from an independent audit organisation on its Assessment.
2.29	In October 2023, Grant Thornton ("the Independent Auditor") were instructed to prepare the report on the OBC on behalf of the CPCA. Grant Thornton's commentary report is due to be issued in January 2024 and to be provided alongside the updated OBC to the CPCA Board. The Independent Auditor will give an opinion on: a. The information relied on in considering whether the CPCA would be able to afford to make and operate the Proposed Franchising Scheme, and in considering whether the Proposed Franchising Scheme would represent economic value for money, is of sufficient quality. b. The analysis of that information in the Assessment is of sufficient quality. c. The Combined Authority had due regard to the guidance issued under section 123B of the Act in preparing the Assessment.
2.30	It should be noted that whilst undertaking their analysis, the Independent Auditor has identified a number of observations in relation to the Assessment which will be set out in the commentary report which will be published for the Board. The full text of the audit report and the scope of the opinion will be provided to the CPCA Board to support their decision making, ahead of being published as part of public consultation.

2.31	<p><b>Consultation</b></p> <p>Following the preparation of the Assessment, a formal consultation on the Proposed Franchising Scheme is required in accordance with sections 123E to 123G of the Act.</p> <p>This consultation is open to all and would consider the views of bus users, residents, businesses, transport providers and other key stakeholders. Specific stakeholders who must be consulted as part of the process include:</p> <ul style="list-style-type: none"> <li>• Local bus operators</li> <li>• Representatives of employees of such operators</li> <li>• Organisations representing local passengers</li> <li>• Local authorities who would be affected by the proposed scheme, including National Parks Authorities where relevant</li> <li>• A Traffic Commissioner</li> <li>• Chief Officers of Police for areas to which the proposed scheme relates</li> <li>• Transport Focus (the Passengers' Council)</li> <li>• The Competition and Markets Authority.</li> </ul>
2.32	<p>As part of any consultation, the following documents must be published:</p> <ul style="list-style-type: none"> <li>• A consultation document relating to the proposed scheme;</li> <li>• The Assessment</li> <li>• The Independent Audit</li> </ul>
2.33	<p>The consultation document would include:</p> <ul style="list-style-type: none"> <li>• a summary of the Assessment</li> <li>• the franchising scheme area</li> <li>• a description of the proposed franchised services</li> <li>• a description of any proposed exemptions from regulation (eg cross boundary services)</li> <li>• the date on which the Combined Authority proposes to make the franchising scheme, together with the first date or dates by which the authority or authorities proposes to enter into contracts with operators to provide franchised services</li> <li>• the periods that must expire between the Combined Authority entering into a contract, and services starting to be operated under that contract</li> <li>• a description of the Combined Authority's plans for ongoing engagement throughout the life of the franchising scheme to seek views on how well the scheme is working</li> <li>• a description of how the Combined Authority plans to facilitate involvement of small and medium sized operators through the procurement process</li> <li>• the date by which responses to the consultation must be received.</li> </ul>
2.34	<p>It is proposed that a consultation would run for 12 weeks and would include significant direct engagement with communities across the CPCA area, including less often heard groups. It is also proposed that carrying out this consultation is delegated to the Executive Director – Place and Connectivity in conjunction with the Chair of the Transport and Infrastructure Committee and the Mayor.</p>
2.35	<p><b>Future steps</b></p> <p>Following the consultation period, the CPCA would prepare and publish a report setting out a response to the consultation together with a recommendation as to whether or not to proceed with the proposed franchising scheme or with an Enhanced Partnership. Following the consideration of the public consultation by the CPCA Board, it would be the Mayor that takes the decision as to whether or not to proceed with a franchising scheme.</p>
2.36	<p>CPCA will address issues raised by respondents to the consultation, including any changes to the franchising proposal made as a result. Depending on the significance of any changes, the CPCA may choose to consult again.</p>

2.37	The CPCA board will use the response from the public consultation to inform the decision on bus reform, alongside decision making for the level of funding and pace of implementation for the preferred scheme. Following consideration of the CPCA board on the funding and network ambition, the Mayor will make the decision to franchise, or proceed with an enhanced partnership.
------	--

### 3. Background

3.1	The development and reform of the bus network in Cambridgeshire and Peterborough are shaped by a myriad of policies and strategies, spanning local, regional, and national levels. These policies not only direct the operational aspects of bus services but also reflect broader goals in areas such as climate change, economic development, and urban planning.
3.2	<p>National Policy and Strategy:</p> <p>The National Bus Strategy for England, 'Bus Back Better', introduced in March 2021, represents a fundamental shift in the government's approach to bus networks. This strategy emerged in response to the dual challenges of declining national patronage and the impact of the COVID-19 pandemic. It advocates for a reconsideration of the existing deregulated bus network model and encourages the exploration of alternative delivery methods, including Enhanced Partnerships and Franchising.</p> <p>Key tenets of 'Bus Back Better' include:</p> <ul style="list-style-type: none"> <li>• Integrated services and simple ticketing systems to facilitate ease of use.</li> <li>• Ambitious improvements in bus service frequency, reliability, and coverage.</li> <li>• A strong focus on achieving net-zero targets and supporting the government's Levelling Up agenda by connecting people to jobs, education, and services more effectively.</li> </ul> <p>Regional Policies:</p> <p>England's Economic Heartland (EEH) strategy, 'Connecting People Transforming Journeys', envisions a world-class, decarbonised transport system capitalising on regional technological expertise. This strategy underscores the importance of public transport and shared transport solutions for sustainable growth and improved quality of life.</p>
3.3	<p><b>Local Transport and Connectivity Plan</b></p> <p>The Cambridgeshire and Peterborough Local Transport and Connectivity Plan (LTCP) set out visions for a transport network that supports economic growth, social inclusion, and environmental sustainability. Key goals include:</p> <ul style="list-style-type: none"> <li>• Enhancing access to jobs and services via sustainable transport modes.</li> <li>• Promoting social inclusion through affordable and accessible public transport.</li> <li>• Addressing pollution and aiming for net-zero emissions by 2050.</li> <li>• Improving the resilience and reliability of the transport network.</li> </ul> <p>The LTCP's objectives dovetail with the ambitions outlined in the National Bus Strategy, reinforcing the need for a transformative approach to bus service delivery in the region.</p>
3.4	These policies and strategies collectively underscore the importance of a reimagined bus network in Cambridgeshire and Peterborough - one that is more integrated, efficient, and aligned with contemporary social, economic, and environmental goals. Franchising emerges as a compelling option within this policy context, offering a route to achieving these broad objectives and addressing the challenges of the current bus service delivery model.

### 4. Appendices

4.1	EXEMPT Appendix A: Draft Proposed Franchising Scheme
-----	--

## 5. Implications

### Financial Implications

5.1	<p>The approved 2023/24 budget provides resource for the next stages of the Bus Reform project to be undertaken.</p> <p>The full financial implications of bus franchising will be considered at the final decision-making stage and will be informed by the statutory and internal processes identified in the paper. The decision to invest public funding into buses under a franchise will remove some flexibility for future budget setting as the financial commitments are for the medium to long term.</p> <p>Officers will continue to explore a range of funding options to provide revenue support for the transport network.</p> <p>The transition to a franchising model under the medium investment scenario for the CPCA bus network carries significant financial implications.</p> <p><b>Initial Investment and Long-term Financial Sustainability</b></p> <p>The medium investment franchising scenario requires a substantial initial investment, which includes costs associated with infrastructure enhancements and the establishment of operational facilities like depots and bus priority. However, this scenario is projected to begin generating revenue within 10-15 years, indicating a path to long-term financial sustainability.</p> <p><b>Comparison of Investment Scenarios</b></p> <p>In comparison with the low and high investment options, the medium investment scenario for franchising offers a more balanced approach. It avoids the high ongoing subsidy requirement of the high investment scenario, while offering greater service improvements and potential revenue generation than the low investment option.</p> <p><b>Benefit-Cost Ratio (BCR) and Net Present Value (NPV)</b></p> <p>The medium investment franchising scenario shows a favourable BCR and NPV over a 30-year appraisal period, suggesting that the benefits to passengers and the broader community are likely to outweigh the investment over time. It should be noted that the realisation of the economic benefits is skewed towards the second 15 years of the 30-year appraisal period.</p> <p><b>Exploration of Additional Funding Options</b></p> <p>Given the substantial upfront costs and the CPCA's commitment to improving bus services, exploring additional funding options remains important. Potential sources include Government Grants and Subsidies alongside Local Levies and Taxation Measures.</p> <p><b>Financial Risk Management</b></p> <p>The adoption of franchising under medium investment necessitates a robust financial risk management strategy. This includes contingency planning for unexpected costs, regular financial performance reviews, and adaptive measures to respond to changes in ridership patterns or operational costs.</p> <p><b>Need for Transparent Financial Reporting</b></p> <p>The CPCA will continue to undertake transparent financial reporting. This includes clear documentation of expenditure, revenue streams, and the performance against budgetary targets, ensuring accountability and stakeholder confidence.</p> <p>The financial implications of transitioning to a franchising model under a medium investment scenario for the CPCA bus network are significant but manageable with careful planning and exploration of diverse funding sources. The model promises long-term financial sustainability and aligns with the strategic objectives of enhancing the bus network, provided that a robust financial risk management strategy is in place. The assessment to date focuses on the use of the Mayoral Precept, Transport Levy and government grant to fund the network. The final level of funding and sources of the funding will be considered as part of the post consultation decision making.</p>
-----	---

### Legal Implications

6.1	<p>The proposal to transition to a franchising model under the medium investment scenario for the Cambridgeshire and Peterborough Combined Authority (CPCA) bus network entails several legal implications that need to be carefully considered. These implications are primarily governed by existing legislation, notably the Bus Services Act 2017 and regulations related to public consultation.</p>
-----	---

## **Compliance with the Bus Services Act 2017**

**Franchising Powers:** The Bus Services Act 2017 grants local transport authorities, like CPCA, the power to implement franchising schemes. This involves assuming responsibility for the provision of bus services, which traditionally fell under private operators in a deregulated market.

**Statutory Requirements:** The Act sets out specific statutory requirements that CPCA must adhere to when implementing a franchising scheme. This includes conducting an assessment of the proposed franchising arrangement, demonstrating that it would contribute to the implementation of the local transport policies, and showing that it offers value for money.

### **Public Consultation Process**

**Legal Mandate for Consultation:** The Act mandates a thorough public consultation process before any franchising scheme is implemented. This consultation must be comprehensive, inclusive, and transparent, allowing for input from various stakeholders, including current bus operators, passengers, and the general public.

**Consideration of Responses:** CPCA is legally required to consider consultation responses carefully and use them to inform the final decision on the franchising model. The authority must also publish a report summarising the consultation process and its outcomes.

### **Procurement and Contractual Obligations**

**Tendering Process:** Implementing a franchising model involves a tendering process for bus service contracts. This process must comply with procurement regulations, ensuring fairness, transparency, and non-discrimination in the selection of bus operators.

**Contract Management:** The legal implications extend to contract management with selected operators. Agreements must outline service standards, performance metrics, financial arrangements, and mechanisms for dispute resolution.

### **Risks of Legal Challenges**

**Potential for Challenges:** There is a risk of legal challenges from existing bus operators or other stakeholders who may contest the franchising decision or process. CPCA must ensure that all legal procedures are meticulously followed to mitigate this risk.

**Judicial Review:** Decisions related to franchising can be subject to judicial review, particularly if there are allegations of procedural impropriety or non-compliance with statutory duties.

### **Regulatory Compliance and Monitoring**

**Ongoing Compliance:** Once the franchising scheme is in place, CPCA will have ongoing responsibilities to ensure compliance with transport and environmental regulations.

**Monitoring and Enforcement:** The authority must establish mechanisms for monitoring contractual compliance by operators and enforce regulations to maintain service standards and protect passenger interests.

In conclusion, the legal implications of transitioning to a franchising model are substantial and require meticulous adherence to legislative requirements and regulatory standards. The CPCA must undertake a rigorous and legally compliant approach in its franchising scheme, covering all aspects from public consultation to procurement and ongoing regulatory compliance.

## **Public Health Implications**

- 7.1 The investment in the Cambridgeshire and Peterborough Combined Authority (CPCA) bus network, particularly under the franchising model, presents significant public health benefits:
- **Accessibility to Healthcare:** An efficient bus network ensures easier access to healthcare and essential services, crucial for vulnerable populations.
  - **Improved Air Quality:** Transitioning to an eco-friendly bus fleet will enhance air quality, reducing health risks associated with air pollution.
  - **Encouragement of Active Travel:** Better bus connectivity promotes walking, contributing to physical fitness and reducing lifestyle-related health conditions.
  - **Mental Well-being and Social Inclusion:** Reliable bus services can alleviate travel-related stress and encourage social interaction, enhancing mental health and community cohesion.
- While these benefits are notable, it's important to manage any transitional disruptions effectively to maintain public support for the long-term health advantages of the investment.

## Environmental & Climate Change Implications

### 8.1 Environmental Impact of CPCA Bus Network Investment

The investment in the bus network, particularly the transition to a franchising model, would make a substantial positive impact on the environment. This initiative is a key part of the region's commitment to combating climate change and enhancing environmental sustainability. By introducing a more eco-friendly bus fleet, which could include electric buses, the CPCA will significantly lower greenhouse gas emissions associated with public transport.

#### Improvement in Air Quality and Resource Conservation

Another important environmental benefit is the improvement in air quality. A modern, cleaner bus fleet will reduce the emission of harmful pollutants, contributing to a healthier atmosphere and overall public health. This aligns with broader efforts to create a more sustainable and liveable urban environment. Additionally, the move towards an efficient public transport system is expected to contribute to the conservation of natural resources. By optimising fuel usage and embracing sustainable practices, the initiative will reduce the ecological footprint of the region's transportation network, aligning with broader environmental conservation goals.

#### Promoting Sustainable Urban Mobility

The investment aims to promote sustainable urban transport by encouraging a modal shift from private car use to public transport. This shift is critical for reducing overall vehicle emissions, easing traffic congestion, and creating a more sustainable urban transport system. The enhanced bus network will not only meet immediate transportation needs but will also play a vital role in the region's long-term sustainable development.

## Other Significant Implications

### 9.1 Impact on Large and SME Bus Operators

The proposed investment in the CPCA bus network, particularly under a franchising model, has specific implications for both large and small to medium-sized enterprise (SME) bus operators in the region. This section outlines these implications in the context of increased investment in the bus network and CPCA's commitment to supporting operators of all sizes.

#### Opportunities for Large Operators:

**Expanded Business Opportunities:** Increased investment in the bus network would provide larger operators with opportunities to expand their services and modernise their fleets, especially in adopting more environmentally friendly vehicles.

**Stable Contractual Relationships:** Franchising models offer the potential for stable, long-term contracts, providing large operators with predictable revenue streams and clearer operational parameters.

**Enhanced Service Standards:** With a franchising model, large operators will need to adhere to higher service standards set by CPCA, necessitating improvements in efficiency, customer service, and reliability.

#### Challenges and Support for SME Operators:

**Market Entry and Competition:** The franchising model may present challenges for SME operators in terms of market entry and competition with larger companies. CPCA will ensure that franchising contracts are accessible to SMEs, by designing smaller contract packages and ensuring a transparent bidding process.

**Engagement and Collaboration:** Actively engaging with SME operators throughout the transition process will be vital. This engagement would include consultation, feedback mechanisms, and collaborative planning to ensure that their unique challenges and needs are addressed.

#### Maintaining a Diverse and Competitive Market:

**Encouraging Diverse Participation:** To ensure a healthy, competitive market, CPCA will continue to encourage participation from both large and SME operators. This diversity enriches the service offerings and fosters innovation in service delivery.

**Balancing Interests:** It is essential to balance the interests and capabilities of both large and SME operators. This balance ensures a fair and equitable market, providing choices for consumers.

While increased investment in the bus network under a franchising model presents numerous opportunities for bus operators, it also raises challenges, particularly for SMEs. CPCA's approach will

	aim to foster an environment that supports and encourages the growth of operators of all sizes, ensuring a competitive and diverse market that ultimately benefits the entire region.
Background Papers	
10.1	Previous decision on Bus Reform, CPCA TIC paper, <a href="#">29/04/2020</a>
10.2	Bus Reform – Draft Outline Business Case, CPCA TIC Paper, <a href="#">13/09/2023</a>