



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

Bus Services Delivery Reform:

Outline Business Case Assessment

June 2024



a company of Royal HaskoningDHV

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For:



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Glossary of terms

Term	Description
BCR	Benefit Cost Ratio – a calculation of PVB divided by PVC
BSIP	Bus Service Improvement Plan
BSOG	Bus Service Operators Grant
CCC	Cambridgeshire County Council
CIL	Community Infrastructure Levy
CMA	Competition and Markets Authority
CO ₂	Carbon Dioxide
Counterfactual	The Reference Case or 'do nothing' scenario against which intervention options are assessed
CPCA	Cambridge and Peterborough Combined Authority
CPIER	Cambridgeshire and Peterborough Independent Economic Review
CPT	Confederation of Passenger Transport
DfT	Department of Transport
DRT	Demand Responsive Transport
EEH	England's Economic Heartland
EIRR	Economic Internal Rate of Return – denotes the discount rate that would result in a NPV of zero
Elasticity	An economic term meaning the degree to which an economic variable (such as demand for a product) is sensitive to changes in another variable (such as price). The 'price elasticity of demand for bus travel' is how much patronage changes as a result in changes in bus fares.
ENCTS	English National Concessionary Travel Scheme
EP	Enhanced Partnership
ETM	Electronic Ticket Machine
EV	Electric Vehicle
Franchising	An authorisation granted by a government to a group enabling them to carry out specified commercial activities
GCP	Greater Cambridge Partnership
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GIS	Geographical Information Systems
GJT	Generalised Journey Time
GMCA	Greater Manchester Combined Authority
Green Book	Guidance issued by HM Treasury on how to appraise policies, programmes and projects
GVA	Gross Value Added

HGV	Heavy Goods Vehicle
HMG	His Majesty's Government
JT	Journey time
KPI	Key Performance Indicator
KRN	Key Route Network
LA	Local Authority
LEP	Local Enterprise Partnership
LGA	Local Government Association
LSOA	Lower Super Output Area – a geographic hierarchy
LTCP	Local Transport and Connectivity Plan
MCA	Mayoral Combined Authority
MSOA	Middle Super Output Area – a geographic hierarchy
NaPTAN	National Public Transport Access Nodes (Bus Stops)
NHS	National Health Service
NLP	Nathaniel and Lichfield Partners
NPV	Net Present Value – a calculation of PVB minus PVC
OBC	Outline Business Case
ONS	Office for National Statistics
PT	Public Transport
PTE	Passenger Transport Executive
PVB	Present Value Benefits – calculated by applying a discount rate of 3.5%, as set out in the Green Book guidance
PVC	Present Value Costs – discounted operating and capital costs
Reference Case	The case if there was no change in bus operations
S106	Section 106
SMART Objective	Specific, Measurable, Achievable, Relevant and Timely objectives
TAG	Transport Analysis Guidance (DfT information on the role of transport modelling and appraisal)
TfC	Transport for Cornwall
TfL	Transport for London
TRL	Transport Research Foundation
TUBA	Transport User Benefit Appraisal
TUPE	Transfer of Undertakings (Protection of Employment)
TWAO	Transport and Works Act Order (the usual way of authorising a new railway or tramway scheme in England and Wales)
UK	United Kingdom
UKG	UK Government

VfM	Value for money
VOC	Vehicle Operating Cost
ZEBRA	Zero Emission Bus Regional Areas - a DfT administered capital fund
Assessment	The assessment of the Do Something options in this business case

Appendices

Appendix A Development Trips Assessment

Appendix B Risk Matrix

Appendix C Economic Appraisal Tables

Appendix D Income & Expenditure and CA Balance sheet forecast impact

Supporting Documents

Published [Bus Service Improvement Plan](#)

Published [CPCA Bus Strategy](#)

[Local Transport Plan](#)

Executive Summary

The bus plays an essential role in Cambridgeshire and Peterborough's overall transport system. As the most-used public transport mode, it enables people to get to and from work, shops and to education, health, and leisure facilities. As well as providing accessibility for all, buses have wider benefits to society by reducing congestion, improving air quality, enhancing health and well-being, and adding value to the economy.

With declining bus provision and patronage, increasing operating costs, concerns around climate change, air quality and traffic congestion, and the need to respond to a growing economy, there is a compelling case to review how bus service provision can be dramatically improved. Cambridgeshire and Peterborough Combined Authority's (CPCA) Bus Strategy sets out the scale of the ambition of an enhanced bus network to double bus patronage by 2030, helping to meet the target of reducing car kilometres by 15%. This will mean more buses, linking more places, more often and for longer periods throughout the day, along with value for money fares, good waiting facilities, excellent information provision and a world-class all-round travel experience.

The Bus Services Act 2017 provides the Combined Authority (CA) with the powers to change the way that bus services are delivered through Franchising or an Enhanced Partnership (EP). The National Bus Strategy requires local transport authorities to commit to an EP, or to pursue Franchising. As such, the CA must move away from the current position, where neither is in place.

In 2019, the CA published a notice of its intention to assess the case for Franchising as a potential way of delivering the bus network¹. A formal process for doing this must be followed, which includes the requirement to carry out an Outline Business Case assessment, through which a Franchising option is compared with other potential options.

The different delivery models offer opportunities to address the challenges faced in the region, whilst providing the opportunity to focus on how to develop and improve bus services to establish a virtuous circle of sustained growth and improvement.

¹ <https://cambridgeshirepeterborough-ca.gov.uk/wp-content/uploads/documents/transport-and-infrastructure-committee/Committee-Papers-and-Minutes/Notice-of-intention-to-consider-franchising-v0.1-2-May-19.pdf>

In line with the standard Department for Transport (DfT) Transport Analysis Guidance (TAG) process, The HM Treasury Green Book and the requirements of the Transport Act 2000, this business case considers elements relating to the five-case model to:

- Set out a **robust case for change** that demonstrates the extent to which the delivery options have a strong strategic fit against the CA's priorities – the 'strategic dimension'.
- Demonstrate the **value for money** and the best choice for maximising social welfare through options appraisal, reviewing different investment levels – the 'economic dimension'.
- Illustrate the **commercial viability and supply-side capacity** involved in delivering the options – the 'commercial dimension'.
- Demonstrate the **financial affordability and sustainability** of the options for the CA – the 'financial dimension'.
- Set out the **deliverability** of the options through the effective development of plans, management and resources to oversee the project – the 'management dimension'.

This Assessment starts with six scenarios which have been considered at a strategic level, whereby the two delivery models (Franchising and EP) have been assessed against three different levels of investment – low, medium and high. Following an initial sifting exercise, two options were taken forward for fuller assessment, Franchising and an EP, both with a medium investment level.

The CA Board agrees that a move to one of these scenarios must happen and that 'doing nothing' is not an option. This Assessment considers each of the scenarios to inform a decision on the future governance of buses in the area. The National Bus Strategy requires that all local transport authorities should adopt either an EP or Franchising, with subsequent guidance that government funding for local authorities and bus operators in their areas could be jeopardised without one of these in place. Therefore, doing nothing would damage the CA's reputation and credibility, reduce funding opportunities and would not tackle the challenges of current bus provision. Furthermore, it is likely that bus operators and other interested parties would put pressure on the Combined Authority to do something.

In this Assessment, the Strategic Case highlights the potential for investment in the region's bus services to achieve the CA's wider policy ambitions, including those set out in the Bus Strategy. There is a need for a step-change improvement in the bus network to help achieve the targets to reduce car kilometres by 15% by 2030 and a doubling of bus patronage by 2030.

While it is accepted that implementation of an effective EP may be able to deliver on some of the aspirations, progress is likely to be slower and the scope of potential changes reduced, restricting the benefits that might ultimately be realised. Franchising could accelerate a step change in the bus network, promoting sustainable travel over private car use across the region. Franchising provides the best potential for delivering on key local objectives, including reducing congestion, improving air quality, and reducing greenhouse gas emissions.

The Economic Case reviews both EP and Franchising options against a counterfactual (or 'do nothing' Reference Case). It follows a standard TAG appraisal methodology using a bespoke spreadsheet model aimed at estimating the likely scale of costs and monetised benefits of each option. It also considers the potential for different levels of investment to be available (reflecting an uncertainty of the bus service delivery review).

The results of this Economic Case show that investing in bus services across the region could represent high value for money under the DfT's framework guidance, with potential for a return on investment and a positive benefit : cost ratio above 2. Comparing the delivery options suggests that the Franchising option performs slightly better in terms of generating economic benefits.

The Financial Case considers the cost and revenue implications of the assessed options for the CA, as well as identification of potential funding sources to support long term delivery. It is important for the financial security of CPCA (beyond the transport discipline) that a long-term sustainable solution is sought; balancing appropriate levels of risk exposure and sufficient control to effectively realise benefits.

The analysis suggests that any of the 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, which an affordability assessment has found to be fundable.

The Commercial Case sets out the commercial proposition for the delivery options, delivering against the requirements of the Franchising Scheme or EP guidance. It presents the commercial objectives, assessing bus service delivery options against them and identifies associated commercial risks.

Whilst the Franchising proposition provides for a competitive market in which the CA would have much greater control and influence to achieve its objectives than the current position, it would also come with a range of risks and delivery requirements. However, the control afforded by Franchising would provide greater flexibility to respond to market conditions. In contrast, an EP would have different risks, particularly in respect of not delivering due to the inability to secure agreement with bus

operators. The Management Case considers the factors which influence the deliverability and robustness of arrangements within the CA to provide, monitor, and evaluate any change. This includes the requirement for additional staff to implement and manage a new system of bus delivery.

Bus service franchising would be a new and different operating model, requiring the CA to have additional and enhanced capabilities and associated people, processes, and systems. Having recognised the requirements for implementing either Franchising or an EP and highlighting the necessary steps it would need to take, the CA has demonstrated its ability and commitment to manage and deliver such change.

A summary assessment of the findings is presented in Table 0-1 below. This seeks to highlight the contrasts between the different scenarios considered by the Assessment. It also shows how some scenarios might be less feasible or practical than others. In the case of low investment, there would be little purpose in Franchising, as it would increase costs and risks for the CA, as the CA would require increased internal staff resources and would be taking on significant revenue risk, without achieving strategic benefits in terms of service improvements. Therefore, this option has not been considered further. However, if low investment was the preferred option, there would be a requirement to have at least an EP in place, to abide by government guidance.

In the situation of high-level investment, it is more likely that the CA would wish to exercise greater control over the deployment of the funding to ensure it effectively delivers its ambitions; this would rule out using an EP. However, at this time, it is unlikely that the high-level investment would be affordable, and so this option has not been considered further. Consequently, the most likely and practical scenarios are:

- Mid-level investment with an EP (around £10 million capital investment, plus £600,000 per annum for running costs);
- Mid-level investment with Franchising (around £41 million capital investment, plus £1.4 million per annum for running costs, and around £8 million per annum in additional bus service support).

In conclusion, the CA must consider the extent to which it wishes to bear the financial and delivery requirements and risks of Franchising, to maximise its control and influence over policy and desired outcomes of its Bus Strategy, compared to the lower risk, and lower level of control, of an EP.

Table 0-1: Scenario Summary

Scenario		Strategic Impact - A reliable, convenient and easy to use bus system	Likelihood of achieving strategic aims	Economic viability - Value for Money	Commercial Deliverability	Practical deliverability	Financial Sustainability	Management and Resources	Potential for challenge	Comments
Franchising	High Investment	A substantially transformed network with increased patronage and service coverage along with ticketing and service integration.	Balance of investment and control is appropriate. Requires wider policy intervention to meet aims in full.	Benefits do not match the size of investment required without additional policy intervention.	CA would take on substantial financial and reputational risks.	Large increase in CA responsibilities.	Requires large financial support.	Organisational change required for the CA.	Would require substantial political, public and operator support.	Will require substantial ongoing financial support which is unlikely to be forthcoming.
	Medium Investment	A transformed network with increased patronage and service coverage along with ticketing and service integration.	Balance of investment and control is appropriate. Aims achievable without wider policy.	Good value for money.	CA would take on significant financial and reputational risks.	Large increase in CA responsibilities.	Requires significant financial support.	Organisational change required for the CA.	Potential for operator challenge due to scale of market changes.	Emerging preferred option. Most likely to deliver strategic impact with good value for money. Risks for deliverability, resources and affordability are acknowledged.
	Low Investment	The existing network with improved integration of ticketing and services. Limited impact on patronage.	Balance of investment and control is skewed towards control. Service offer is unlikely to be compelling as based on existing network.	Limited benefits can be achieved.	CA risks limited to reputational and downside financial risks.	Large increase in CA responsibilities.	Requires significant financial support.	Incremental workload increase for the CA.	Operators may challenge due to lower levels of benefits.	Unable to meet strategic objectives of increasing bus service patronage.

Scenario		Strategic Impact - A reliable, convenient and easy to use bus system	Likelihood of achieving strategic aims	Economic viability - Value for Money	Commercial Deliverability	Practical deliverability	Financial Sustainability	Management and Resources	Potential for challenge	Comments
EP	High Investment	A substantially transformed network with increased patronage and service coverage.	Would offer limited control over network and require wider policy intervention.	Benefits do not match the size of investment required without additional policy intervention.	Limited risk and responsibilities for the CA.	Limited change in CA responsibilities.	Requires large financial support.	Organisational change required for the CA.	Political challenge likely due to handover of large amounts to the private sector with limited control.	Likely to be politically unacceptable due to limited control over investment. Will require substantial ongoing financial support which is unlikely to be available.
	Medium Investment	A transformed network with increased patronage and service coverage, some limits to introduce ticketing and network integration.	Balance of investment and control is skewed towards investment. Control over outcomes limited.	Good value for money.	Limited risk and responsibilities for the CA.	Limited change in CA responsibilities.	Requires significant financial support.	Incremental workload increase for the CA.	Political challenge possible due to handover of large amounts of investment to the private sector with less control on outcomes.	Next best alternative. Some strategic impact due to investment, but limits on the control of the outcomes may reduce the impact. Good value for money and deliverability.
	Low Investment	The existing network with improved ticketing and coordination. Limited impact on patronage.	Balance of investment and control is appropriate. Service offer is unlikely to be compelling as based on existing network.	Limited benefits can be achieved.	Limited risk and responsibilities for the CA.	Limited change in CA responsibilities.	Requires significant financial support.	Incremental workload increase for the CA.	Limited challenge likely due to small scope of changes.	Retained as the default scenario. Deliverable, but limited strategic impact and limited control over outcomes.
No Decision		A declining network with falling patronage, reduced services.	CA would come under considerable pressure from electorate and operators.	No investment to assess value for money.	CA would need to provide ongoing additional support annually to retain service network.	CA would need to take on increased responsibility for the network with no increase in resources.	CA budgets would need to increase above inflation to retain current network.	Continuing need to assess value of service and instigate cuts.	Communities affected by bus service cuts likely to present significant reputational challenges.	Reflects a continuation of the current situation.

1. Introduction

- 1.1 This document provides an Outline Business Case (OBC) assessment for the consideration of a Bus Franchising Scheme for the area of Cambridgeshire and Peterborough. This revised version responds to the findings of the Independent Audit completed in 2024.

Purpose of Outline Business Case Assessment

- 1.2 Where an authority is considering making a Franchising Scheme which covers all or part of its area, it is required under Section 123B of the Transport Act 2000 to prepare an Assessment of the proposed scheme.
- 1.3 As a Mayoral Combined Authority, Cambridgeshire and Peterborough Combined Authority (CA) has the right to consider and introduce bus franchising, provided that this is undertaken in line with published guidance. In accordance with the Transport Act, the CA gave notice of its intention to consider and assess the case for a proposed Bus Franchising Scheme in May 2019.
- 1.4 The CA wishes to consider Franchising as an alternative to the existing deregulated bus market, as it would provide a system under which it would be able to specify which bus services would be provided across Cambridgeshire and Peterborough, the routes they would take and how frequently they ran, as well as setting fares to be charged and the ticketing products offered.
- 1.5 This Assessment (in the form of an OBC) covers the whole of the CA area and has been prepared by the CA in accordance with the requirements set out in Section 123B of the Transport Act, having regard to the statutory guidance issued by the Secretary of State for Transport entitled 'The Bus Services Act 2017 – Franchising Scheme Guidance as published in March 2018'. It sets out the relevant functions that the CA would have and exercise as a franchising authority.
- 1.6 This document describes the Franchising Scheme proposed by the CA, considers the effects that the scheme might produce and assesses the scheme against alternative options for providing bus services. The Assessment considers those matters that are specifically mentioned in the Transport Act and the Franchising Guidance. It also takes account of the provisions of the National Bus Strategy: Bus Back Better, published by the DfT in March 2021, which states that all local transport authorities should either have an Enhanced Partnership (EP) Scheme or Franchising Scheme in

place to take forward the provision of local bus services in the most appropriate way in their area.

Business Case Assessment

- 1.7 Section 123B of the Transport Act and the Franchising Guidance recommends that the Assessment is based on the Treasury five case business case model. The Assessment should identify options (Franchising and at least one other) that have the potential to achieve the objectives set by the CA.
- 1.8 It should then undertake a detailed assessment of the leading options to determine the benefits, impacts and costs and further consider the extent to which each option would meet those objectives. The economic, social and environmental impacts should be assessed against the CA's objectives for the bus network.
- 1.9 The Treasury five case model requires the following assessments to be undertaken:
 - **Strategic Case** for making changes to the bus market, considering the extent to which the bus market contributes to the transport system in the area and how it fits with the CA's policies and plans and its Bus Strategy. This section should set out the strategic context, along with objectives for improving bus services, which are then assessed in the light of different options, including Franchising.
 - **Economic Case** compares the benefits and costs of the different options for delivering the objectives, demonstrating the value for money of each. The case presents the results of a modelling exercise for each of the relevant options available to the CA and compare them against a 'do nothing' scenario. This means that the different benefits of each option are 'monetised', providing a clear comparison in terms of benefit and equivalent cost. The Franchising Guidance requires the Assessment to consider the effects of the options on passengers, the CA, wider society and bus operators, particularly small and medium sized operators.
 - **Commercial Case** considers the extent to which the CA would be able to secure the continued operation of bus services under local bus contracts. In the case of the Franchising option, the Assessment should consider how services would be procured competitively and how the procurement process would support the involvement of small and medium sized operators in the bus market. The Assessment should also consider the length of proposed franchise contracts to operate bus services and how they would treat assets required by bus operators, including buses and the depots where they are maintained and serviced.

- **Financial Case** considers the financial implications of the options, both in respect of the impacts from the introduction of the arrangements, including the transition costs, and their ongoing management and operation. This allows the CA to assess the affordability of each option and to ensure that it has sufficient sources of income to meet the capital and revenue spending requirements of each option.
 - **Management Case** looks at how each option would be implemented and managed. It sets out any organisational, management or governance changes that would be required, particularly within the CA. This includes requirements in respect of staff capacity and competency, along with system changes. Consideration is given to the changes that would be necessary to manage the transition to another option and its on-going delivery. It also sets out the risks associated with the transition to a new system of bus operations and the need for contingency plans should services be withdrawn prior to or during the transition to another delivery model.
- 1.10 The Assessment concludes with a summary of the different options, including the Franchising Scheme, highlighting the distinctions between the performance of each in achieving the CA's objectives. This includes the extent to which each of the options would achieve the objectives set out in the Strategic Case, the impacts on different groups in society as determined in the Economic Case, and the affordability of the options as set out in the Financial Case. Taking account of the various elements of the Assessment, the conclusion sets out a preferred option, along with the rationale for that.
- 1.11 This Assessment has been completed with a 2023 base year and with the best available knowledge, at the time of writing. However, the bus industry generally, and specifically within the CA area, is constantly changing, due to market pressures, varying costs and evolving policy. At the time of writing, the CA was aware of various external factors that might in some way influence the results of this Assessment. These included, potential changes to the structure of national funding for bus services, additional funding from the CA for enhancements to the current bus network, potential funding for accelerating the roll out of Zero Emission Buses, amongst others. However, it was considered that none of the potential factors fundamentally change the conclusions of this OBC. The decision was therefore taken to fix this OBC Assessment, reflecting the situation described in this document.
- 1.12 It should be noted that some of the information that has been drawn on, such as bus operational data and cost estimates is not set out in full in this Assessment

document. This information was documented in internal memos throughout the assessment process.

Treatment of risks

- 1.13 There is an element of risk associated with any significant change in a market or delivery of a service. Consequently, the management of risk is an important aspect of the Business Case Assessment and is considered in each of the cases.
- 1.14 The **Strategic Case** sets out the options and how they could change the risk structure of the current bus market in Cambridgeshire and Peterborough.
- 1.15 The **Economic Case** sets out the value for money for each delivery option and illustrates the distribution of benefits, costs and risks between different groups. A risk register is included as well as an assessment of the impact of key risks occurring, potential impact on realisation of benefits and value for money.
- 1.16 The **Commercial Case** considers the potential risk allocation and implications under each option. It sets out the different risks for the CA and the bus operators and how those risks would be mitigated.
- 1.17 The **Financial Case** provides a summary of the financial risks for Franchising and Enhanced Partnership, along with any sensitivities where the results of the financial model would differ in different circumstances.
- 1.18 The **Management Case** sets out the operating model for the different options, which is designed to reduce and manage the risks which arise. Specific risk management arrangements would deal with the transition arrangements to Franchising or Enhanced Partnership, particularly in relation to continuity of bus services. Consideration is also given to any longer-term risks of Franchising, such as revenue risk.
- 1.19 The consideration of risk issues across the Assessment is designed to ensure that any decisions made on a preferred option are based on a full understanding of potential risks, including how they can be quantified and managed.

OBC development and approval process

- 1.20 This OBC is the result of work undertaken by the CA and its consultants over the period since late 2019. This version of the OBC was first considered by the CA Board in September 2023, at which point a decision was made to submit the OBC for independent audit, in line with the DfT Franchising Guidance. This latest version

responds to the comments made by the independent auditors, ensuring that the OBC is robust and meets the requirements of the Franchising Guidance.

Decision making process

- 1.21 Chapter 4 Rule 4.6.1 of the CPCA constitution prevents the CA Board from delegating its functions to individual members of the Board. Consequently, the final decision on whether to establish a Franchising Scheme will have to be made jointly by the Board.
- 1.22 However, the Mayor may otherwise individually exercise a general power of competence to do anything that the Combined Authority may do subject to certain restrictions. In this instance, the relevant Act confirms that any decision on whether or not to make the proposed Franchising Scheme is exercisable only by the Mayor.
- 1.23 Whilst officers have been tasked with the operational steps that are required to present a Business Case to the Board, at all stages approval of the relevant political members have been obtained. The relevant political decision makers are:
- i. CA Board;
 - ii. Transport and Infrastructure Committee;
 - iii. Overview and Scrutiny Committee;
 - iv. The Mayor.
- 1.24 In September 2023, the CPCA decided to use the new powers set out in the Bus Services Act 2017 to prepare an assessment of a proposed Franchising Scheme.
- 1.25 For mayoral combined authorities the process is as follows.
- i. Authority issues notice of intent;
 - ii. Authority develops assessment of Franchising Scheme;
 - iii. Authority determines whether to implement.
- 1.26 CPCA issued notice of intent to consider Franchising on 2nd May 2019².
- 1.27 Upon completion of the assessment required under Section 123B of the Act, the CPCA proceeded to the next stage in the development of the proposed scheme by agreeing to instruct an independent auditor to prepare a report in accordance with section 123D of the Act. This decision was made by the CA Board on 20th September 2023.

² [Notice-of-intention-to-consider-franchising-v0.1-2-May-19 \(cambridgeshirepeterborough-ca.gov.uk\)](https://www.cambridgeshirepeterborough-ca.gov.uk/notice-of-intention-to-consider-franchising-v0.1-2-May-19)

- 1.28 At the meeting on 20th September 2023, the CA Board delegated authority to the Executive Director of Place and Connectivity to commission a review from an independent auditor of the Bus Franchising Assessment in accordance with the provisions of the Bus Services Act. At that meeting, the CA Board did not delegate authority to officers to carry out final minor amendments to the Assessment, therefore any typographical amendments or minor amendments will be presented to the Board to seek agreement to those changes.

Way forward

- 1.29 Following the completion of this process and upon receipt of the auditor's report, the report will be presented to the CA Board for approval to undertake a consultation in accordance with section 123E of the Act. The auditor's report and this Assessment will be shared with members in a Part B Report, so that a decision to proceed to consultation could be taken.
- 1.30 Following the close of the consultation, all consultation responses will be independently assessed. They will then be reported to the CA Board to consider a response to the consultation and whether any changes are proposed to the Franchising Scheme.
- 1.31 The Act sets out the further legislative steps that must be undertaken by an authority once a consultation has been undertaken. Section 123G of the Act provides that the CA must publish a report setting out:
- i. its response to the consultation; and
 - ii. its decision on whether or not to make the proposed Franchising Scheme.
- 1.32 The Act confirms that any decision on whether or not to make the proposed Franchising Scheme is exercisable only by the Mayor.

Overview and scrutiny of the OBC process

- 1.33 Running alongside the Board approval process, officers have consistently presented reports on progress to the CA's political leadership at the **Leaders Strategy Meeting (LSM)** and officers will continue to present both the Assessment and audit report to the **LSM**.
- 1.34 In addition, the **Overview and Scrutiny Committee (OSC)** scrutinises all aspects of the process including all papers that have been, and will be, taken to the CA Board. This ensures that all decisions are robustly scrutinised. Officers have discussed details of the Assessment and will discuss details of the auditor's report with OSC members.

1.35 The **Transport and Infrastructure Committee (TIC)** has also been involved in the decision making and several discussions have taken place on bus reform at TIC meetings.

1.36 During this process, it has been important to ensure that CA management and elected members are fully sighted on the content and implications of the OBC. This has been undertaken in various ways:

- Regular updates with senior officers, to discuss both technical and strategic issues;
- Periodic updates with the Mayor and Deputy Mayor, to provide updates on the approach to, and content of, the OBC and to seek approval for key strategic decisions;
- Regular updates to the CA's management team, ensuring that all division heads are familiar with the OBC; and
- Formal briefings with elected members through the Overview and Scrutiny Committee, Transport and Infrastructure Committee, Leaders' Strategy Meeting and CA Board, to ratify the content and approach to the OBC.

2. Strategic Case

Introduction

- 2.1 The Strategic Case sets out the rationale for alternative bus delivery options in Cambridgeshire and Peterborough, with reference to the Green Book Guidance requirements and the Franchising Guidance. Green Book Guidance requires that a compelling case for change from the current delivery of bus services is made. This includes:
- An understanding of the current situation;
 - Details of the proposed delivery options; and
 - A description of the expected outcomes and how these fit with local and national government policies and objectives.
- 2.2 To address these requirements, this Strategic Case:
- Sets out the policy context for bus services across Cambridgeshire and Peterborough;
 - Describes the aims and objectives of the CA and the role of the bus network in helping to meet these;
 - Considers how the bus network delivery options will contribute to wider policies, as well as local objectives;
 - Considers any challenges associated with the case for change and how different approaches to the provision of bus services could help address these; and
 - Describes the interventions and regulatory options available and their anticipated contribution to the achievement of the ambitions of the Cambridgeshire and Peterborough Bus Strategy.

Cambridgeshire and Peterborough Combined Authority

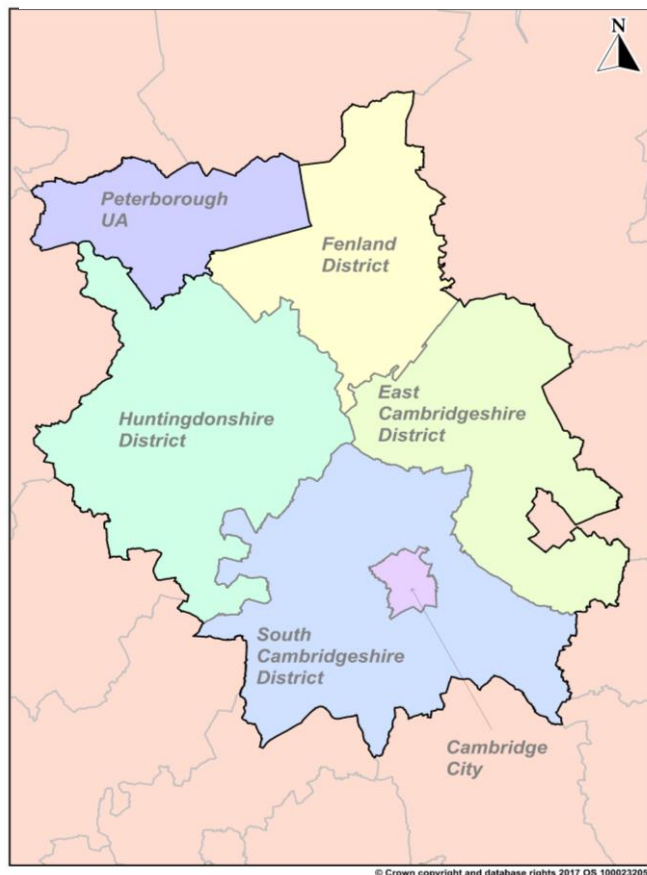
Introduction

2.3 Cambridgeshire and Peterborough is home to almost 900,000 people and covers an area of 3,400 km²³ (see Figure 2-1). Its largest settlements include Cambridge in the south, Peterborough in the north-west, Wisbech to the north-east, Huntingdon to the west and Ely to the east.

2.4 The area that is the subject of this report is defined by the administrative boundary of the Cambridgeshire and Peterborough Combined Authority (CPCA), formed in 2017, which is constituted of five district councils (Cambridge, East Cambridgeshire, Fenland, Huntingdonshire and South Cambridgeshire), the unitary authority of Peterborough City, and Cambridgeshire County Council (CCC). This is a Mayoral Combined Authority (MCA). This model of local government is relatively unusual in the UK, having two-tier government within a Combined Authority.

2.5 The MCA works in partnership with Cambridgeshire County Council and Peterborough City Council (PCC), as the two respective Highway Authorities, and the Greater Cambridge Partnership (GCP) which is delivering transport enhancements across the Greater Cambridge area. See Figure 2-2 for how the organisations interlink.

Figure 2-1: CPCA district boundaries



Source: [Cambridge Insight \(2019\)](#)

³ Cambridgeshire Insight (2021) [Census 2021: Total Population](#)

- 2.6 Like certain other combined authorities (e.g. Greater Manchester, South Yorkshire) the Cambridgeshire and Peterborough Business Board is fully integrated into the Combined Authority.

Figure 2-2: Relationship between public sector organisations in the CPCA area



* Peterborough City Council, Fenland District Council, East Cambridgeshire District Council, Huntingdonshire District Council, South Cambridgeshire District Council, Cambridge City Council

Source: [CPCA](#) (2022)

Devolution Deal

- 2.7 The seven local councils in Cambridgeshire and Peterborough negotiated a devolution deal with central government in 2016-17.

- 2.8 In summary, the deal set out that a new, directly elected Cambridgeshire and Peterborough Mayor would act as Chair to the CPCA and would exercise the following powers and functions devolved from central government:
- Responsibility for a multi-year, consolidated and devolved transport budget, with a vision to deliver a modern, safe, and integrated transport system for the people and businesses of Cambridgeshire and Peterborough.
 - Responsibility for an identified Key Route Network (KRN) of local authority roads that will be managed and maintained by the CA on behalf of the Mayor.
 - Powers over strategic planning, control of a £100m housing and infrastructure fund, the responsibility to create a non-statutory spatial framework for Cambridgeshire and Peterborough and to develop with government a Land Commission and to chair The Cambridgeshire and Peterborough Joint Assets Board for economic assets.
- 2.9 The CPCA, working with the Mayor, would receive the following powers:
- Control of a new additional £20m million a year funding allocation over 30 years, to be invested to the Cambridgeshire and Peterborough Single Investment Fund, to boost growth. Recognising the exceptional housing market conditions in Greater Cambridge, government will provide the CA with an additional £70m over five years ring fenced for Cambridge to meet housing needs.
 - Responsibility for chairing an area-based review of 16+ skills provision, the outcomes of which will be taken forward in line with the principles of the devolved arrangements, and devolved 19+ adult skills funding from 2018/19.
 - Joint responsibility with government and the single Employment and Skills Board covering the CA and the Norfolk and Suffolk Combined Authority to co-design the new National Work and Health Programme designed to focus on those with a health condition or disability and the very long term unemployed.
 - More effective joint working with UK Trade and Investment to boost trade and investment through agreement of a Joint Export Plan.
- 2.10 The Bus Services Act 2017 subsequently provided an additional power to Mayoral Combined Authorities. This is the ability to consider the case for, and introduction of, franchising of the bus network.

Context and ambition

- 2.11 The Devolution Deal between government, Cambridgeshire, and Peterborough established a programme of investment for the future, with the aim of doubling the

size of the economy and creating more good jobs. In pursuing economic growth, there is a responsibility to ensure that rising prosperity makes life better, healthier, and fairer, whilst ensuring that resources remain for future generations. Increasingly, it is recognised that it's not just growth that is needed, but that it is good growth that should be encouraged. The aim is not simply to increase income, but to increase the area's wealth, in a way that is driven by shared values.

- 2.12 Government recognises the challenges of climate change and the impact that it is already having on our transport systems. Bold actions will be expected to ensure the UK achieves net zero by 2050 to limit global temperature rises, halt the deterioration of the natural environment, and counter the negative health outcomes associated with the impact of transport on air quality. To assist in the attainment of this target, an Independent Commission on Climate in 2021 stated that there should be a rollout of electric vehicle charging infrastructure, which provides a 'right to charge' for residents, workers and visitors in the region, whilst ensuring a successful transition towards zero emission bus and taxi fleets by 2030. Central to the Commission's recommendations was the need to reduce private vehicle miles by 15%.
- 2.13 Local policies and interventions will help to deliver good economic growth and boost productivity by improving access and opportunity for all with an aim of increasing social inclusion and reducing the level of deprivation across the region. Through effective engagement with businesses and communities, informed decisions to improve the effectiveness and efficiency of the transport system can be made. A combination of key interventions and a pipeline of schemes will continue to be developed, revised, implemented, and reviewed, as new innovative initiatives and mechanisms become available. This will maximise the ability to level up across the region and improve standards for all.
- 2.14 It will be vital that communities are physically and digitally connected if they are to thrive. A new ambitious Bus Strategy adopted in 2023, sets out the desire for a significantly enhanced, more comprehensive and integrated bus network that is convenient, attractive, and easy to use, and at the heart of improvements across the region. Transport plays a significant role in enhancing pride of place, unlocking sustainable growth and new housing, improving access to high streets and town centres, connecting people to green spaces, and strengthening links within and between economic centres in the region.
- 2.15 CPCA was established to make life better, healthier, and fairer for all. As the focus of the organisation is revised, much of the original purpose and ambition remains with increased attention to address post-pandemic areas of deficit and the impact of

climate, energy, and cost of living crises. The overall strategy aligns with the ambitions of the Bus Strategy, to enable a prosperous Cambridgeshire and Peterborough region; one that is more equitable, more environmentally sustainable, and securing good growth for its residents and businesses.

2.16 The key ambitions for CPCA include:

- Doubling the size of the local economy;
- Delivering outstanding and much needed connectivity in terms of transport and digital links;
- Providing the UK's most technically skilled workforce;
- Growing international recognition for its knowledge-based economy;
- Improving the quality of life by tackling areas suffering from deprivation.

2.17 The CA's mission is to make life better, healthier, and fairer for all by driving growth that is evenly spread and sustainable. There is a desire to close the gap in healthy life expectancy and salaries, increase access to employment and education, protect the environment, and boost innovation. By investing in flourishing communities, the aim is to unlock more sustainable growth across the region.

Growth

2.18 A distinguishing feature of the area is how strongly it has grown and continues to grow. Economic growth has outpaced both the East of England and UK over the last decade. Growth has not, however, been even across the whole area. Even in areas of higher growth, there are problems of deprivation and inequality.

2.19 The COVID-19 pandemic impact was also uneven across the economy of the area. Greater Cambridge had the largest reduction between Quarter 1 and Quarter 4 of 2020 (almost 10% change in output); while Huntingdonshire and Fenland, with economies focused on agricultural and construction sectors, continued to operate at near normal levels.⁴ Recovery has been quickest in Greater Cambridge, and key metrics indicate growth has restored to pre-pandemic levels.⁵

2.20 This pattern of growth has been driven primarily, but not entirely, by rapid business creation and growth in the GCP area – Cambridge and South Cambridgeshire. Business is innovation rich, and Cambridge has the highest number of patent

⁴ CPCA (2021) [Assessing the Impact of Covid 19 in Cambridgeshire & Peterborough](#)

⁵ GCP (2022) [Employment growth increased as businesses recovered from Covid-19 lockdown, new data shows](#)

applications per 100,000 people of any city in the UK, at a rate more than twice of any other UK city⁶. Peterborough is also innovative, with the seventh highest business start-up rate in England.⁷

- 2.21 Cambridge and Peterborough recorded the fourth and fifth highest population growth in England in the 2021 Census.⁸ This population growth, with a younger demographic in the cities, is a factor in driving economic growth, as a higher proportion of the population is of working age, bringing added economic dynamism.
- 2.22 An important feature of the economic geography is the prominence of market towns. These have long served as economic centres for local populations, providing hubs for commerce. While the relative importance of market towns has, to some extent, declined as transport has enabled larger centres to become more dominant, they continue to play a key role. Even though some are in the grip of change, for people in rural communities, such as the Fens, they remain central destinations for work, shopping and leisure.
- 2.23 If economic growth is to continue, deterioration in the quality of life across Cambridge and South Cambridgeshire will result, unless this is matched by the means of achieving it in a sustainable way through better infrastructure, particularly transport services.
- 2.24 Whilst road schemes have a role to play, and there are some obvious improvements that are necessary, they alone or indeed those that also include walking and cycling, are unlikely to be sufficient. More effective bus services, including the use of the Mayor's powers for introducing new ways to procure and manage bus services, are vital for the less well-off in areas where other forms of public transport would fail any cost-benefit calculation. Good bus services can connect students to education and widen employment opportunities, as well as help to alleviate loneliness and isolation amongst older people.

⁶ University of Cambridge Enterprise (2021) [Cambridge innovation in numbers](#)

⁷ Invest in Peterborough (n.d.) [In numbers](#)

⁸ ONS (2022) [How the population changed in Peterborough: Census 2021](#)

Local context

Demographics and population

- 2.25 Cambridge and Peterborough saw some of the biggest population growth in the country between 2011 and 2021. This is not expected to slow down across the whole CPCA area, with forecasts expecting 21.7% growth between 2020 and 2041, with 100,000 new dwellings.⁹ The percentage of the population that is of working age remains steady in forecasts to 2040, meaning despite national trends of an ageing population, the working population of the area will increase.¹⁰
- 2.26 In addition, in the UK, the proportion of the working age population aged between 50 and mid-60s is estimated to increase from 26% in 2012 to 34% in 2050. This is a total increase of approximately eight million people.¹¹ It is likely that the retirement age will also increase with time.
- 2.27 The working age population is therefore expected to grow in the future, but the CPCA area does not escape the national trend of an ageing population. Table 2-1 depicts a story of two halves. In the cities, the median age remains below the English median, and largely stable, in comparison to 2011 – reflecting the younger demographic. Meanwhile, in the more rural districts, the average age is older (up to 13 years difference between Fenland and Cambridge) and ageing when compared with 2011 (the largest being a three-year increase in East Cambridgeshire).

Table 2-1: Median age in CPCA districts in 2021 Census

England	Cambridge	Peterborough	South Cambridgeshire	East Cambridgeshire	Huntingdon-shire	Fenland
40	31 (31)	36 (35)	42 (41)	43 (40)	43 (41)	44 (43)
	(2011 Census results in brackets)					

Source: [ONS](#) (2023)

- 2.28 With an ageing population comes an increased requirement to cater for the needs of older people. Those with mobility limitations require the use of lifts, level access, dedicated passenger assistance by staff, and more dedicated specialist transport services. In addition, challenges such as the ability to stand for periods of time, poor

⁹ Cambridgeshire Insight (2020) [Local Population and Dwelling Stock Estimates and Forecasts](#)

¹⁰ Cambridge Insight (2021) [Economy Report – District level](#)

¹¹ Government Office for Science (2016) [Future of an Ageing Population](#)

eyesight, poor hearing, or difficulty carrying luggage and passing through station interchanges need to be addressed.

- 2.29 In terms of vehicles, realistic expectations of older customers need to be considered. This includes difficulties going up and down stairs on double deck vehicles, when there is insufficient space to sit downstairs, and unstable and uncomfortable journeys due to their stop-start nature.¹²

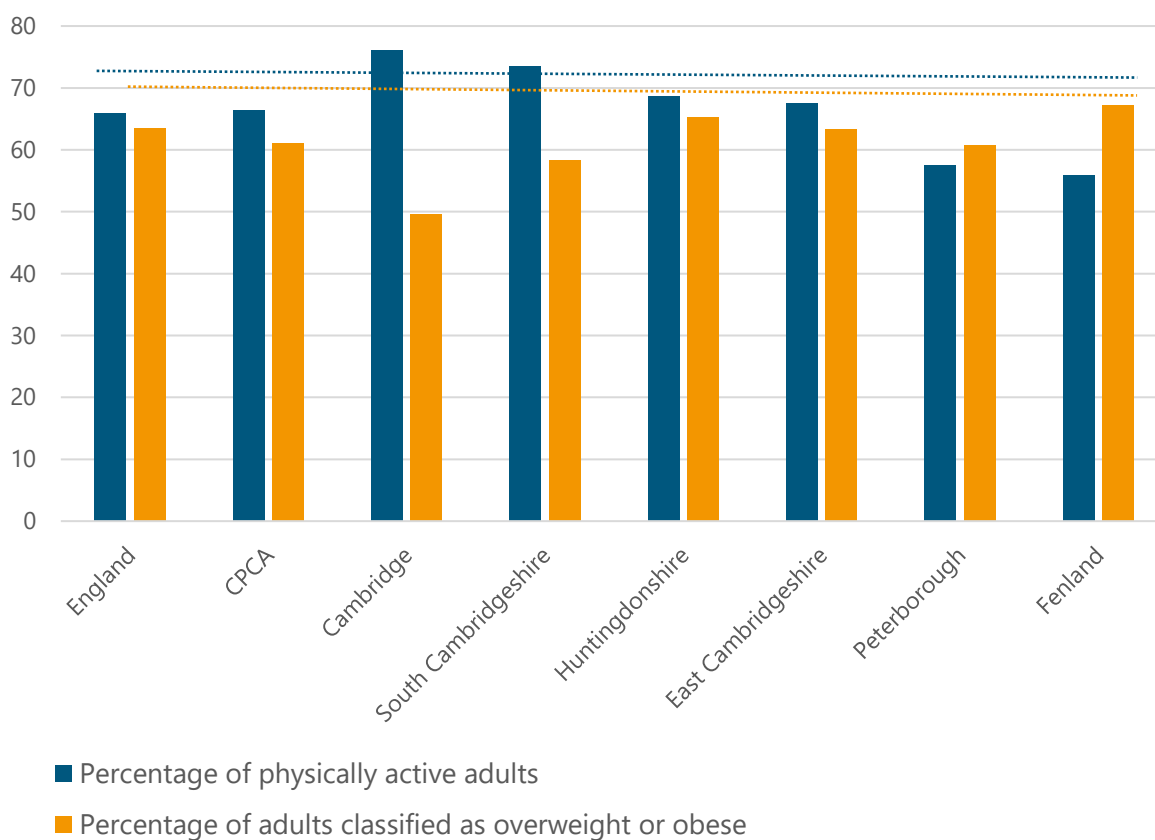
Health

- 2.30 Obesity is an increasing problem in the UK, as many health risks are associated with the condition. In England in 2021, 26% of adults were obese and a further 38% overweight.¹³ These figures were up significantly on the position in 1993, when 15% of adults were obese.
- 2.31 The CA area is like the national average, but within the districts there are differences. As seen in in Figure 2-3, the Greater Cambridge area has higher levels of physical activity, and lower obesity rates. Meanwhile, Peterborough and Fenland have lower activity rates, and higher levels of obesity. The health implications are therefore uneven across the districts, which may result in further inequality.

¹² Passenger Transport (2018) [The impact of ageing society](#)

¹³ Health Survey for England (2021) [Overweight and obesity tables: Table A4](#)

Figure 2-3: Obesity and physical activity



Source: OHID (2021) [% physically active adults](#) and [% adults classified as overweight or obese](#)

2.32 The use of public transport, especially a system which is well integrated with active travel modes, can increase physical activity and help to reduce obesity and other health issues associated with sedentary lifestyles.

2.33 Mental illness is the largest single cause of disability in the UK. The economic and social costs in England are around £105 billion per year¹⁴ It is suggested that public transport can help with mental health in several ways:

- Reduce isolation and loneliness;
- Enable people to connect;
- Provide access to essential services, particularly for those without access to private transport;
- Increase physical activity, which in turn benefits mental health;

¹⁴ Department for Health (2011) [No health without mental health: A cross-Government mental health outcomes strategy](#)

- Reduce pollution, which has been shown to have a detrimental effect on mental health; and
 - Reduce the stress incurred through private travel.
- 2.34 Many people in the UK are unable to access core services and facilities due to a lack of adequate transport provision. An inclusive, affordable and accessible network should aim to serve everyone and, if suitably planned, can meet a range of demands to help improve the quality of life for residents, workers and visitors, particularly older people, helping to tackle social deprivation and disparity.
- 2.35 Providing effective, reliable and affordable public transport services to access healthcare facilities will remain an important target in the future.

Economy

- 2.36 The CA has a strategic ambition to become the UK's capital of innovation and productivity and to almost double the size of the annual regional economy over the next 25 years from £22 billion Gross Value Added (GVA) to £40 billion¹⁵.
- 2.37 The CA is supporting the region's Local Planning Authorities in targeting more than 90,000 new jobs and over 100,000 new homes by 2036, as outlined in their adopted Local Plans. The housing market is currently 'overheated', particularly around Cambridge, where the average house price is nearly 9.5 times the annual salary¹⁶. The effects of higher house prices propagate through the economy, potentially slowing growth. Transport will help to unlock future development sites and connect new residents to jobs and amenities.
- 2.38 The area is one of the most productive and fastest growing in the country. Between 2001 and 2016 growth in economic output per head was 47% above the UK average in Cambridge, 7% above average in South Cambridgeshire and 3% above average in Peterborough¹⁷. Economic activity is concentrated in 'clusters' of 'Knowledge-Intensive' businesses, particularly around South Cambridge, and Peterborough. The concentration of these businesses allows them to take advantage of 'agglomeration benefits' but means that the prosperity they generate is, in turn, concentrated into small geographical areas, leading to high levels of inequality.

¹⁵ CPCA (2018) [Cambridgeshire and Peterborough Strategic Spatial Framework \(non-statutory\)](#)

¹⁶ Cambridge City Council (2022) [House Prices Data up to July 2022](#)

¹⁷ CPCA (2018) [Cambridgeshire and Peterborough Strategic Spatial Framework \(non-statutory\)](#)

- 2.39 As such, Cambridge has repeatedly been ranked the UK's most unequal city. In 2020, 6% of the top earners accounted for 20% of the total income; while the bottom 20% of earners, accounted for 2% of total income.¹⁸
- 2.40 In other sectors, small business development has outstripped national averages over eight-fold in Cambridge, and between 2015 and 2020, the number of small businesses increased by 34% in Cambridge and 23% in South Cambridge.¹⁹ Tourism is also important to the region; domestic tourism alone brings an estimated 1.8 million visitor trips and £256 million annually into the area's economy²⁰.
- 2.41 There is a danger that without careful planning and appropriate development, future economic growth might 'overheat' the economy causing it to 'burn-out'; a scenario widely discussed in the Cambridgeshire and Peterborough Independent Economic Review (CPIER). The most obvious manifestation of this is the rise in house prices over the past two decades, driven by population growth outstripping the provision of new homes.

Congestion

- 2.42 Traffic congestion is the most frequent form of disruption to the region's transport network, posing a risk to the CA's future growth and prosperity. For example, the average speed on all major roads entering Cambridge during the 'rush hour' is less than 60% of the 'free flow' speed, with commuters by car into Cambridge spending a quarter of their journey time on average²¹ stuck in traffic.
- 2.43 The road network lacks resilience, particularly around urban areas like Cambridge where the network is constrained by listed buildings and an antiquated streetscape. Congestion is detrimental for both car users and the public transport network. On average, more than 20% of bus services within Cambridgeshire and Peterborough run late, in large part due to congestion.²²
- 2.44 Beyond Cambridge, traffic levels reflect where housing growth is concentrated. Between 2015 and 2019, overall traffic levels fell, but in Whittlesey and Chatteris traffic grew over 15% and 20% respectively.²³ In Fenland, the combination of increasing private vehicle use for commuting, and high volumes of large farm and

¹⁸ Pollock (2021) [Levelling up the UK's most unequal city](#)

¹⁹ CPCA (2022) [Draft Local Transport and Connectivity Plan](#)

²⁰ CPCA (2018) [Cambridgeshire and Peterborough Strategic Spatial Framework \(non-statutory\)](#)

²¹ CPCA (2022) [Draft Local Transport and Connectivity Plan](#)

²² CPCA (2022) [Draft Local Transport and Connectivity Plan](#)

²³ CPCA (2022) [Draft Local Transport and Connectivity Plan](#)

HGV traffic, mean the rural roads have significant congestion hotspots which are resulting in safety concerns.²⁴

- 2.45 Future growth, in the absence of transport investment, is expected to result in worsening traffic congestion as capacity on the network becomes increasingly constrained. With the number of car journeys across the CA area forecast to increase by 40% by 2031²⁵, if steps are not taken now to limit this issue, it will soon act as a serious brake on economic growth. There is public consensus that this action is needed, with 66% of respondents to the consultation agreeing with the Local Transport and Connectivity Plan objective to cut the number of miles driven on roads by 15%.²⁶
- 2.46 Rail use is increasing across the area. A new railway station in Soham was opened in 2021, reintegrating Soham town into the national rail network. The three stations in Fenland District; Manea, March and Whittlesea, have been part of a regeneration scheme to improve passenger facilities.²⁷
- 2.47 Meanwhile, a Transport and Works Act Order (TWAO) for Cambridge South was approved in December 2022, and work began in 2023.²⁸ The construction of Cambridge South will provide much needed additional capacity near the Cambridge Biomedical Campus and ultimately be served by East West Rail when the eastern leg of the line is built.
- 2.48 A new rail link from March to Wisbech is being considered and would improve public transport connectivity to the latter.²⁹ Proposals such as Ely North junction rail capacity enhancements will enable more frequent services and make journeys quicker for passengers³⁰.

Accessibility and isolation

- 2.49 Due to the small footprint of the market towns and cities many residents are within walking distance of services and amenities. Connectivity to Cambridge and Peterborough is also good. For example, both cities have rail connections to London of less than one-hour journey time. Wider public transport links within and across the

²⁴ Cambridgeshire County Council (2023) [Fenland Transport Strategy](#)

²⁵ CPCA Future Mobility Zone for Greater Cambridge, Application to the Department for Transport Future Mobility Zone Fund

²⁶ CPCA (2022) [LTCP Update Newsletter](#)

²⁷ CPCA (2021) [March station to be revamped for passengers](#)

²⁸ Network Rail (2022) [Cambridge South Station](#)

²⁹ CPCA (2022) [WISBECH RAIL](#)

³⁰ Network Rail (2022) [Ely area capacity enhancement](#)

area can be poor. For example, train services between Cambridge and Peterborough take approximately 50 minutes, despite being just 40 miles apart.

- 2.50 In Cambridge and Peterborough, 88% and 95% of residents are within 15 minutes by walking or public transport of a local primary school respectively. By contrast, in South Cambridgeshire and East Cambridgeshire this falls to 77% and 79% respectively³¹.
- 2.51 Rural access to amenities and transport hubs is also often poor. In South Cambridgeshire, only 22% of residents are within 30 minutes of walking or public transport access of a town centre³². This means that residents who do not have access to private cars are effectively cut off from key services and amenities. In Fenland, one in five households, or 20,000 people, do not have access to a car.³³
- 2.52 In terms of access to major employment centres, 58% of the population of Cambridgeshire and Peterborough are within 30 minutes access (and a further 25% are within 60 minutes).³⁴ However, many rural areas lack frequent services, and services rarely extend to evening or weekend hours. This, in addition to lengthy journey times, make it difficult for those without a car to access jobs and services elsewhere.
- 2.53 In addition to reducing the employment options available to people, there is extensive evidence that isolation and loneliness can be exacerbated by a lack of transport services. This is particularly felt by older people and those living in rural areas. Several studies have found that older people who more regularly use public transport have reduced feelings of loneliness.³⁵ Community-led transport can improve this situation, as seen in Fenland, but these routes are not integrated into the wider network.

Digitalisation and technology

- 2.54 Technology has changed the world enormously, including the way people travel, work and their expectations of core services. People are increasingly expecting intuitive and straightforward access to information and services, including payment services, through digital applications.

³¹ CPCA (2020) [Cambridgeshire and Peterborough Local Transport Plan](#)

³² CPCA (2020) [Cambridgeshire and Peterborough Local Transport Plan](#)

³³ Cambridgeshire County Council (2023) [Fenland Transport Strategy](#)

³⁴ CPCA (2020) [Cambridgeshire and Peterborough Local Transport Plan](#)

³⁵ Sustrans (2021) [Final report loneliness and transport systematic review](#)

- 2.55 In addition, there is an increasing 'on-demand' expectation of services to cater for individual personal needs, to get passengers where they need to go at the time they want, with flexible payment options and reliable real time information.³⁶
- 2.56 Working patterns are changing significantly, which impacts how and when people travel. The increase in home working, teleconferencing and digital communications, has reduced the requirement to travel at all. This, along with the flexibility of start and finish times, has extended the peak travel period significantly in recent years, with patterns potentially shifting more in future years³⁷.
- 2.57 Likewise, growth in on-line shopping, banking and other services, reduces the need to travel and has impacted in recent years on bus patronage³⁸.

Policy backdrop

Introduction

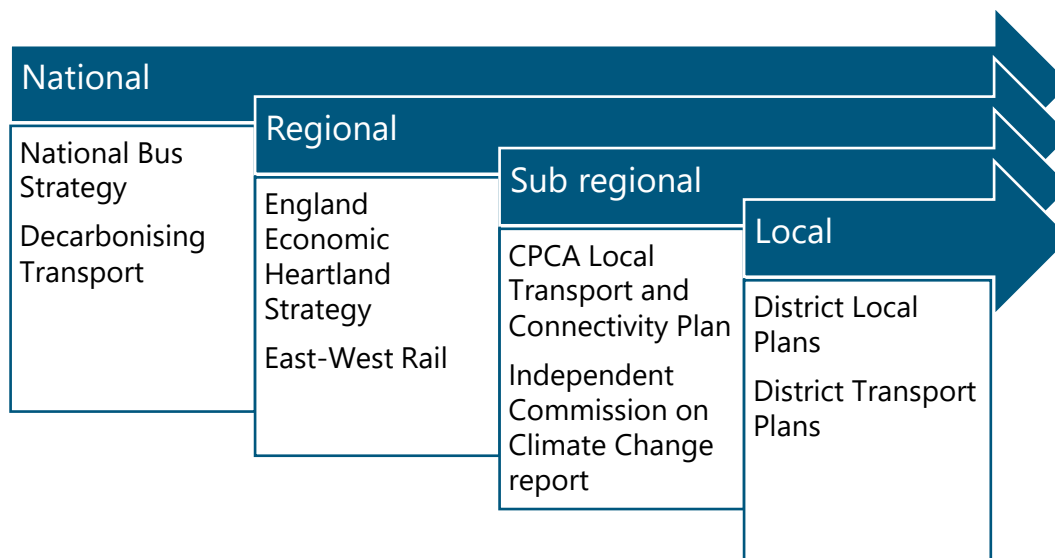
- 2.58 A host of different policies and strategies impact and shape decisions made about public transport in the region. These extend beyond those directly addressing buses, to wider initiatives regarding climate change, economic development, and town planning. Figure 2-4 shows the relationship between these policies and strategies. Policies that directly address the bus network (CPCA Bus Strategy, CPCA LTCP) are explored later.

³⁶ Transport Focus (2018) [Using the bus, what young people think](#)

³⁷ ONS (2020) [Coronavirus and homeworking in the UK: April 2020](#)

³⁸ Campaign for Better Transport, Tracks (2018) [The future of rural bus services in the UK](#)

Figure 2-4: Policies impacting public transport provision



National policy and strategy

- 2.59 **Bus Back Better**, the National Bus Strategy for England, published in March 2021³⁹, represented a shift in approach to bus networks following the impacts of COVID-19 and declining national patronage. The Strategy recognised that the existing deregulated bus network delivery model was not necessarily the most effective one, and that alternative options should be considered (either Enhanced Partnership or Franchising).
- 2.60 The Strategy set out a new vision for bus with integrated services, simple ticketing, and increased implementation of bus priority measures; all with the objective to create mode shift to achieve net-zero targets and better connect people to jobs, education, and services to support Levelling Up.
- 2.61 Bus Back Better sets out an ambitious vision for significant improvements to bus services to return usage to pre-COVID levels and then to build patronage further. It wants to see bus services that are:
- **More frequent**, with turn-up-and-go services on major routes and feeder or demand-responsive services to lower-density places.
 - **Faster and more reliable**, with bus priority wherever necessary and where there is room.

³⁹ DfT (2021) "[Bus Back Better](#)", [National Bus Strategy for England](#)

- **Cheaper**, with more low, flat fares in towns and cities, lower point-to-point fares elsewhere, and more daily price capping everywhere.
 - **More comprehensive**, with overprovision on a few corridors reduced to boost provision elsewhere and better services in the evenings and weekends, not necessarily with conventional buses.
 - **Easier to understand**, with simpler routes, common numbering, co-ordinated timetable change dates, good publicity, and comprehensive information online.
 - **Easier to use**, with common tickets, passes and daily capping across all operators, simpler fares, contactless payment, and protection of bus stations.
 - **Better integrated** with other modes and each other, including more bus-rail interchange and integration and inter-bus transfers.
- 2.62 Overall, the strategy stipulates greater involvement of local transport authorities (LTAs) in specifying and improving bus provision and notes that government funding will be made available for LTAs to deliver improvements set out in Bus Service Improvement Plans (BSIP).
- 2.63 Within the Strategy, government states an intention to consult on strengthening the Key Route Network (KRN) approach. A KRN covers a collection of locally important strategic routes intended to integrate highways across a city region, largely cutting across multiple local authority boundaries. This allows for roads to be managed in a strategic way to improve traffic flow, reduce congestion, and introduce bus priority or cycle infrastructure across a city region.
- 2.64 The consultation could result in Mayoral Combined Authorities having increased powers over their KRN, for instance in the allocation of road space and new infrastructure. Bus Back Better expects ambitious KRN bus priority programmes and other road space reallocation measures. It states an intention to increase mayoral powers over KRN, similar to the powers that apply already in London, that would enable integrated highways and transport authority status at Combined Authority level for these roads.
- 2.65 Expectation of plans for bus lanes on high frequency routes as part of a corridor approach is also included in the BSIP Guidance. This is seen as a key measure to make buses a viable alternative option to car and incentivise more people to change modes by increasing reliability and reducing journey times.

2.66 The **Decarbonising Transport: A Better, Greener Britain** was published in 2021⁴⁰, and defines the government's commitments to decarbonise the transport system in the UK. One of the three priorities is to accelerate modal shift to public and active transport. The document highlights that:

"Local authorities will have the power and ambition to make bold decisions to influence how people travel and take local action to make the best use of space to enable active travel and transform local public transport operations."

Regional

2.67 England's Economic Heartland (EEH) is one of seven sub-national transport bodies in England and supports a region extending from Swindon in the south-west, to Peterborough in the north.

2.68 EEH produced a regional transport strategy in 2021: **Connecting People, Transforming Journeys**.⁴¹ The ambition is to support sustainable growth and improve quality of life and wellbeing through a world-class, decarbonised transport system which harnesses the region's global expertise in technology and innovation to unlock new opportunities for residents and businesses, in a way that benefits the UK as a whole.

2.69 The Strategy includes a five-point plan of action:

- Focus on decarbonisation of the transport system by harnessing innovation and supporting solutions which create green economic opportunities.
- Promote investment in digital infrastructure as a means of improving connectivity.
- Use delivery of East West Rail and mass rapid transit systems as the catalyst for the transformation of the strategic public transport networks.
- Champion increased investment in active travel and shared transport solutions to improve local connectivity to ensure that everyone can realise their potential.
- Ensure that the freight and logistics requirements continue to be met, whilst lowering their environmental impact.

⁴⁰ Department for Transport (2021) [Decarbonising Transport A Better, Greener Britain](#). Quote from page 40.

⁴¹ England's Economic Heartland (2021) [Regional Transport Strategy](#)

- 2.70 Good public transport and the provision of shared transport solutions lies at the heart of the Strategy, particularly in improving connectivity and in contributing to decarbonisation.
- 2.71 CPCA is bounded by several local transport authorities, all of which have some responsibility for the provision and maintenance of bus services and have a shared interest in local bus services that cross the boundary.
- 2.72 As required by the National Bus Strategy, all local transport authorities produced BSIPs in 2021, some of which saw updates in 2022. Three of the neighbouring authorities' BSIPs were successful in attracting funding from the DfT over a 3-year period. The remainder, like CPCA, were subsequently awarded BSIP+ revenue funding in 2023, primarily to continue supporting bus services or to introduce fares and ticketing initiatives (in line with BSIP ambitions).
- 2.73 All neighbouring local transport authorities reflect in their BSIPs an ambition to improve bus services, which adds support to CPCA's desire to see a step change improvement in bus services. Therefore, bus reform and improvements delivered in Cambridgeshire and Peterborough should have benefits in neighbouring areas through enhanced cross-boundary services. Furthermore, given that Peterborough and Cambridge are important focal points for residents of neighbouring areas, any improvements in public transport access would be welcomed. A summary of BSIP ambitions in each neighbouring area is given in Table 2-2.

Table 2-2: BSIP ambitions in neighbouring authorities

Local Transport Authority	BSIP ambitions	Other information
Norfolk County Council (awarded £49.6m BSIP funding)	Objectives: <ul style="list-style-type: none"> • Rebuild and increase passenger confidence. • Provide a green and sustainable transport offer. • Public transport is the first-choice mode. • Simple and affordable ticketing 	Enhanced Partnership Aim to increase bus use and satisfaction and increase the mode share by bus. Joint passenger charter covering Norfolk and Suffolk.

<p>Suffolk County Council</p>	<p>LTP framework:</p> <ul style="list-style-type: none"> • Decarbonisation • Strong, sustainable and fair economy • Wellbeing and social inclusion • Better places 	<p>Enhanced Partnership</p> <p>Aim to increase bus use and satisfaction.</p> <p>Joint passenger charter covering Norfolk and Suffolk.</p>
<p>Essex County Council</p>	<p>Safer, greener and healthier is the vision for travel across Essex.</p>	<p>Enhanced Partnership</p> <p>Aim to increase bus use and satisfaction.</p>
<p>Hertfordshire County Council (awarded £29.7m BSIP funding)</p>	<p>Objectives:</p> <ul style="list-style-type: none"> • Prioritising buses in traffic • Improving image of buses • Upgrading bus infrastructure • Smarter use of data/information • Closer integration of the bus network 	<p>Intalink Enhanced Partnership</p> <p>Consistent network branding, promotion and information under the Intalink banner.</p> <p>Aims to reduce bus journey times; improve the ease of using and understanding the bus network and generally improve the attractiveness of services.</p>
<p>Central Bedfordshire Council (awarded £3.7m BSIP funding)</p>	<p>Local Plan objectives:</p> <ul style="list-style-type: none"> • Reduce reliance on the car • Ensure a reliable network of public transport routes 	<p>Enhanced Partnership</p> <p>Aim to improve bus services, to increase patronage and satisfaction.</p>
<p>Bedford Borough Council</p>	<p>Objective:</p> <ul style="list-style-type: none"> • To maintain and develop bus services, through subsidy and targeted infrastructure, information, ticketing and promotional activities. 	<p>Enhanced Partnership</p> <p>Joint passenger charter covering Bedford, Central Bedfordshire and Luton.</p>
<p>North Northamptonshire Council</p>	<p>Objective:</p> <ul style="list-style-type: none"> • To increase patronage back to pre-Covid levels and improve passenger satisfaction. 	<p>Enhanced Partnership</p> <p>Vision for a bus network that will meet community need, delivered reliably and efficiently.</p>

<p>Lincolnshire County Council</p>	<p>Objectives:</p> <ul style="list-style-type: none"> • Recover bus patronage • Reduce bus journey times • Increase passenger satisfaction • Increase service levels • Decrease operating costs • Maintain number of operators • Support economic growth • Reduce barriers to using public transport 	<p>Enhanced Partnership Mission – To develop a network of services that provides a punctual, reliable and good value way to travel.</p>
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Sub-regional policies and plans

2.74 At a sub-regional level, transport policy is set out in the Cambridgeshire and Peterborough Local Transport and Connectivity Plan (LTCP), adopted in 2023.

2.75 The LTCP aims for a transport system that:

- Is accessible and efficient for everyone.
- Increases the ability to access good jobs, travel to health appointments and access opportunities to improve life chances.
- Is affordable to use.
- Addresses pollution that adversely impacts on people’s quality of life and health.

2.76 It responds directly to the Independent Commission on Climate’s findings that the region experiences transport emissions that are 50% higher than the UK average, reflecting higher levels of traffic. In response, it recommended a reduction in car miles driven by 15% by 2030, advocating a switch to public transport and active travel modes. It recognised that this would require significantly better public transport services with greater connectedness.

2.77 The Plan links to a variety of other plans and strategies, a number of which highlight the need for improved public transport. The Employment and Skills Strategy notes the need for better public transport connectivity to improve access to colleges and universities and to ensure that travel costs are more affordable for young people.

2.78 The LTCP vision is of:

A transport network that secures a future in which the region and its people can thrive.

- 2.79 This will be achieved by investing in a joined-up, net zero carbon transport system, which is high quality, reliable, convenient, affordable, safe, and accessible to everyone. Better, cleaner public transport will reduce private car use, and more cycling and walking will support both healthier lives and a greener region. Comprehensive connectivity, including digital improvements, will support a sustainable future for the region’s nationally important and innovative economy.
- 2.80 The LTCP acknowledges the role transport must play in the continuing economic development across all six districts, and the ability that good public transport can provide to overcome inequalities⁴². The six goals that underpin the vision are shown in Figure 2-5.

Figure 2-5: LTCP Goals – Overview









Source: [CPCA \(2022\)](#)

⁴² CPCA (2022) [Draft Local Transport and Connectivity Plan](#)

- 2.81 The CA's Mayor sees **compassion, community and collaboration** at the heart of what the authority does to serve the region's population. Provision of a successful bus network is characterised by these facets. It contributes to a fairer and equal society, benefits everyone, brings people together and requires collaboration to make it work efficiently and effectively.
- 2.82 The LTCP sets out the clear need for a comprehensive and excellent bus network to tackle car dependency and encourage a shift from car to public transport use. Accessible, affordable, reliable and frequent public transport will be a crucial part of realising the vision. New services will be needed to better connect people to jobs and facilities.
- 2.83 Large-scale investment in bus services will be needed in the Greater Cambridge area, where the aim is to reduce traffic levels in the city by 10-15% on 2011 levels to improve journey times and reduce pollution. Other local strategies set out in the LTCP support making improvements to public transport, including more connectivity, more frequent services and greater availability of provision through the day and week.
- 2.84 Buses can make a significant contribution towards achieving the goals set out in the LTCP, as shown in Figure 2-6:

Figure 2-6: LTCP Goals

 Productivity Giving both employers and people the means to achieve more of their potential, making them more efficient and innovative to create more prosperity	
Housing – support new housing and development to accommodate a growing population and workforce, and address housing affordability issues	Easier to develop areas that are built around good public transport rather than the car. Bus offers a flexible way to meet the needs of new and growing communities.
Business and tourism – ensure all our region’s businesses and tourist attractions are connected sustainably to our transport hubs, ports, and airports	Buses can connect communities to key destinations for the benefit of everyone
Employment – connect all new and existing communities sustainably, so all residents can easily access a good job within 30 minutes by public transport, spreading the region’s prosperity	Buses can be routed and timed to meet the needs of employees. They are ideal for the provision of collective travel to key destinations, lessening the impact of travel peaks.
Resilience – build a transport network that is resilient and adaptive to human and environmental disruption, improving journey time reliability	Bus routes and levels of service can be varied at short notice to adapt to changing needs and demands. Dedicated priority measures allow bus journey times to be competitive and for services to run reliably
 Connectivity – people and communities are brought closer together, giving more opportunity for work, education, leisure, and pleasure	
Accessibility – promote social inclusion through the provision of a sustainable transport network that is affordable and accessible to all	Buses can provide transport for all, both those with no alternative and those who would like to choose an alternative to the car
Digital – communities are digitally connected; innovative technologies are supported and there is improved connectivity and mobility across the region	Travel by bus offers the opportunity to stay digitally connected whilst on the move and for people to do other things whilst travelling
 Health – improved health and wellbeing, enabled through better connectivity, greater access to healthier journeys and lifestyles, delivering stronger, fairer, more resilient communities	
Health and wellbeing – provide 'healthy streets and high-quality public realm that puts people first and promotes active lifestyles	Buses offer a more efficient use of road space, giving streets back to communities. Public transport is central to the provision of sustainable travel options and more active lifestyles. Collective travel provides a greater sense of belonging and community
Air quality – ensure transport initiatives improve air quality standards across the region, exceeding good practice standards	Zero emission buses help to improve air quality. Use of bus reduces other traffic and its harmful impacts
 Safety – to prevent all harm by reducing risk and enabling people to use the transport system with confidence	
Safety – embed a safe systems approach into all planning and transport operations to achieve 'Vision Zero' – zero fatalities and serious injuries	Buses offer a safe form of transport, allowing stress-free travel
 Environment – protecting and improving our green spaces and improving nature with a well-planned and good quality transport network	
Environment – deliver a transport network that protects and enhances our natural, historic, and built environments	More bus travel and fewer cars means that less space is needed for roads and car parks
 Climate – successfully and fairly reducing emissions to 'net zero' by 2050	
Climate change – reduce emissions to 'net zero' by 2050 to minimise the impact of transport and travel on climate change	Zero emission buses contribute to the achievement of net zero. Use of bus reduces other traffic and its harmful impacts

2.85 Specific targets are defined within the LTCP, including a 15% reduction in driven car miles by 2030 compared to 2019 levels. These reflect the guidance from the Independent Commission on Climate Change, explored below.

- 2.86 To guide climate change mitigation and adaptation efforts in the region, the CPCA Independent Commission on Climate was formed to advise the Mayor on appropriate and necessary actions in this area. The Independent Commission published its initial recommendations for consideration by CPCA⁴³. Key proposed actions included:
- Reduction in car miles driven by 15% to 2030 relative to baseline.
 - Development and implementation of the Strategic Bus Review (carried out in 2018-19) to prioritise affordability and reliability of services.
 - Alternatives to road investment to be prioritised for appraisal and investment (active travel and public transport options; opportunities for light rail and bus rapid transit; options to enhance rail connections).
 - Major new developments (> 1,000 homes) should be connected to neighbouring towns and transport hubs through shared, public transport and/or safe cycling routes.
 - All buses and taxis operated within the CPCA area, and Council owned and contracted vehicles, should be zero emission by 2030.
 - A complete phasing-out of the use of cars running on fossil fuels by 2050 within the CPCA area.
- 2.87 Five of the CA constituent authorities (Cambridgeshire, Peterborough, East Cambridgeshire, South Cambridgeshire and Cambridge City) declared a climate emergency in 2019.

Local policies and plans

- 2.88 At a local level, a number of Local Plans and Transport Plans / Strategies are under review. These are summarised in Table 2-3 below, together with the changes and the relevance to bus reform:

⁴³ Cambridgeshire and Peterborough Independent Commission on Climate Change (2021) [Initial Recommendations](#)

Table 2-3: Local Policies and Plans

Document	Responsible authority	Timeline for changes	Relevance to bus reform
Greater Cambridge Local Plan	Cambridge City and South Cambridgeshire Districts	The emerging Local Plan Preferred Options were published in Jan 2023, with an intention to be adopted in 2024/25. ⁴⁴ However, this continues to be delayed.	Development is proposed to be placed “ <i>where it has the least climate impact, [and] where active and public transport is the natural choice...</i> ”
Cambridge City and South Cambridgeshire Transport Strategy (2014)	Cambridgeshire County Council Highway Authority	Currently being updated.	Aims for more journeys to be made by bus and other sustainable modes and for traffic levels not to increase. Envisages additional Park & Ride and the provision of attractive and convenient bus services.
Huntingdonshire Local Plan	Huntingdonshire District	In January 2023, Cabinet agreed to the preparation of a full update to the current Local Plan to 2036.	Unknown at this stage
Huntingdonshire Transport Strategy	Cambridgeshire County Council Highway Authority	Strategy was adopted in March 2023 ⁴⁵	Child document to LTCP with a vision to “ <i>help tackle climate change and support sustainable growth...</i> ”
Fenland Local Plan	Fenland District	The emerging Local Plan pre-submission publication was expected in summer 2023, but has been delayed.	The draft document highlights that the current provision of buses across Fenland is “ <i>generally poor and declining</i> ” ⁴⁶

⁴⁴ Greater Cambridge Shared Planning (2023) [Greater Cambridge Local Plan: Development Strategy Update \(Regulation 18 Preferred Options\)](#)

⁴⁵ Cambridgeshire County Council (2023) [Huntingdonshire Transport Strategy](#)

⁴⁶ Fenland District Council (2022) [Draft Local Plan Consultation](#)

Document	Responsible authority	Timeline for changes	Relevance to bus reform
Fenland Transport Strategy	Cambridgeshire County Council Highway Authority	Strategy was adopted in March 2023.	20,000 people in Fenland do not have access to a car and rely on bus provision which is diminishing. Policies FTS10 and FTS12 identify working with stakeholders to improve bus services.
East Cambridgeshire: Local Plan (2015)	East Cambridgeshire District	Local Plan Single Issue Review regarding housing delivery target is under review with Planning Inspectorate.	None
East Cambridgeshire: Transport Strategy	Cambridgeshire County Council Highway Authority	Unchanged since 2016.	Policy TSEC8 supports the improvement of bus services and infrastructure to develop an improved and integrated network ⁴⁷
Peterborough: Local Plan	Peterborough Unitary Authority	Unchanged since 2019.	The Local Plan states it wants a “walkable, liveable city”, with an objective to “encourage walking, cycling and the use of public transport and reduce the need to travel by car” ⁴⁸
Peterborough: Transport Plan	Peterborough Unitary Authority	Forms part of the LTCP.	Improvements to local bus services is central to the LTCP.

Greater Cambridge Partnership

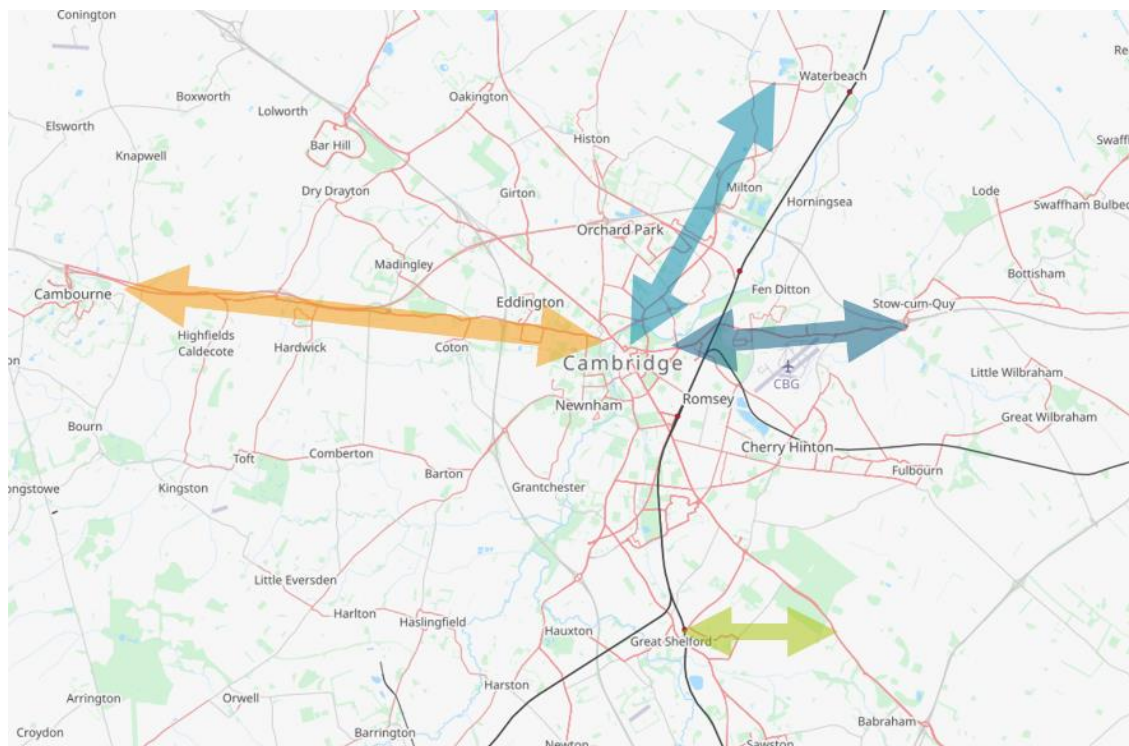
2.89 The Greater Cambridge Partnership (GCP) is the local delivery body for a City Deal with central government, bringing powers and investment, worth up to £500 million over 15 years, to vital improvements in infrastructure, supporting and accelerating the creation of 44,000 new jobs, 33,500 new homes and 420 additional apprenticeships.

⁴⁷ Cambridgeshire County Council (2016) [East Cambridgeshire Transport Strategy](#)

⁴⁸ Peterborough Unitary Authority (2019) [Peterborough Local Plan](#)

- 2.90 The partnership of councils, business and academia is working together, and with partners and local communities, to grow and share prosperity and improve the quality of life for the people of Greater Cambridge, now and in the future.
- 2.91 The partners are:
- Cambridge City Council;
 - Cambridgeshire County Council;
 - South Cambridgeshire District Council;
 - University of Cambridge; and
 - Cambridgeshire & Peterborough Combined Authority Business Board.
- 2.92 It is the largest of several city deal programmes taking place in the UK and brings key partners together to work with communities, businesses and industry leaders to support the continued growth of one of the world's leading tourism and business destinations.
- 2.93 The vision to support and sustain Greater Cambridge as a place to live and work includes an integrated transport plan, where new public transport routes offer a viable alternative to driving into Cambridge, routes which also support off-road active travel for pedestrians and cyclists commuting to Cambridge, and which link to the wider villages and towns outside of Cambridge to offer safe commuting and leisure routes for pedestrians, cyclists and equestrian users.
- 2.94 By integrating these plans with upcoming rail improvements, improvements to on-road cycle provisions, city-based traffic management, and improved bus services, it is intended to ensure that the Greater Cambridge area remains a successful and thriving part of the region.
- 2.95 Concurrently, GCP is seeking to improve infrastructure on four corridors, shown indicatively in Figure 2-7, which form part of the wider Making Connections vision. The schemes, which create bus priority or segregation, are at various stages of development.

Figure 2-7: Public transport corridor schemes



Source: Basemap – OSM

- 2.96 **Cambourne to Cambridge:**⁴⁹ A dedicated public transport route between Cambourne and Cambridge, via a new development at Bourn Airfield. This will include direct express services to key employment centres with up to eight buses per hour each way. A TWAO application was approved by the council in March 2023.
- 2.97 **Waterbeach to Cambridge:**⁵⁰ This is a new public transport link between Waterbeach and Cambridge, which will connect to the existing Guided Busway, it includes a new Park & Ride site. An OBC is being developed, following a consultation in March 2023.
- 2.98 **Cambridge Eastern Access:**⁵¹ A package of measures to improve public transport, as well as active travel options along Newmarket Road, with dedicated bus lane provision and Park & Ride relocation. A consultation on preferred design options was undertaken in March 2023.

⁴⁹ GCP (2023) [Cambourne to Cambridge](#)
⁵⁰ GCP (2023) [Waterbeach to Cambridge](#)
⁵¹ GCP (2023) [Cambridge Eastern Access](#)

- 2.99 **Cambridge South East Transport:**⁵² Improvements to public transport and active travel options within the A1307 and A1301 area. Phase 2 intends to create a busway between the A11 and Cambridge Biomedical Campus.
- 2.100 These routes collectively provide the opportunity to incentivise and prioritise bus trips over private vehicle use. Quicker services, that avoid congestion and connect attractors and generators align with the wider CA ambitions for the bus network.

The role of the bus network

Introduction

- 2.101 The bus network is very important to the region and its economy, accounting for 20 million journeys per annum. The current network provides reasonable coverage in the cities and some of the main corridors, such as the Busway, but is less evident in rural areas. Furthermore, the network has been eroded since the COVID-19 pandemic and could see further decline in the future as operating costs rise faster than fares income. As such, the public sector is playing an increasingly significant role in the maintenance and provision of bus services, with increased expectations on it to also attend to information and infrastructure provision.

Local insights

- 2.102 In 2019, research was undertaken by CPCA to understand the views of users and non-users of public transport, as well as stakeholders including bus operators; local interest groups; local transport groups; bus user groups; NHS; and district and parish councils. These aimed to gain local insights into attitudes and perceptions towards existing bus services and obtain people's views on what future bus provision should look like. These activities took the form of on-street surveys (1,240 respondents), an on-line survey (3,042 respondents), focus groups and discussions with relevant stakeholders and interested parties. Wide representation was sought across urban and rural areas and amongst users and non-users of buses. Both quantitative and qualitative information was gathered.
- 2.103 The main findings of the online survey (which support those of the on-street survey) are summarised below:

⁵² GCP (2023) [Cambridge South East Transport](#)

- The most common journeys taken 'often' by users were for work purposes. Trips for shopping and leisure were more likely to be taken 'sometimes'. Non-users were more likely to travel for shopping or leisure purposes than for work by bus.
 - Problems with the bus network were more often cited than the convenience of car use as barriers for travel by non-users. However, by those who drive, the convenience of the car was the main reason for not using the bus. Over 80% of non-users in rural areas considered cars to be the main form of transport. In cities, almost 50% of people considered cycling to be the main form of transport.
 - Frequency, reliability, cost of fares and the time services start and end, were frequently referenced priorities for users. Frequency, reliability, and the cost of fares were considered as priorities for non-users.
 - Over 90% of users would travel 'a little more' or 'a lot more' after the introduction of their chosen interventions. There was little difference between cities and rural areas in their willingness to travel.
 - Over 50% of users would 'definitely' or 'possibly' be willing to pay higher fares to fund their improvements. There was little difference between how often users travelled and their willingness to pay.
 - Over 86% of users, and almost 85% of non-users were 'supportive' or 'very supportive' of improvements. This figure was in-line with the results of the on-street survey. The expansion of the bus network and provision of integrated tickets for use across all bus and train services were the most supported improvements in cities, towns, and rural areas. The use of new technologies was the least supported improvement, as observed in all surveys.
 - Frequency, reliability, and the cost of fares were the most referenced concerns by users when given the opportunity to provide written comments. Frequency of services and a lack of services provided were the two most common written comment subjects by non-users.
- 2.104 In summary, the issues raised by bus users and non-bus users were similar. Priorities were reliability, frequency, interchange and integrated fares and ticketing.
- 2.105 In early 2023, consultation on the draft Bus Strategy provided further opportunity to establish people's priorities. From over 1,000 responses, the top three priorities for improving bus travel in the region were:
- Provision of more services in rural areas (60% of respondents)
 - Better integration across the bus network (56% of respondents)
 - Quicker and more reliable journey times (38% of respondents)

Local differences

2.106 As explored within the wider existing context, CPCA encompasses districts with vastly different densities, socio-economic characteristics and associated health and social implications. They can largely be summarised as differences between rural and urban (with Cambridge and Peterborough representing different manifestations). The characteristics of each area pose different challenges to the bus network.

Table 2-4: Area characteristics and implications for the bus network

	Districts	Characteristics	Bus network
Rural	Huntingdonshire, Fenland, East Cambridgeshire, South Cambridgeshire	Sparse population Significant levels of travel to work outside the district. Ageing population	Limited to key corridors Reliance on community transport schemes Very limited Sunday and evening services Limited integration between services
Urban	Greater Cambridge (Cambridge City and South Cambridgeshire)	Large proportion of students and visitors Small walkable city centre High economic output	Comprehensive commercial and supported network Punctuality and journey times affected by congestion High levels of Park & Ride use
	Peterborough	Dispersed city Ageing population High economic output	Comprehensive network – financial support required. Low frequencies for urban area Low level of evening and Sunday services

2.107 In rural areas, there is limited bus availability at a frequent service level. This concerns residents, and in both the recent Huntingdonshire and Fenland Local Transport Plan consultations, many respondents found 'lack of public transport' was one of the most important transport issues.⁵³

⁵³ Cambridgeshire County Council (2023) Huntingdonshire Transport Strategy Consultation and Fenland Transport Strategy Consultation

Bus market challenges

- 2.108 Currently, bus services operate in Cambridgeshire and Peterborough under a deregulated market. Many bus services operate commercially whilst others are subsidised by the local authority (mostly the CA).
- 2.109 With decreasing patronage and increasing operational costs, the commerciality of routes is decreasing, leading to services being deregistered⁵⁴. In some cases, the local authority can subsidise the shortfall in services, but with decreasing budgets available to support local bus services, the ability to provide an attractive bus network across the region becomes increasingly difficult, as noted in the LTCP.
- 2.110 The area has experienced a reduction in registered local bus services in recent times. Therefore, the provision of bus services is dependent on their financial viability, which is influenced both by the relative cost of operation and the ability to generate income. Over recent years, operating costs have increased, both in terms of cost per passenger (partly influenced by declining usage) and cost per vehicle mile. With reducing commerciality, the services provided often lack the weekend service coverage, frequency, and evening hours that passengers want to see.⁵⁵
- 2.111 Under a deregulated market, whilst the CA has control over those bus services that it funds or part-funds, it has no control over many routes, frequencies, quality of the network, and the setting and collection of fares. Nor does it have the ability to use fare revenues and subsidy to fund the wider network. Integration with other public transport modes can also be difficult. Moreover, without such control, the stability of the network is not guaranteed, reducing the consistency and legibility for passengers.
- 2.112 Meanwhile, the associated restrictions imposed by competition legislation because of the deregulated bus market, including restrictions on joint ticketing products and cooperation between operators, can also make it difficult to implement region-wide schemes to benefit bus passengers.

Patronage

- 2.113 Bus use across Great Britain has been declining since the 1950s. In 2016/17 a total of 4,931 million passengers were carried by bus, representing just 38% of the journeys made in 1950.⁵⁶ Declining bus use mirrored the decline in the provision of bus

⁵⁴ Department for Transport: Bus Statistics Bus 0408(1)

⁵⁵ CPCA (2022) [Draft Local Transport and Connectivity Plan](#)

⁵⁶ Campaign for Better Transport, Tracks (2018) [The future of rural bus services in the UK](#)

services. In 1960, there were 1,975 million vehicle miles operated on local bus services, in 2021/22 this now stands at 1,300 million.⁵⁷ The fact that bus mileage has held up more than patronage suggests smaller loadings on each bus.

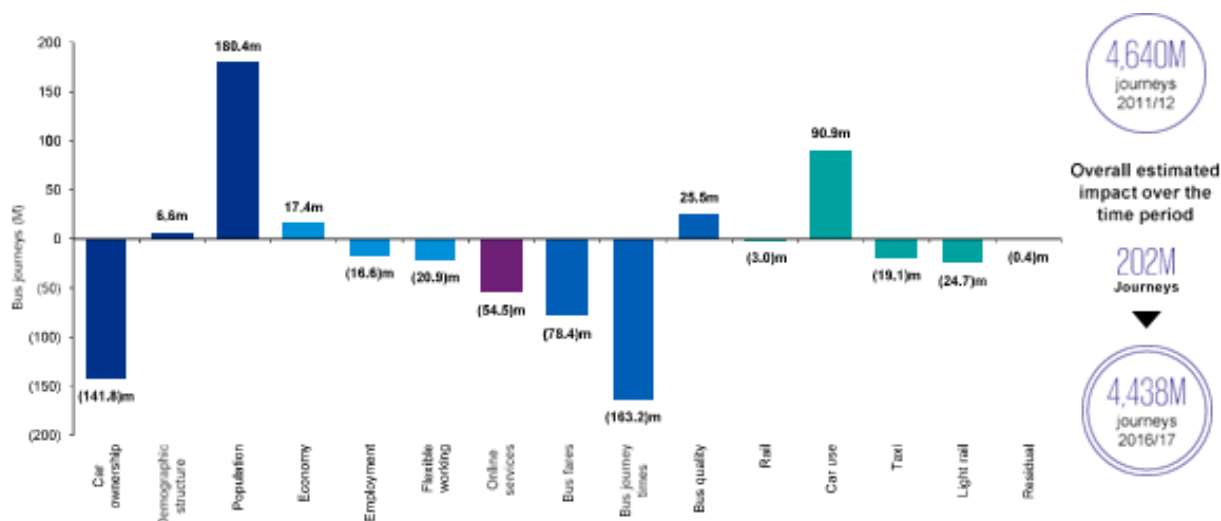
- 2.114 Between 2011/12 and 2021/22, overall rural bus mileage fell by 23%.⁵⁸ Within this change, local authority supported mileage declined by 55%. Meanwhile, despite commercial mileage increasing in the mid-2010s, it now represents a 10% reduction compared with 2011/12.
- 2.115 Concessionary travel for older and disabled people is an important element of bus use. The number of concessionary passes issued has risen in recent years, although the total number of journeys made by concession holders has declined. The number of journeys in English non-metropolitan areas fell from 451 million in 2010/11 to 398 million in 2016/17.
- 2.116 Research for the Confederation of Passenger Transport (CPT) into changing patterns of bus use (see Figure 2-8 below)⁵⁹ suggests that about a half of the reduction in bus patronage can be explained by changing customer needs, particularly due to economic circumstances; the availability and acceptability of alternatives to travel, such as online services; and changes in car ownership, the latter being the main factor. With car ownership, *“the relatively high fixed costs of car ownership and relatively low marginal costs of car use mean that those with access to a car have a much lower propensity to use alternative modes for different purposes.”* Much of the remainder of the reduction in bus patronage is explained by increases in bus journey times (linked to increasing traffic levels) and rises in bus fares. In contrast, there are some factors that have helped to increase bus use, attributable to population growth and reduced car use.

⁵⁷ DfT (2023) [Bus Statistics Bus 02a mi](#)

⁵⁸ DfT (2023) [Bus Statistics Bus 02a mi](#)

⁵⁹ KPMG for Confederation of Passenger Transport (2018) Trends in English bus patronage

Figure 2-8: Drivers of changes in bus patronage in England 2011/12 to 2016/17⁶⁰



2.117 Cambridgeshire and Peterborough reflect the national trends. Peterborough saw a patronage reduction of 27% between 2014/15 and 2018/19, which is three million fewer journeys. Meanwhile, despite strong performance of the Busway and Cambridge Park & Ride, Cambridgeshire saw passenger reductions of 6%, accounting for one million fewer journeys.⁶¹

⁶⁰ KPMG for Confederation of Passenger Transport (2018) Trends in English bus patronage

⁶¹ CPCA (2022) [Draft Local Transport and Connectivity Plan](#)

Figure 2-9: Annual bus journeys in Cambridgeshire and Peterborough

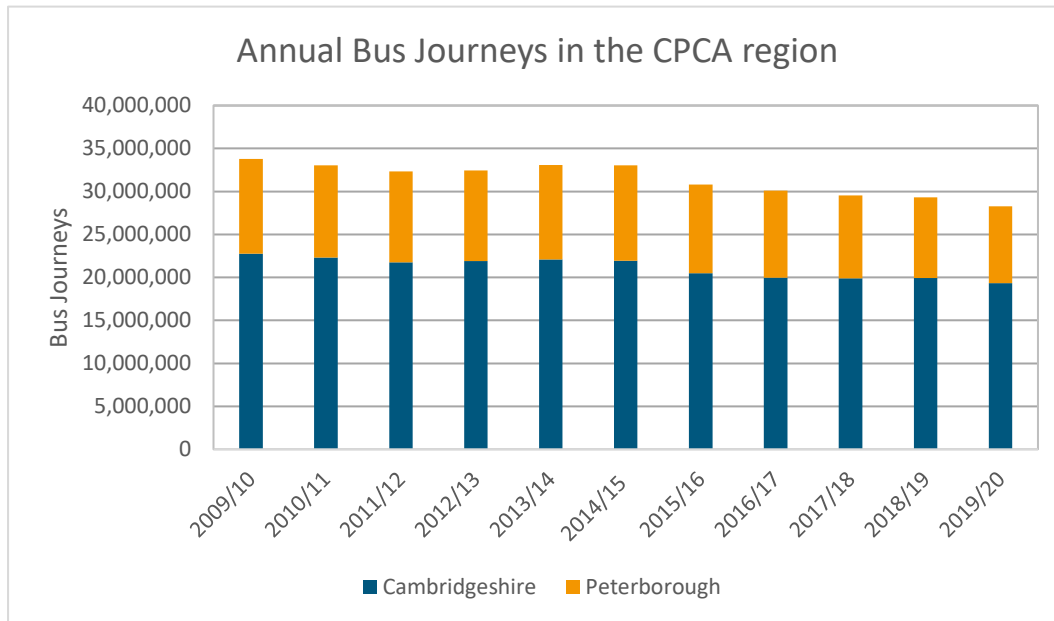
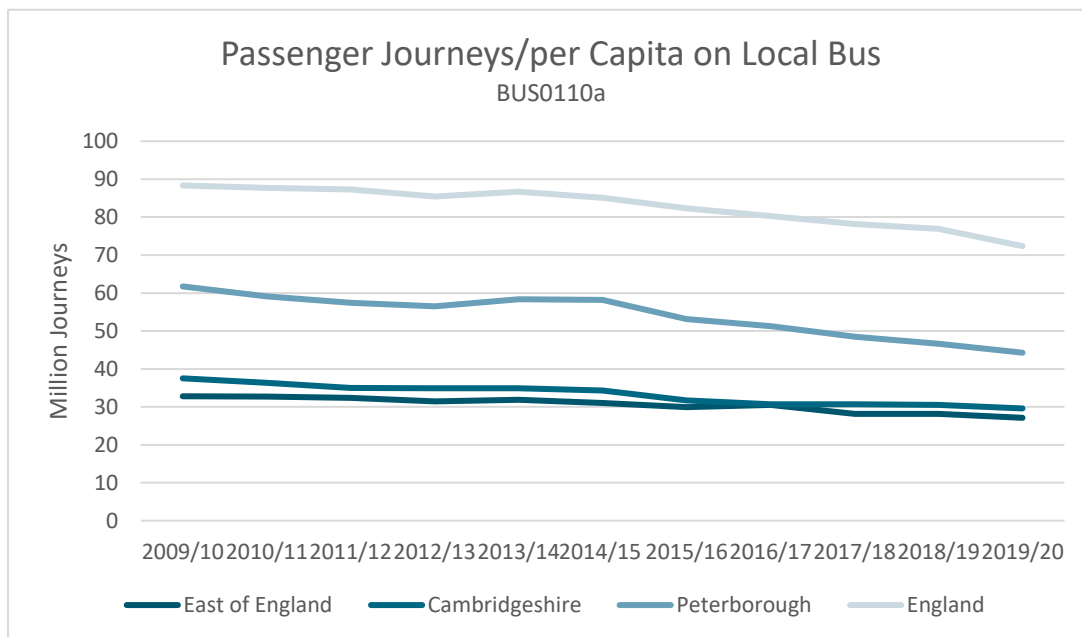


Figure 2-10: Annual local bus journeys per capita



2.118 The COVID-19 pandemic drastically affected bus patronage across the country. The impact has continued beyond the initial lockdowns, as lifestyles and travel behaviour changed. In the CPCA region, the impact has not been the same across all districts, as seen in Table 2-5. Cambridge, as a smaller, walkable city, with higher levels of students, leisure visitors and workforce with the ability to be home-based, had under half the levels of patronage a year after the pandemic began, compared with the year before. Meanwhile, Peterborough and Fenland, where patronage is dominated by

residents needing to access employment and amenities across longer distances, saw patronage restored to over 80% of pre-pandemic levels.

Table 2-5: Bus patronage pre-COVID monthly average

Area	Patronage compared to 2018/19 monthly average		
	May 2021 ⁶²	November 2022	February 2023
Cambridge	-58%	9%	8%
Peterborough	-18%	35%	27%
Fenland	-19%	9%	-2%
Other	-48%	8%	3%

- 2.119 A common factor across the UK, including Cambridgeshire and Peterborough, is the low return to bus use amongst concessionary travel holders. This appears to be a result of there being less need to travel (due to on-line services) and a switch to car travel.
- 2.120 The CPT report highlights data from Transport Focus that shows that customer satisfaction is driven largely by convenience, dependability, and value, which in turn are influenced by network coverage, journey times, service reliability, and affordability. Of the factors driving patronage change, the report notes that only a relatively small part is within direct control of bus operators.
- 2.121 Investment in infrastructure and services; parking and traffic management; greater integration of bus services into commercial and residential land-use planning; measures to reduce bus journey times, increase service reliability and improve service affordability; and working in concert with the technology to improve customer information and engagement, will help achieve patronage change.

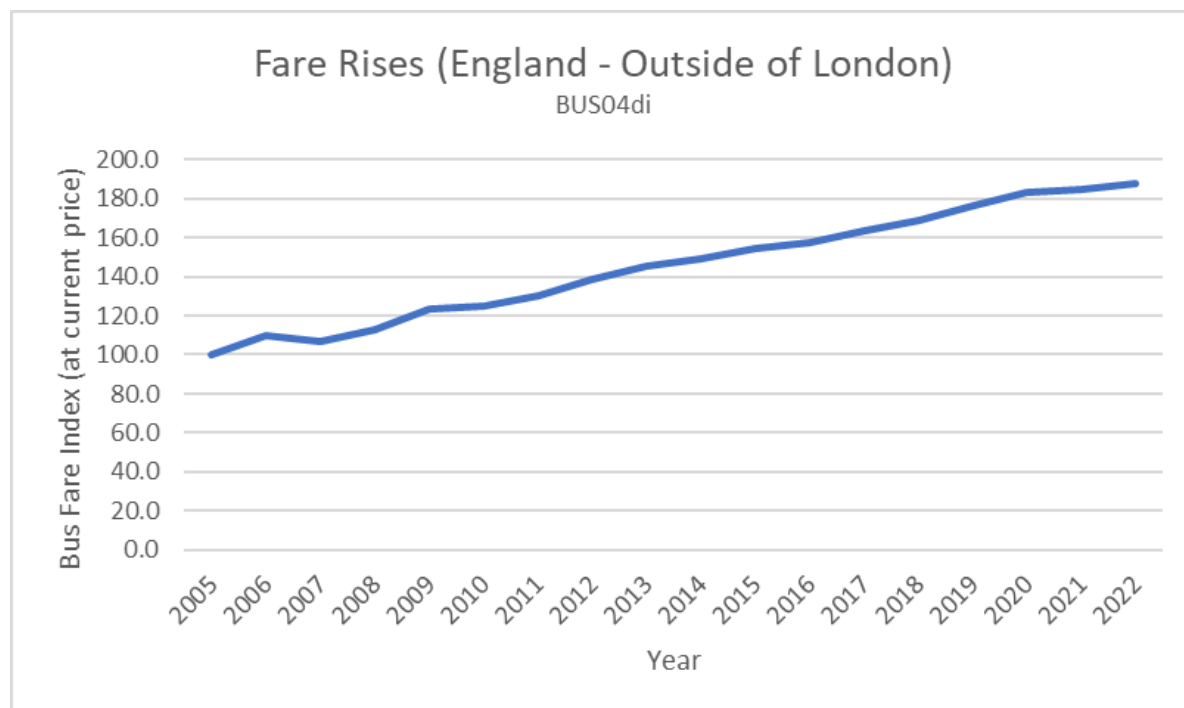
Fares

- 2.122 For those without access to a car, rising fares for public transport are threatening access to the public transport network. Currently fares are rising across the region, broadly in line with the national average, and significantly faster than RPI (for example, in 2022 bus fares increased nationally by an average of 87% since 2005⁶³). This threatens to increase 'car-dependency' – the position whereby an individual has no option but to use a car when making a journey.

⁶² Analysis of the difference between the 2018-19 average and May 2021 data (where both were available)

⁶³ DfT (2023) [Annual bus statistics: year ending March 2022 \(revised\) – Financial Outlook](#)

Figure 2-11: Fare rises at current prices since 2005



2.123 In January 2023, the government introduced funding to provide a £2 bus fare cap for single bus tickets outside of London. The scheme was introduced to support those struggling with the rising cost of living, while also supporting National Bus Strategy ambitions to make bus services cheaper.⁶⁴ The cap is a voluntary scheme and covers most services and operators (particularly all the larger national groups).⁶⁵

Integration

2.124 An integrated public transport network can bring many benefits to both the service offer available, and the consistent image that passengers receive. Integrated ticketing across modes, services and providers has been demonstrated to have multiple benefits, including increasing patronage, passenger satisfaction and mode shift. Financially, it can increase revenue, reduce administrative costs, and reduce ticket fraud.⁶⁶

2.125 Currently there are multiple schemes and trials to improve rural mobility, however they run independently from one another. This includes the Ting Demand Responsive Transport (DRT) trial across West Huntingdonshire, community transport services

⁶⁴ DfT (2022) [Transport update: £2 bus fare cap on a single bus ticket](#)

⁶⁵ DfT (2023) [£2 bus fare cap - GOV.UK \(www.gov.uk\)](#)

⁶⁶ Passenger Transport Executive Group (2009) [The Benefits of Simplified and Integrated Ticketing in Public Transport](#)

(such as dial-a-ride), and traditional bus services. In Fenland, demand for community services is on the rise, but there is limited integration of these services into the wider network.⁶⁷ Over half of respondents in a consultation in Fenland found 'lack of connectivity and accessibility' as one of the most important transport issues.⁶⁸

- 2.126 An integrated public transport network can also introduce a simplified, consistent image for users, reducing the barriers to irregular or first-time passengers. This means simplified mechanisms to collect, distribute and seek information. This may manifest as one website to find fares and timetables, a simpler system to deal with complaints, or the ability to define a template for data collection.

Decarbonisation of the bus fleet

- 2.127 To avoid severe climate change, transport needs to be decarbonised globally. Electric vehicles (EVs) and hydrogen vehicles, unlike fossil-fueled vehicles, produce zero or fewer carbon emissions into the atmosphere. However, advances in battery life will need to be addressed, as will the supporting infrastructure required to fuel EVs. With a mass move to EVs, there will be a requirement for more substations and electricity generation to cope with demand. The challenges for the adoption of hydrogen vehicles include the high initial infrastructure costs, limited hydrogen refueling stations, and the need to develop and implement efficient hydrogen production and distribution methods. Consequently, behaviour change is an important part of initiatives to reduce emissions in transport, encouraging greater use of sustainable travel modes rather than the private car. Modal shift is a solution to achieving CO₂ reduction targets and tackling congestion at the same time.⁶⁹ To fully decarbonise, the bus fleet will also need to be zero-carbon.
- 2.128 Surface transport emissions accounted for 44% of all CO₂ emissions in the CA area, this is significantly higher than the UK average at 37%.⁷⁰ As explored within the earlier policy review, the region has targets to reduce the climate impact. This includes CPCA's goal to ensure all buses and taxis operating within the authority boundary are zero emission by 2030, and to reduce driven car miles by 15% by 2030.⁷¹

⁶⁷ Fenland District Council (2022) [Draft Local Plan](#)

⁶⁸ Cambridgeshire County Council (2023) Fenland Transport Strategy Consultation

⁶⁹ Greener Journeys (2011) [The One Billion Change](#)

⁷⁰ Cambridgeshire and Peterborough Independent Commission on Climate Change (2021) [Initial Recommendations](#)

⁷¹ CPCA (2022) [Draft Local Transport and Connectivity Plan](#)

- 2.129 Given the urgency to decarbonise the transport network, progress has begun with ZEBRA government funding towards the purchase of 30 battery electric buses by Stagecoach, recently introduced in Cambridge. In-depot charging facilities have also been provided and some infrastructure works to facilitate opportunity charging at Babraham Road Park and Ride site, owned by Cambridgeshire County Council, are also being implemented.⁷² Elsewhere, the current bus depot in Peterborough does not have space for electric charging facilities, and investigations are ongoing to relocate the garage.⁷³
- 2.130 Recently, the Universal bus service, supported by University of Cambridge, has seen the introduction of electric buses.

Ambition for the bus network

Cambridgeshire and Peterborough Bus Strategy

- 2.131 In response to the challenges and opportunities that the Cambridgeshire and Peterborough bus network faces, and the local context in which it sits, a draft Bus Strategy was formulated in 2022 and formally adopted in March 2023⁷⁴.
- 2.132 The Bus Strategy seeks to reflect the ambitions of the National Bus Strategy and government's desire for local transport authorities to be ambitious in terms of the development of their local bus networks. Furthermore, the Strategy highlights how the bus network will need to grow and develop to support the goals and objectives of the LTCP and a target to double bus patronage by 2030.
- 2.133 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.
- 2.134 Five overarching goals 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;

⁷² CPCA (2023) [Combined Authority Board Approves Funding for the Approved Zebra Business Case](#) and CPCA (2021) [ZEBRA Scheme Business Case](#)

⁷³ Peterborough Telegraph (2023) [New £4 million grant to power relocation of Peterborough's bus depot](#)

⁷⁴ CPCA (2022) [Bus Strategy](#)

- Supports community health and wellbeing;
 - Creates opportunity for all.
- 2.135 Success in achieving the vision will mean more travel by bus and less reliance on car travel. This in turn will help maintain economic growth, care for the environment and improve quality of life. To realise the vision, the Strategy seeks to achieve several objectives:
- To deliver a comprehensive bus network, better connecting people to places across the region and beyond.
 - To ensure that buses are part of an integrated and planned transport system.
 - To achieve a transition to a modern, low emission bus fleet.
 - To provide a more understandable bus network with clear information and easy ticketing.
 - To achieve an affordable bus network, with simplified and capped fares.
 - To reduce bus journey times and improve reliability.
 - To provide high quality passenger waiting facilities.
- 2.136 The Bus Strategy aims to achieve several key outcomes:
- A doubling of bus passengers (based on 2019/20 levels) by 2030.
 - By attracting car users to buses, contribute towards achieving a 15% reduction in car mileage and reduction in traffic congestion.
 - Provision of high-quality bus services that achieve high levels of satisfaction amongst customers.
- 2.137 The vision for a simpler and more comprehensive bus network is supported by the aims of being **Easy, Attractive and Convenient** for users (explored in more detail in Figure 2-12). Delivery of this will be based on the following four principles:
- **Continuous cycle of passenger growth and service improvement** – where improved services attract more users, which increases revenue and improves viability and encourages further service enhancements.
 - **Using the best operational model of provision to achieve the necessary step change in the most effective way** – given the scale of ambition and public sector investment necessary to achieve this, bus franchising is considered to offer an appropriate approach.

- **Partnership** - delivering an effective and attractive public transport service will rely on different parties working together from the private, public and voluntary sectors.
- **Integration** - whilst the Bus Strategy is all about the public bus network, it is intended that this be provided in the most effective and efficient way. The comprehensive and extensive nature of the bus network will mean that it should be able to cater for many different needs, including pupils going to school and patients attending hospital appointments. Therefore, the network will be planned to co-ordinate with those other more specialist types of transport, with the aim of achieving economies of scale and best use of all vehicle resources.

Figure 2-12: The three aims for the Bus Strategy and their attributes

CONVENIENT	<ul style="list-style-type: none"> • Routes connecting to places and activities that people want to get to. • Services are available in all areas. • Direct routes with little deviation. • Frequent services with limited waiting time in-between. • Services are available all day and into the evening, every day. • Range of tickets to meet different needs.
ATTRACTIVE	<ul style="list-style-type: none"> • The network is simple and easy to understand. • Buses have a great public image, and everyone likes using them. • Services can be relied upon and run to time, without delay. • Cost of using a bus is considered good value for money, with targeted fares offers that incentivise some groups. • Buses run direct and quick. • Buses are clean, comfortable, and pleasant to ride on. • Services are well marketed and there is plenty of clear information in a range of formats, available via different media. • Waiting environments are attractive, offer seating and information, and people feel safe using them. • Pleasant and helpful drivers, able to assist when needed. • Zero emission buses, offering a quiet and smooth ride.
EASY	<ul style="list-style-type: none"> • A single understandable network that functions as one, with connecting services, branding, and system-wide ticketing. • Ability for people to transfer between bus and other travel modes (walk, cycle, e-scooter, car, coach, train). • A clear service offer, backed by a Passenger Charter. • Buses run at regular time intervals and with consistent frequencies. • Stable services with minimal changes, removing uncertainty and confusion. • Simple fares with payment through a range of methods. • A system that is accessible and can be used by all. • Plenty of information is readily available.

Source: CPCA (2022) [Bus Strategy](#)

2.138 The Strategy highlights that, for the bus network to be a viable alternative to car travel and to achieve its aims, a massive uplift in what the bus can offer will be required. This will include the creation of a single, coherent, and comprehensive network; fast and reliable journeys; comfortable and safe travel; value for money fares; clear information at all points of the journey; and excellent customer service. Delivering on this is reflected in the actions of the BSIP.

CPCA Bus Service Improvement Plan (BSIP)

2.139 In response to the National Bus Strategy, local authorities are expected to have a BSIP in place, setting out the ambitions of the authority and its bus operators for local bus services and how improvements will be made.

2.140 CPCA formulated an [initial BSIP document](#) in October 2021, which was not successful in attracting funding from the DfT. It sets out the CA's ambition to transform bus services across the region, both to improve connectivity and accessibility and help achieve significant modal transfer away from the car.

2.141 The BSIP sets out 7 prospectuses for achieving step change improvements across all aspects of bus provision, including:

- **Improved bus network:** in terms of connectivity, frequency, integration, bus priority measures and user experience.
- **Simplified fares and ticketing:** including network ticketing and targeted fares discounts.
- **Better bus information:** at all stages of planning and undertaking journeys; printed and electronic; static and real time.
- **Improved on-board experience:** achieved through comfortable buses, easy ticketing systems, real-time information and excellent customer service.
- **Carbon reduction:** with the introduction of zero emission buses and through reduced car use resulting from attractive and integrated public transport.
- **Engagement and promoting modal shift:** through marketing and travel behaviour change campaigns.



- **Depot and infrastructure improvements:** including better bus stations and waiting environments and shelters at bus stops; and bus depots and facilities that support the introduction of zero emission buses.
- 2.142 Bus service enhancements were identified, taking account of the many aspirations and requirements of different stakeholders and priorities for current bus users and potential users. A hierarchy of different services was also set out, to achieve consistency in proposed levels of provision, including times of availability and frequency. The rationale for the bus network and the principles behind it are set out in Section 3.40.
- 2.143 It is intended that the integrated and holistic nature of the network will be supported and promoted through a local identity and brand.
- 2.144 Nationally, there have been many developments in the provision of DRT services. This has been true locally too, with the introduction of the Ting service in West Huntingdonshire. There is agreement that DRT is likely to play a role in future public transport networks, although it is difficult to know precisely how and where it performs optimally. It is likely that much will depend on local circumstances and so the CA has recently carried out research to determine the best way forward for DRT.

Case for change

Introduction

- 2.145 CPCA and its partners have ambitious plans for economic growth. Transport has a significant part to play in helping to deliver this and in tackling wider issues of social inclusion and wellbeing. However, these ambitions cannot be met by car travel. Buses need to be at the heart of the region's transport system, as they offer an efficient use of road space and an effective and inclusive way of facilitating access for all. However, to fulfil that role, the bus network needs to be transformed. Whilst this poses a significant challenge itself, it is even more so when set against a backdrop of current decline.
- 2.146 The bus industry currently faces many challenges, and it is increasingly difficult for operators to provide viable networks. Consequently, more public sector funding is going into maintaining services. At the same time, there is significant ambition for buses (both nationally and locally) to achieve more for communities and to play a part in meeting wider social, economic, and environmental objectives. Responding to this requires step change improvements in all aspects of bus provision.

- 2.147 Consequently, change is necessary. Firstly, to stop further decline and then to embark on an ambitious programme of improvement to make the bus the mode of choice. This will require significant investment to kickstart a virtuous circle of improvement.
- 2.148 The Cambridgeshire and Peterborough Bus Strategy sets out the ambition for the bus network. The refreshed BSIP provides a plan of action to establish an enhanced bus network and provides the basis for different partners to help realise the ambition through joint working and the provision of funding. The case for change is founded on the need to deliver the ambitions of the Bus Strategy and to support sustainable and sustained growth and wellbeing of the region.

Challenges to delivering the Bus Strategy

- 2.149 In common with all other areas of England (except London), Wales and Scotland, bus services in Cambridgeshire and Peterborough were deregulated in 1986 through the implementation of the Transport Act 1985. The intention of deregulation was to improve the passenger experience by means of increased efficiency from competition between operators to provide bus services.
- 2.150 Deregulation transferred much of the risk around bus operations away from the public sector to the private sector. In return for bus operators taking additional risk, much of the influence over bus services was removed from the public sector. This reduction in influence has limited the extent to which the public sector can depend on bus services supporting the delivery of its objectives.
- 2.151 Subsequent legislation, through to the Bus Services Act 2017, has been introduced to amend the balance between local authorities and bus operators – the aim being to reduce the extent to which either can achieve success at the expense of the other. That said, the bus network in Cambridgeshire and Peterborough is reliant on public sector funding, accounting for about 40% of overall network value. Yet, the CA only has direct influence over about 25% of the network in the form of supported services.
- 2.152 Current arrangements highlight a number of challenges:
- **Network enhancements** – Maintaining services is likely to require increased calls on public sector funding. Depressed patronage levels and rising costs are reducing the viability of services and reducing the ability of operators to invest or innovate. There is a retrenchment to the most profitable services and an aversion to looking for or testing new markets. Many areas have seen reductions in services, particularly the loss of evening and Sunday provision and reduced frequencies.

Furthermore, the freedom for each operator to plan its own routes and timetables makes it difficult to achieve any coordination to facilitate interchange.

- **Fares and ticketing** – Each operator sets its own fares and ticket products, resulting in an overall confusing situation. Whilst a multi-operator ticket exists (in Cambridgeshire only), it excludes some services and commands a premium over the cost of operators' own tickets. Within the deregulated regime, the provision of subsidised fares is difficult to achieve, apart from through designated concessionary travel schemes or targeted promotions.
- **Bus fleets** – The capital cost of low and zero emission buses remains a barrier to fleet replacement. Furthermore, for rural and longer distance services, operators are concerned about the battery range of electric vehicles between charges. To date, most investment in electric and hydrogen buses has been with public sector assistance. However, subsidy regime legislation constrains how a local authority can assist bus operators in replacing its fleet, particularly for commercial operations. Consequently, the CA has limited influence over how quickly a shift to zero emission vehicles might occur.
- **Customer experience** – This is affected by a range of attributes, including driver attitude, bus cleanliness and availability of information. There is variability in experience across the network. In particular, the provision of information is fragmented. Some operators provide comprehensive information in a range of media, others have ceased to provide printed materials.
- **Funding** – Bus services are funded from a range of different sources, including central and local government – bus subsidy, concessionary travel reimbursement, Bus Service Operator Grant (BSOG), as well as funding streams aimed at supporting the bus industry post-pandemic (such as BSOG+ and the bus fare cap). A change of delivery model would start to allow funding streams to be consolidated to help create economies of scale and certainty, which would in turn achieve efficiencies across the network. In this way, services would be focused on delivering against a range of objectives (social, economic, and environmental), rather than merely by the need to be profitable.

2.153 The current delivery model has many flaws, which have been exacerbated by the COVID-19 pandemic. As such, there is a case for change. It is unlikely that without regulatory changes to the delivery of bus services the Cambridgeshire and Peterborough Bus Strategy could be delivered in full. If the significant improvements in the bus service offer to passengers set out in the Bus Strategy and BSIP are not

secured, the extent to which the wider ambitions for the region can be realised will be constrained.

The case for change

- 2.154 Consideration is being given to reforming the way bus services are provided across Cambridgeshire and Peterborough for several reasons, as summarised below in the case for change set out in Table 2-6.

Table 2-6: The Case for Change

Key factor	Associated issues	Implications
Struggling commercial market for bus provision	Patronage levels remain significantly down on those that existed pre-COVID, due to changes in travel behaviour.	Low profit levels and inability to invest and innovate without additional public sector support.
	Increasing costs of bus service provision.	Continued spiral of decline in use and levels of service.
	Bus services are being maintained with public money (central and local government).	Persistent service modifications as operators strive to achieve financial viability.
	More services have become uncommercial and are either withdrawn or reduced, or in need of public sector support to retain them fully or partially.	Increased calls on public sector funding to help maintain services.
	As a result of the above, there is instability in the market and fragmentation of networks.	Network fragmentation with a growing mix of operators, reducing public understanding of the network and more diverse fares and ticketing options (potentially involving higher costs to users).
	Congestion reduces bus journey speeds and creates operational inefficiencies.	
Increasing public sector financial support to maintain the bus network	An increasing number of bus services are reliant on public funding.	Pressures on local government budgets. Difficult to determine whether any truly commercial services actually or potentially exist now.
	CPCA has levied a Mayoral precept specifically to raise funds to financially support bus services that would otherwise have been withdrawn.	Desire for greater integration of budgets, resources, and service provision across different sectors – a Total Transport approach (advocated at Rural Bus Summit organised by Stagecoach in early 2023).
	Rising costs of other transport provision, such as home to school transport.	Reflecting its increased financial inputs, the public sector wishes to exert more influence over the design and delivery of the network.
	Desire to see efficiencies and economies of scale in the use of public funding across different types of transport through more integration.	

<p>Ambition for significant bus network enhancements and more attractive service proposition</p>	<p>LTCP has target for 15% reduction in car mileage in response to climate emergency and rising congestion (with implications for constraining economic growth).</p>	<p>Support for significantly enhanced bus network offering more routes to more places, more often and for greater parts of the day/week, backed by value for money fares and excellent travel comfort, safety, convenience, and service.</p> <p>Local authorities wish to achieve social, economic, and environmental objectives, rather than just commercial ones, albeit that the network needs to be affordable to the public purse and, therefore, be attractive to users to maximise fares revenue.</p> <p>Network should promote local identity and reflect public sector investment and interest.</p> <p>Achievement of operating efficiencies and greater value from public sector investment.</p>
	<p>Adopted Bus Strategy (March 2023) reflects LTCP position and pushes for significant improvements in bus network.</p>	
	<p>Desire for a more integrated network, offering seamless travel to facilitate travel to a wider range of destinations.</p>	
	<p>Desire for a more consistent and identifiable network, reflecting the support of the public sector and local civic pride.</p>	
	<p>Desire, where necessary, to subsidise fares to promote use amongst target users.</p>	
	<p>Need for more bus priority to improve journey times and punctuality and achieve operating efficiencies.</p>	
	<p>Ability to attract new or additional funding to support the bus network.</p>	
	<p>More network stability and coordination to promote greater public confidence and encourage modal choice in favour of the bus.</p>	
<p>Delivery of an enhanced and integrated bus network that is</p>	<p>Proactive and centralised planning and control of the network, rather than reacting to changes by various commercial entities.</p>	<p>Support for significantly enhanced bus network offering more routes to more places, more often and for greater parts of the day/week, backed by value for money fares and excellent travel comfort, safety, convenience, and service.</p>
	<p>Ability to ensure that the network develops in line with overall Strategy and policy objectives.</p>	

locally accountable	Coordinated approach to collating and directing resources and funding streams with an ability to draw partners together.	Network development and provision is in line with overall strategy and ambition. Effective use of overall resources.
	Desire to hold operators to account locally.	Ability to deliver requirements through contract requirements rather than negotiation. Ability to hold operators to account through contractual requirements.

- 2.155 Through discussions at the Bus Operator Forum, the CA and bus operators agree there is a need for action to increase bus passenger revenue through improving the perceived attractiveness of services. However, it is questionable how much more can be achieved under current arrangements. The scale and scope of change needed to deliver the Bus Strategy requires a delivery model that can achieve step change reasonably quickly and provide a consistent, comprehensive, integrated, and stable bus network that people can rely on.
- 2.156 The Bus Services Act gives the CA access to additional legislative tools which have the potential to address current market failures and the challenges which are constraining delivery of the Bus Strategy, in support of achieving its wider ambitions and objectives. As such, it is appropriate for the CA to carefully consider the likely contribution of each regulatory option available and to choose to implement whichever one has, in its view, the greatest potential to achieve the changes required.

The need for intervention

- 2.157 The 'Case for Change' above sets out the challenges that constrain the delivery of the Bus Strategy ambitions under current arrangements. Regulatory change would be justified to facilitate network coordination and service enhancements, an integrated system of network-wide fares and ticketing, and establishment of a common network identity.

Market imperfections

- 2.158 A Local Bus Market Study⁷⁵ commissioned by the DfT in support of the Bus Services Bill (now Bus Services Act 2017) during its passage through Parliament, considered market trends, stakeholder objectives, and government interventions in the market. The report sets out four potential sources of market imperfection or reasons why the market might not deliver bus services that provide the greatest level of passenger benefits. These are set out in Table 2-7, along with their potential relevance to the delivery of the Cambridgeshire and Peterborough Bus Strategy.
- 2.159 In response to these market imperfections, the Bus Services Act provides local transport authorities with additional tools to counter situations where the current deregulated model appears not to be the optimal regulatory structure, with the aim of enhancing the passenger experience and reversing the decline in bus use.

⁷⁵ Local Bus Market Study, Report to the DfT, KPMG, 2016

Table 2-7: Market imperfections

Market imperfection	Description	Relevance to Peterborough and Cambridgeshire
Network economies	On the road competition between operators may lead to fragmented service patterns and complex ticketing arrangements	Bus network is uncoordinated, with operators specifying services to meet their own commercial objectives. CA has no control over changes and the timing of changes. A range of different ticketing options exist.
Misaligned incentives	Competitive environment discourages investment in infrastructure.	Investment in infrastructure has been limited. There has been limited levels of cooperation between operators to jointly pursue network improvements.
Lack of competition	A lack of effective, sustainable competition between operators could lead to higher fares, lower output, reduced service quality, reduced innovation and higher operator profits relative to those delivered by a more competitive market. A lack of effective competition could also lead to inefficiencies in the market for supported services.	Despite there being several operators in the area, there is limited on the road competition. The dominant operator in the area accounts for c. 80% of overall network mileage.
Wider economic, social and environment benefits	Bus services can generate wider economic, social, and environmental benefits which can mean that it is economically efficient to increase supply above the levels determined by the commercial market.	To realise the significant ambitions to reduce car mileage, boost bus patronage and reduce carbon emissions, coordinated action and greater public sector involvement in the bus market will be necessary.

Scheme objectives

- 2.160 The 'Case for Change' gave the rationale for changing the way bus services are planned and delivered to achieve the Bus Strategy ambitions. The Bus Services Act provides regulatory options to local transport authorities to help achieve such ambitions. These range from arrangements to foster greater collaboration through to bus franchising powers.
- 2.161 The Franchising Guidance requires the setting of objectives relating to what an authority is seeking to achieve, against which different options can be assessed.

2.162 The CA 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 are as follows:

Table 2-8: Scheme objectives

Scheme objective	Measurement of objective
Maximise the ability to achieve a significantly enhanced and integrated bus network as quickly as possible.	Quantitative measures such as total bus patronage. Qualitative measures such as bus passenger satisfaction with various service attributes.
Maximise the contribution of bus services to the achievement of a range of wider economic, social, and environmental policy objectives and goals.	Monetised reductions in greenhouse gases and vehicle emissions from a greener bus fleet and reduction in car travel. Improved levels of access to work and training opportunities and the personal benefits that accrue from that.
Maximise bus user benefits in respect of coordinated service provision, integrated ticketing, service stability and information provision.	Monetised passenger benefits and revenue which result from delivery of the Bus Strategy. Non-monetised benefits from coordination and information improvements, including better integration with other modes.
Maximise the value for money and benefits from investment in the bus network.	Level of monetised benefits achieved from investment.

2.163 Clearly, for any new network delivery model to proceed, it must be affordable. Therefore, underpinning the main scheme objectives is one way to ensure that any approach adopted to deliver the future bus network across Cambridgeshire and Peterborough must be affordable.

Options for the future

Options to reform the bus market

2.164 Recognising that the deregulated market may not always be the most effective delivery model to meet local authority aspirations, the Bus Services Act 2017 provides for potential interventions to modify the deregulated model introduced in 1986. The

National Bus Strategy⁷⁶ subsequently clarified these options, making it clear that transport authorities are required to use either Franchising or an Enhanced Partnership to realise local bus service improvement ambitions. The guidance provided by DfT on delivering BSIPs using an Enhanced Partnership (2021)⁷⁷ states that: *“The Strategy requires LTAs to follow either a statutory Enhanced Partnership or Franchising to deliver the specific actions which will enable BSIP outcomes.”*

2.165 This effectively made the status quo and Advanced Quality Partnerships redundant as ways in which bus services can be delivered. As such, every local transport authority that is not pursuing franchising has introduced an Enhanced Partnership Plan and Scheme(s).

2.166 This position has therefore determined what the options need to be for this Assessment for Cambridgeshire and Peterborough – either an Enhanced Partnership or Franchising. The only other variable then being the level of investment associated with each and the actual interventions and initiatives that would be introduced within those options.

2.167 It is possible for local transport authorities to consider:

- Strengthened arrangements for partnership working between bus operators and local authorities, introducing new Enhanced Partnership Schemes.
- Bus franchising powers, like those used in London, being implemented in Manchester and being pursued by other combined authorities, including Liverpool City Region and West Yorkshire.
- Opportunities to support more user-friendly network-wide ticketing schemes.
- Improvements to the information available to passengers through audio and visual on-board information and the provision of open data on timetable, fares, and bus service arrival times.

⁷⁶ DfT (2021) [“Bus Back Better”, National Bus Strategy for England](#)

⁷⁷ DfT (2021) [The bus services act 2017: enhanced partnerships \(publishing.service.gov.uk\)](#)

2.168 Table 2-9 summarises the potential for these powers to tackle the challenges faced in Cambridgeshire and Peterborough through the different bus delivery models and sets out possible applications in the area:

Table 2-9: Option descriptions

Category of power	Description and discussion	Possible application
<p>Enhanced Partnership (EP)</p>	<p>Mutual agreement between operators and transport authorities on a vision for future public transport (an EP Plan) and a suite of associated actions (EP Schemes), potentially encompassing vehicle specifications, branding, payment/ticketing, real-time information, and timetables. Once agreed, these standards become requirements of all bus services operating in the relevant area, whether new or existing.</p> <p>Successful application of an EP requires a level of consensus between bus operators in order to be supported.</p> <p>The local authority can, in certain circumstances, also become responsible for registering local bus services - taking on responsibilities from Traffic Commissioners - and enforcing those standards.</p> <p>Likely to be most useful where it is important that all bus operations meet the same standards. Whilst the intention is to achieve consensus and agreement, some operators may resist a partnership and require to be compelled to participate, where registration and enforcement is seen as being valuable, and where a wide geographical scope is envisaged.</p> <p>Can determine the area it applies to, dependent on what the partners wish to achieve.</p>	<p>If supported by partners (i.e. bus operators and other interested stakeholders) – could support many of the proposed interventions with CPCA providing infrastructure, administrative back-office support and targeted public funding set out in EP Scheme.</p> <p>In return, operators would commit to meet minimum timetable and vehicle standards, and participate in suitable holistic ticketing/payment arrangements, under a common brand and identity.</p> <p>To maximise the effectiveness of the EP Scheme delivery, CPCA would assume responsibility for local bus service registration and enforcement.</p> <p>Can be a defined area or the whole authority area.</p>

Category of power	Description and discussion	Possible application
Franchising	<p>In a Franchising Scheme, local authorities will determine the details of the services to be provided – where they run, when they run and the standards of the services.</p> <p>Typically, bus operators provide their services under contract to the local authority who can let whatever sort of contract they feel is appropriate. No other services can operate in the franchised area without the agreement of the franchising authority.</p> <p>Franchising is only available to Mayoral Combined Authorities (or otherwise as agreed by the Secretary of State) – power is therefore automatically available to CPCA.</p> <p>Can be for a narrowly defined area or the whole local authority area.</p>	<p>Given the vision for a holistic, multi-modal approach to future rural transport delivery (i.e. not restricted to existing conventional arrangements), franchising offers the ability to take a holistic approach to the designing, planning and provision of a consistent and comprehensive bus network, including network-wide ticketing, aimed at meeting local social, economic, and environmental objectives. It provides an effective way of delivering the step change improvements sought.</p>

2.169 The main differences between what it would mean to deliver bus services either under an Enhanced Partnership or Franchising are summarised in Table 2-10 below. Under Franchising the authority has ultimate control over the planning and provision of the network, whereas an Enhanced Partnership requires authorities and bus operators to work closely together and, through negotiation, commit to deliver infrastructure and services to agreed levels, keeping within Competition and Markets Authority (CMA) guidelines in respect of maintaining competition in the market.

Table 2-10: Differences between Enhanced Partnership and Franchising Programmes

Enhanced Partnership	Franchising
Control supported services only; some influence over wider network (e.g. regulating headways)	Control all services – routes, frequencies, route numbers
Negotiate standards for services/vehicles	Set standards for services/vehicles
Network branding negotiated, continued recognition of individual operators	Network branding mandated. Common livery/branding
Set fares on supported services only and opportunities for targeted discounts	Set fares across all services and general fares discounts
Negotiate multi-operator ticketing	Multi-operator ticketing and single product range

No cross-subsidy between services	Profitable services can cross-subsidise others
Potential to hold operators to account for not meeting requirements	Hold operators to account for not meeting requirements
Partnership/negotiated approach to management of network	Centralised approach to planning and management of network
Shared responsibilities and resourcing	Increased responsibility and resourcing for Local Transport Authority

Scope of Options

2.170 The proposals discussed in this document cover the whole of the Combined Authority area. However, it is possible that alternative strategies and options may be considered in different parts of the area, such as Franchising in part of the area alongside an EP in another.

Assessment of options

2.171 Six scenarios have been reviewed in this Outline Business Case Assessment. These represent three levels of investment (business as usual; medium investment; high investment) each considered under two different regimes – Enhanced Partnership and Franchising. These scenarios are summarised in Table 2-11 below.

2.172 The National Bus Strategy and associated guidance make it clear that to be eligible for any government funding for buses, local authorities must have either an Enhanced Partnership or Franchising in place or be in the process of assessing the case for Franchising. As such, these are realistically the only two regimes available; if CPCA was not undertaking a Franchising Assessment it would have to put in place an Enhanced Partnership Plan and Scheme(s).

Table 2-11: Investment scenarios and delivery options

Delivery options	Investment	Elements included
Enhanced Partnership	Business as usual	Bus services remain largely unchanged; limited investment in infrastructure; multi-operator ticketing
Enhanced Partnership	Medium investment	Some bus services enhancements; increased investment in infrastructure; multi-operator ticketing

Enhanced Partnership	High investment	Significant bus service enhancements; investment in infrastructure, bus priority, information, and bus stops; multi-operator ticketing, including targeted fares discounts
Franchising	Business as usual	Replanned bus services; limited investment in infrastructure; network ticketing
Franchising	Medium investment	Bus service enhancements; increased investment in infrastructure; network ticketing
Franchising	High investment	Significant bus service enhancements; investment in infrastructure, bus priority, information, and bus stops; network ticketing

2.173 Each of the options set out above could achieve some or all the objectives for bus services. Table 2-12 below summarises which attributes would be achieved by which option and to what extent.

Table 2-12: Summary of what may be achieved by each regime⁷⁸

Attributes	Enhanced Partnership	Franchising
Network-wide planning and coordination	√	√√
Network stability – routes / service levels		√√
Network stability – service changes and when	√	√√
Service coordination and interchange	√	√√
Regulating/managing headways on parallel services	√	√√
Increasing service frequency	√	√√
Extending services by time of day or day of week	√√	√√
Improved service reliability	√√	√√
Implementation of bus priority measures	√√	√√
Integration with dedicated transport services	√	√√
Coordinated timing and levels of fares changes		√√

⁷⁸ Not all of these are currently proposed for implementation

Attributes	Enhanced Partnership	Franchising
Restricting types/number of fares products	√	√√
Through fares/ticketing between services	√	√√
Multi-operator network ticketing	√√	√√
Fares discounts/subsidies	√	√√
Introduction of zero emission vehicles	√√	√√
Consistent vehicle layout and standards	√	√√
Consistent on-board systems/equipment	√	√√
On-vehicle audio-visual information/announcements	√√	√√
Common vehicle livery	√	√√
Network branding	√	√√
Coordinated route numbering	√	√√
Comprehensive information provision (including website, timetable leaflets/booklets)	√√	√√
Real time information	√√	√√
At-stop timetable information displays	√√	√√
Improved/consistent bus stop flags	√√	√√
Improved bus stations, stops, shelters	√√	√√
Regulating use of bus stops (slot booking)	√	√√
Consistent driver training		√√
Standard driver uniform		√√
Passenger charter	√√	√√
Passenger compensation	√	√√
Reinvestment of efficiency savings into network	√	√√

2.174 Table 2-12 highlights that the delivery model that would most successfully achieve the ambitions of the local, and regional policy is Franchising. As explored in this Assessment, these policies directly reflect the challenges of the local context, the need for change and the viewpoints of local people.

Affordability

2.175 It is important that the options considered for implementation are both achievable and affordable. The affordability assessment undertaken for this OBC, described in Section 5 sets out a clear ceiling for funding of bus services, based upon realistic funding levels, incorporating farebox income, government funding and local taxpayer

funding. On this basis, it has been concluded that the high investment scenarios set out in Table 2-11 above, are unlikely to be affordable under any realistic scenario that can currently be envisaged. For the purposes of this OBC, further consideration of these options has not been included.

Strategic Alignment

2.176 Whilst taking control of the planning, management, and delivery of bus services in the CA area will enable a more integrated and better planned bus service network, this is not considered to be an appropriate way forward if further investment is not available. The CA would not implement Franchising in a scenario where no additional investment was available, as in this situation the CA would be incurring significant additional running costs and potential risks due to taking on revenue risk, without having the ability to achieve many of the strategic objectives set out. Therefore, further consideration of the Franchising low investment scenario described in Table 2-11 has not been included in this Assessment.

Objectives

Bus Strategy objectives

- 2.177 The seven Bus Strategy objectives set out to achieve improvements across all aspects of the bus network and service provision, to improve its overall attractiveness both to existing users and to those currently not using public transport. Attracting car users is a key goal, being central to the achievement of both main outcomes – growth in bus service use and reduction in car mileage.
- 2.178 The Bus Strategy sets out objectives for the future provision of bus services:
- To deliver a comprehensive bus network, better connecting people to places across the region and beyond.
 - To ensure that buses are part of an integrated and planned transport system.
 - To achieve a transition to a modern, low emission bus fleet.
 - To provide a more understandable bus network with clear information and easy ticketing.
 - To achieve an affordable bus network, with simplified and capped fares.
 - To reduce bus journey times and improve reliability.
 - To provide high quality passenger waiting facilities.

- 2.179 Outcomes sought by the Bus Strategy, which are central to the desire to reform the way bus services are provided are as follows:
- 15% reduction in car mileage by 2030.
 - Doubling of bus passenger journeys (from 2019-20 levels) by 2030.

Objectives of bus reform

- 2.180 The reasons for considering change are highlighted in the Case for Change section. The purpose of adopting a new model of bus service delivery is to realise the following four objectives:
- Maximise the ability of CPCA 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.

Integrated objectives

- 2.181 The Bus Strategy objectives highlight the intentions to deliver an improved network of bus services that are convenient, attractive, and easy to use. Meanwhile, the bus reform objectives aim to promote the ability to achieve the Bus Strategy objectives through the most efficient and effective means, providing the greatest level of overall benefit and value. This is illustrated in Figure 2-13 below. The adopted objectives for bus reform in Cambridgeshire and Peterborough are set out in Table 2-13.
- 2.182 Underpinning all considerations for change is an underlying objective that any future approach can only proceed if it is affordable.

Figure 2-13: Evolution of Bus Strategy Objectives

Bus Strategy Vision	Provision of a comprehensive network of bus services across Cambridgeshire and Peterborough that people find convenient, easy to use, reliable and good value for money and which offers a viable alternative to the car.				
Bus Strategy Goals: A bus network that...	<i>...attracts car users</i>	<i>...supports sustainable growth</i>	<i>...protects and enhances the environment</i>	<i>...supports community health and wellbeing</i>	<i>...creates opportunity for all</i>
	↓	↓	↓	↓	↓
Bus Strategy Objectives	Contribution to Bus Strategy aims		Bus Reform Objectives		
To deliver a comprehensive bus network, better connecting people to places across the region and beyond	Convenient Easy		Maximise the ability of CPCA to achieve a significantly enhanced and integrated bus network as quickly as possible		
To ensure that buses are part of an integrated and planned transport system	Convenient Easy				
To achieve a transition to a modern, low emission bus fleet	Attractive		Maximise the contribution of bus services to the achievement of a range of wider economic, social and environmental policy objectives and goals		
To provide a more understandable bus network with clear information and easy ticketing	Attractive Easy		Maximise bus user benefits in respect of coordinated service provision, integrated ticketing, service stability and information provision		
To achieve an affordable bus network, with simplified and capped fares	Attractive Easy				
To reduce bus journey times and improve reliability	Convenient Attractive		Maximise the value for money and benefits from investment in the bus network		
To provide high quality passenger waiting facilities	Attractive				
↓ ↓ ↓					
Outcomes:					
Reduce car miles in the region by 15% by 2030			Double the number of bus passengers (based on 2019/20 levels) by 2030		

Achieving the objectives

2.183 The Cambridgeshire and Peterborough Bus Strategy sets out its ambitions to improve bus services and standards in support of achieving its wider policy and strategy objectives. The regulatory options considered involve trade-offs between the degree of influence which the CA has over delivery of the Bus Strategy and the costs and risks associated with their implementation.

- 2.184 The Bus Services Act requires that, where an LTA decides to consider Franchising of bus services in its area, an assessment needs to be developed to demonstrate that Franchising is the most suitable option to deliver its policy objectives and aims. The Assessment should set out the options which have been considered in coming to the Franchising Scheme put forward. Other suitable 'non-franchising' options also need to be assessed and compared to Franchising within the Assessment. The necessary trade-offs are identified and addressed as part of this Assessment and are considered central to the CA's decision about which option to pursue.
- 2.185 An EP does not require an assessment to be developed for its adoption or implementation. Indeed, for areas not considering Franchising, an EP is the expected delivery model. An EP is developed through a process of negotiation, with the parties deciding the acceptable levels of commitment that they will support. However, CPCA would not be able to force operators to support an EP. Through the development of an EP, operators may object and, with support from enough operators, prevent the EP Plan and/or Scheme being made and coming into effect. As such, this may result in compromise to reach agreement.
- 2.186 This Assessment sets out the information necessary for CPCA to decide how Franchising compares with the available EP alternative at different levels of investment.
- 2.187 This section goes on to consider the extent to which the options could deliver the Bus Strategy initiatives and ambitions.

Bus network enhancements

- 2.188 The current bus network consists of a mix of commercial services (where operators take revenue risk) and supported services (operated under contract to CPCA).
- 2.189 The adopted Bus Strategy and BSIP propose enhancements to the bus network, with additional services, amendments to existing services and frequency improvements in line with a standardised hierarchy of services setting out expected levels of service; also, greater coordination of services to provide connections.
- 2.190 **Additional supported services** could be introduced under either delivery option, constrained essentially by the levels of available funding. Under an EP, however, no part of an additional service could compete with a commercial service. This could constrain the specification, potential efficiency, and effectiveness of the additional services. Equally, reactive changes to supported services might be required in response to changes in commercial services.

- 2.191 **Amendments to commercial services** can only be made through negotiation and agreement with operators. The CA has no right to insist on changes. De minimis arrangements allow a limited mechanism to provide financial support for agreed changes, such as route diversions or additional journeys. Under an EP, this position is unchanged. Under Franchising, the CA would have the ability to make changes, with affordability the only constraint.
- 2.192 Under current arrangements, the CA does not have the ability to specify **standardised minimum service frequencies**. Under an EP there is potential to specify a standard pattern of maximum service frequencies by time period, which would apply to all operators wishing to run services (subject to approval by the requisite number of operators to be implemented). Under Franchising, the CA would have the freedom to specify whatever levels of service it wanted (subject to affordability).
- 2.193 **Coordinating routes and timetables** of services under current arrangements is difficult to achieve, as operators have the freedom to change routes and times as they wish. Operators are incentivised to maximise revenue on their services, rather than overall public transport revenue. Therefore, making connections with other services may not be a priority. Under an EP, this position is largely unchanged, although the timing of any changes could be limited to certain dates each year. Under Franchising, the CA would be responsible for planning and managing the entire network, so could ensure the continued coordination of services. Furthermore, it should be able to achieve efficiencies in the deployment of resources, by removing service duplication and improving connections between services.

Punctuality and reliability

- 2.194 Bus service punctuality and reliability are concerns for both passengers and operators. The introduction of measures to speed up bus journey times, maintain reliability, and reduce the variability in journey times are central to the Bus Strategy. The introduction of such measures could be achieved under any delivery model. An EP would provide the opportunity for authorities to commit to such interventions, to incentivise and reward negotiated bus operator commitments (such as meeting certain vehicle standards). Under Franchising, the implementation of bus priorities would also accrue to CPCA in terms of reduced operating cost to deliver a specified level of service.

Support for wider policies and strategies

- 2.195 Each of the delivery options has the potential to support the delivery of wider policy ambitions and objectives. Under an EP, periodic negotiations would allow variations to be made to the EP Scheme to maintain alignment with evolving policy. Under Franchising, the CA would have the freedom to review and amend the bus system to meet wider or revised policy objectives, subject to processes agreed within the contracts for franchised services.

Bus depots and vehicles

- 2.196 Under current arrangements, bus depots and vehicles are owned and run by operators, both on commercial and supported services. Many buses are diesel, although 40 electric vehicles have entered service, mostly assisted with public sector funding.
- 2.197 The Bus Strategy envisages a move towards more zero emission buses. Under both an EP and Franchising, the CA expects that operators would continue to maintain ownership and control of their depots and buses. In an EP, requirements for more zero emission vehicles would be negotiated, although the final date for compliance would probably be sometime into the future, with potentially longer given for small and medium operators. Under Franchising, the pace of introduction of zero emission buses would be specified within contracts and limited only by the ability for the CA to meet the resultant contract costs.
- 2.198 In any scenario, the CA is interested in providing more depot capacity, to help ensure there are suitable facilities for zero emission buses, to facilitate new entrants to the market and to accommodate the larger number of buses required to provide the enhanced network. In the case of Franchising, it is intended to look at the provision of two new depots, one in the Peterborough area and one in the Cambridge area. These would help facilitate new entrants to the market, as well as increasing overall capacity.

Fares and ticketing

- 2.199 Currently, bus operators largely dictate fare levels and ticket products. There is little scope for the CA to influence these, apart from setting fares on supported services and in facilitating a multi-operator ticket. The Bus Strategy wishes to see a simpler fares and ticketing system, with a smaller number of standard products and fare capping.
- 2.200 Under an EP, some rationalisation of tickets could be achieved, although the right of operators to set single fares would remain. Equally, the setting of fares on supported

services would still be influenced by commercial fares. The provision of subsidised fares under an EP is difficult to achieve outside of groups entitled under concessionary travel arrangements.

- 2.201 Under Franchising, the CA would have the ability to set standard fares across the network (including the maximum age and level of discount for young people) and a standard range of network-wide tickets. It could also include services operated under Service Permits. However, at this time, setting a maximum fare for travel within the area is not proposed as part of Franchising.

Customer experience

- 2.202 Currently, there are differences between operators in respect of customer experience offered and information available. Each of the delivery options has the potential to standardise the offer, for example in terms of driver training and vehicle quality requirements or setting standards for the style, content, and sources of information. Under Franchising, the CA could also decide to specify common branding and identity for all bus services, to help provide a more consistent user experience.

Delivering Bus Strategy objectives

- 2.203 Table 2-13 summarises the extent to which the Cambridgeshire and Peterborough Bus Strategy objectives might be achieved through an EP or Franchising.

Table 2-13: Objectives of Bus Reform

Bus Strategy objectives	Enhanced Partnership	Franchising
To deliver a comprehensive bus network, better connecting people to places across the region and beyond.	Operators retain the ability to make changes to services without approval of the CA.	Ability to plan and specify the entire network and dictate when/how changes are made to the network.
To ensure that buses are part of an integrated and planned transport system.	Operators still have the freedom to make changes to services, which might remove opportunities for interchange. Agreement must be achieved to implement measures.	Overall network planned to facilitate interchange and avoid duplication of services. Fares and ticketing integration is a requirement.
To achieve a transition to a modern, low emission bus fleet.	Can be specified, but need agreement; therefore, may take longer to achieve.	Ability to specify requirements, subject to appropriate funding being available.

To provide a more understandable bus network with clear information and easy ticketing.	Can be specified, but needs agreement and may result in some compromises, including on ticket prices. Operators may still offer some of their own products, which could cause confusion for users.	Ability to specify the fares and ticketing products available across the network.
To achieve an affordable bus network, with simplified and capped fares.	Ability to control fares on supported service only. Some ability to agree targeted discount/concessionary fares.	Ability to set fares, even at significantly discounted rates, with applicability across the network.
To reduce bus journey times and improve reliability.	Ability to achieve this through bus priority and other initiatives.	Ability to achieve this through bus priority and other initiatives.
To provide high quality passenger waiting facilities.	Ability to provide improved passenger waiting facilities across the network.	Ability to provide improved passenger waiting facilities across the network.

2.204 The comparison shows how Franchising could help achieve the objectives around service planning, provision, and delivery more easily and effectively than under an EP, where everything needs to be negotiated and agreed. However, the provision of infrastructure and bus priority measures could be achieved equally under either model. However, there may be differences between what operators might provide to complement those investments. Under an EP they would have to be negotiated, whilst under Franchising they would be specified.

2.205 Table 2-14 shows how an EP or Franchising could support the policy ambitions of neighbouring authorities that were set out in Table 2-3.

2.206 Overall, Franchising within the CA area should not impact negatively on bus services in neighbouring authorities. A Service Permit system will allow cross-boundary commercial services to continue as at present (in a deregulated environment, but with agreement to meet certain standards, such as multi-operator ticketing).

Table 2-14: Neighbouring authorities – policy impacts of an EP or Franchising

Authority	Enhanced Partnership	Franchising
Norfolk	Neutral/minor impact. One strategic bus link – no impact on frequency/timetable. Potential to deliver improved information for cross-boundary services and introduction of multi-operator ticketing options.	Neutral/minor impact. One strategic bus link – no impact on frequency/timetable or ability to amend service. Ticketing reform may benefit cross-boundary travel.

		Service standards maintained through Service Permit requirements.
Suffolk	<p>Some positive impacts.</p> <p>Several strategic bus links, with proposals to improve levels of service.</p> <p>Potential to deliver improved information for cross-boundary services and introduction of multi-operator ticketing options.</p> <p>Shared ambitions for zero emission vehicles and decarbonisation.</p>	<p>Some positive impacts.</p> <p>Several strategic bus links, with proposals to improve levels of service.</p> <p>Ticketing reform may benefit cross-boundary travel.</p> <p>Service standards maintained through Service Permit requirements.</p> <p>Shared ambitions for zero emission vehicles and decarbonisation.</p>
Essex	<p>Some positive impacts.</p> <p>One strategic bus link, with proposal to improve level of service.</p> <p>Potential to deliver improved information for cross-boundary services and introduction of multi-operator ticketing options.</p>	<p>Some positive impacts.</p> <p>One strategic bus link, with proposal to improve level of service.</p> <p>Ticketing reform may benefit cross-boundary travel.</p> <p>Service standards maintained through Service Permit requirements.</p>
Hertfordshire	<p>Some positive impacts.</p> <p>One strategic bus link, with proposal to improve level of service.</p> <p>Supports shared objective of improving bus infrastructure, passenger information and overall image of bus, linking with Intalink identity.</p>	<p>Some positive impacts.</p> <p>One strategic bus link, with proposal to improve level of service.</p> <p>Ticketing reform may benefit cross-boundary travel.</p> <p>Service standards maintained through Service Permit requirements.</p> <p>Supports shared objective of improving bus infrastructure, passenger information and overall image of bus, linking with Intalink identity.</p>
Central Bedfordshire	<p>Neutral/minor impact. Limited cross boundary service provision.</p> <p>Supports shared objective to generally improve bus services.</p> <p>Potential to deliver improved information for cross-boundary</p>	<p>Neutral/minor impact. Limited cross boundary service provision.</p> <p>Supports shared objective to generally improve bus services.</p> <p>Ticketing reform may benefit cross-boundary travel.</p>

	services and introduction of multi-operator ticketing options.	Service standards maintained through Service Permit requirements.
Bedford	Neutral/minor impact. One strategic bus link – no impact on frequency/timetable. Shared objectives for information, ticketing, and promotional activities. Potential to deliver improved information for cross-boundary services and introduction of multi-operator ticketing options.	Neutral/minor impact. One strategic bus link – no impact on frequency/timetable. Shared objectives for information, ticketing, and promotional activities. Ticketing reform may benefit cross-boundary travel. Service standards maintained through Service Permit requirements.
North Northamptonshire	Neutral/minor impact. One strategic bus link – no impact on frequency/timetable. Shared objectives for general service improvements. Potential to deliver improved information for cross-boundary services and introduction of multi-operator ticketing options.	Neutral/minor impact. One strategic bus link – no impact on frequency/timetable. Shared objectives for general service improvements. Ticketing reform may benefit cross-boundary travel. Service standards maintained through Service Permit requirements.
Lincolnshire	Neutral/minor impact. Several strategic bus link – no impact on frequency/timetable. Shared objectives for general service improvements. Potential to deliver improved information for cross-boundary services and introduction of multi-operator ticketing options.	Neutral/minor impact. Several strategic bus links – no impact on frequency/timetable. Shared objectives for general service improvements. Ticketing reform may benefit cross-boundary travel. Service standards maintained through Service Permit requirements.

Measuring Success

2.207 This section sets out the monitoring, evaluation and learning framework that will be established by the CA following the implementation of bus reform measures. The aim of the monitoring, evaluation and learning framework will be to analyse, report and respond to the operational performance, financial and commercial data that will be continuously collected by the CA. The processes implemented will be continuously monitored to provide management information to officers and decision makers, to

inform decision making related to service patterns and levels, bus service contracts, financial risks, and complementary policies.

2.208 Data will be collected in service areas, including, but not exclusively:

- Service patronage on all franchised services;
- Boarding and alighting at all bus stops;
- Fare revenue collected;
- Service punctuality and reliability;
- Bus service operating costs;
- Customer satisfaction rates; and
- Variations from forecasts.

2.209 Data will be analysed against a number of criteria, which will be used to determine whether the implemented option is successful, and where things could be improved. The criteria are a mix of outputs and outcomes, reflecting that it is important to assess the detailed performance of the bus network, and how well the bus network is contributing to the achievement of policy objectives. It should be noted that these will be minimums sought with a view to exceeding the targets.

Table 2-15: Monitoring, Evaluation and Learning Framework Criteria

Criteria	Measure	Target
Franchising success	Number of qualifying bids received	At least 3 qualifying bids received for every franchise package
Total usage of buses	Measured passenger kilometres	10% higher in 2032/3 than in 2026/7
Bus occupancy (avoiding overcrowding)	Calculated occupancy at given locations	Occupancy no higher than 95% of theoretical total
Usage of key bus stops	Measured boarding and alighting	Usage of improved bus stops higher in 2032/3 than in 2026/7
Fare revenue	Total revenue collected	Year on year bus fare revenue rises in real terms
Bus service satisfaction	CA surveys	Bus service satisfaction is higher in every year than in 2019
	Operator reporting	Number of complaints related to CPCA bus services is reduced by 50% between 2024/25 and 2032/33 and by a further

		50% between 2032/33 and 2042/43
Quality of waiting environments and infrastructure (bus stops, interchanges, bus stations)	CPCA passenger satisfaction surveys	Year-on-year improvements in levels of satisfaction
Passenger safety and security	Operator and police reporting	Number of passengers injured whilst using CPCA bus services is zero
Bus vehicle accessibility	Percentage of fleet that is low floor or step free access	Percentage of fleet that has step free access is 100% by 2032/3
Bus service operating costs	Financial reporting by operators	Bus service operating costs do not rise by more than inflation between 2026/7 and 2032/3
Bus service seat kilometres in target areas	Operator reporting	Bus service km in rural areas increased by more than 20% as a result of Franchising and then remain stable between 2027/8 and 2032/3 Bus service km in rural areas in 2040/1 at least 20% higher than in 2026/7
Average bus speeds	Operator reporting and CPCA surveys	Average bus speeds across the network do not fall between 2026/7 and 2032/3 Average bus speeds on corridors with additional bus priority measures rise between 2026/7 and 2032/3
Bus service punctuality	Operator reporting and CPCA surveys	Percentage of bus services on time at timing points at least 95% Percentage of bus services leaving a timing point early is zero
Bus service reliability	Operator reporting and CPCA surveys	At least 98% of scheduled bus services operated

Operator staff safety and security	Operator and police reporting	Number of operator and CPCA staff injured whilst operating CPCA bus services is zero
Accessibility for residents to economic and social opportunities	CPCA modelling and surveys of customer groups	Accessibility is higher in 2032/3 than it is in 2026/7
Management of Air Quality in Sensitive Areas	Monitoring of AQMAs	Reduction in harmful emissions within existing AQMAs between 2026/27 and 2032/33
Greenhouse Gas Emissions from Transport	Reductions in total GHG emissions from bus services	Total GHG emissions from bus services in CPCA area reduced by 20% between 2026/27 and 2032/33, and by a further 20% between 2032/33 and 2040/41

CPCA's unique position

- 2.210 The bus network in Cambridgeshire and Peterborough has experienced similar challenges to most other parts of the country, with struggling commercial services because of reduced usage post-COVID. CPCA, along with other Mayoral Combined Authorities, is therefore exploring alternative delivery options for bus services. However, CPCA's geographical area is very different to the more urbanised metropolitan areas, which means that its bus network is also quite different.
- 2.211 The mainly urbanised areas have large, concentrated populations that are served by intensive commercial bus networks. Here, Franchising is attractive to be able to design and shape these networks differently, using revenue from the more commercial services to cross-subsidise other services or to fill gaps. With this comes huge responsibility and risk, overseeing major networks operated by many hundreds of buses.
- 2.212 CPCA's area consists of two modest urban areas, along with large rural areas with dispersed population. Therefore, intensive bus networks only exist in the more densely populated areas. Other areas are served by lower frequency commercial or supported services; some areas have little or no service. These different circumstances and challenges mean that CPCA's interest in Franchising is about securing the ability to plan and deliver a more comprehensive, integrated network. Recognising that significant public funds will be needed to achieve this, Franchising will enable these

funds to be directed efficiently towards achieving the wider objectives of the CA and its partners.

- 2.213 Whilst this will increase the responsibility and risk for the CA, the scale of this will be much less than in other areas that are considering franchising. Indeed, the Franchising Scheme envisaged by CPCA, is more balanced than elsewhere, with some responsibilities remaining with the bus operators. Therefore, Franchising would be more an extension of what is already being undertaken in terms of supported services, with the entire network operated under a series of contracts.

Strategic Case conclusion

- 2.214 CPCA and its partners have bold ambitions for economic growth. It will be vital to ensure that this growth is environmentally sustainable and inclusive.
- 2.215 Transport, and particularly the bus, has a significant role to play in this, which is recognised in the Local Transport and Connectivity Plan and Bus Strategy. Achieving a 15% reduction in private mileage, would see a doubling of bus passenger journeys by 2030. The scale of what is required is huge. Meanwhile, current bus services are declining.
- 2.216 A step change in the provision of the bus network is needed to deliver the ambitions of the Bus Strategy. Declining patronage, withdrawals of key services and increasing levels of public subsidy indicate that the current services are failing to provide effectively for passengers. Current arrangements are unlikely to deliver the scale of change required. Further initiatives are needed, including network enhancements; fares and ticketing initiatives; and fleet renewal, which are unlikely in an operating environment mainly driven by commercial objectives and priorities, and where there remains great uncertainty in the market.
- 2.217 The CA's Bus Strategy aims to deliver against a range of objectives – social, economic, and environmental. Therefore, it requires more influence on the outcomes to deliver the step change in bus services. A case for change therefore exists. Without regulatory changes to the delivery of bus services, the Bus Strategy could not be achieved in full and, for those limited aspects which could be delivered, has limited certainty around delivery.
- 2.218 The Bus Services Act provides the legislative tools for local transport authorities to respond to situations where the current deregulated model does not appear to be the optimal regulatory structure to enhance the customer experience and reverse the long-term decline in bus patronage. The government's Bus Back Better Strategy, in

- mandating that LTAs must introduce an EP or Franchising (where applicable) signals its acceptance of the necessity for change.
- 2.219 CPCA has the powers to change arrangements for the delivery of the bus network. Therefore, it is appropriate for it to consider the potential contribution of each of the delivery options. Only two options are available to the CA – it either needs to introduce Franchising (an option automatically available to Mayoral Combined Authorities), or otherwise it needs to have an EP in place, as is the case with most local transport authorities.
- 2.220 There are significant uncertainties regarding bus provision, including the future costs of operating services. These will be present under all types of operating model and regardless of the level of investment. In all cases, more public funding will be necessary to maintain and enhance services, at least in the early stages until a virtuous cycle of growth and improvement can be established.
- 2.221 In parallel to the investment, the CA wishes to see greater control of the network (offered by Franchising) to have the greatest influence on how and where the investment is made, ensuring that its strategic objectives are met. As part of the enhanced bus network envisaged, are services with more even headways, new links established by deploying buses differently, and services that create interchange opportunities to widen the range of destinations available.
- 2.222 Franchising offers the ability to strategically plan such a coordinated network and gain some added benefits over an EP model.
- 2.223 The two options (Franchising or EP) vary in their complexity, level of risk to the authority, and the level of influence that the CA would be able to exert in shaping bus services. Application of each option involves trade-offs, which the CA needs to assess against the potential to secure the delivery of its Bus Strategy. Franchising would be a bold step that would provide the CA with significant influence. It would have the potential for a significant beneficial effect in terms of meeting wider policy ambitions. It would offer a route to confident delivery of the Bus Strategy. It is therefore included in the options assessed, along with the EP, which would be the only remaining option if Franchising was not taken forward.
- 2.224 Both EP and Franchising Schemes have the potential to make positive contributions to the implementation of neighbouring authorities local transport and other policies, in particular through enhancing service stability and specification.
- 2.225 Anything to be taken forward through an EP requires the consent of the majority of those operators providing qualifying local bus services. Therefore, some of the aspirations of the CA may need to be compromised to achieve consensus and a

solution through an EP. Franchising, however, would provide the CA with the power to specify all requirements for services.

- 2.226 The Franchising Scheme stands out as the more promising option for the CA due to its ability to provide greater control over strategic outcomes at higher investment levels. The Strategic dimension, which is crucial for achieving the step change envisioned for the bus network and attaining broader ambitions, is better addressed by the Franchising model. This would enable the CA to achieve these goals more decisively and effectively.
- 2.227 The choice of which of the two options should form the preferred option for implementation must take account of their relative performance across all five of the Business Case dimensions, including the relative weight that accountable decision-makers place on the different aspects, together with consideration of the balance of risk and reward. In respect of the Strategic dimension, Franchising would provide the ability for the CA to achieve the step change envisaged for the bus network and the achievement of its wider ambitions more decisively and effectively.

3. Economic Case

Introduction

- 3.1 This section presents the economic appraisal of the different Bus Reform options. The purpose of the economic appraisal is to demonstrate the Value for Money (VfM) of the different options, alongside non-monetised impacts, and risks, under different scenarios. 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.
- 3.2 The Economic Case considers the 'Reference Case', in which the CA continues to oversee bus services with a minimal level of intervention. It then compares the counterfactual to the two shortlisted reform options: Enhanced Partnership and Franchising.

Content of this chapter

- 3.3 This section contains:
- The Economics of bus markets;
 - Overview of Do Something options;
 - Modelling approach;
 - Modelling outputs;
 - Economic appraisal and impact of the Do Something options; and
 - Assessment of uncertainty, risk, and optimism.

Economics of Bus Markets

- 3.4 It is helpful to consider the CA's bus reform options in the wider context of bus market economics, and the implication of different regulatory regimes on passengers, providers, and public entities.
- 3.5 Broadly, bus markets sit on a spectrum between being 'deregulated' and 'fully controlled'.
- 3.6 **Deregulated bus market** – In a deregulated bus market, bus operators are free to plan and operate bus routes, invest in bus infrastructure (apart from roads), fleet and depots, set fares and ticket types, and collect fare revenues.

- 3.7 In theory, in deregulated markets, operators compete 'in the market' for bus passengers. Operators may offer lower fares, more frequent services, better buses, accessibility tools etc., to attract passengers and increase market share and profit.
- 3.8 While some regulation exists in 'deregulated' markets, such as requirements for route registration, minimum driver training and other safety and accessibility standards, the core components of bus services remain under the control of private bus operators.
- 3.9 **Fully controlled bus markets** – In fully controlled bus markets, a public entity performs all the activities mentioned in paragraph 3.6. In some cases, the public entity may block competition from private providers.
- 3.10 In 'fully controlled' markets, private bus operators may still operate buses, but to a detailed specification with no control over planning, tickets, fares, or ownership of buses. As such, operators are seen as providing a service to the public entities they contract with.
- 3.11 Public entities can intervene in bus markets, without fully controlling them, and so bus markets can sit between these two ends of the spectrum. There is no clear line beyond which a market will be considered fully controlled, but for the purpose of this Economic Case, Franchising will be considered as a fully controlled market, whereas EP will be considered a deregulated market with interventions (albeit extensive interventions). In addition, while some services may be 'fully controlled' a market would still be considered deregulated if the majority of services are operated commercially.
- 3.12 **Advantages of deregulated bus markets** – in deregulated bus markets, operators are incentivised to plan their operations to maximise revenue and minimise costs. In a competitive market, where barriers to entry are low and passengers are free to choose between operators, a deregulated market is likely to provide an 'optimal' level of service, where the marginal cost of providing bus services equals the marginal benefit to passengers.⁷⁹ Bus operators are best placed to manage their costs, and therefore bus services in a deregulated market will also be cost efficient.
- 3.13 Inter-city bus markets, for instance, have all the conditions for deregulated buses to be provided at an optimal level whilst also being financially viable.
- 3.14 **Disadvantages and risks of deregulated markets** – Certain conditions must be met for deregulated bus markets to function as desired. Most importantly, there needs to

⁷⁹ The term 'optimal' here is meant in the narrow sense of benefits to passengers and cost to operators. External costs and benefits will be considered later.

be meaningful competition, or the risk of competition.⁸⁰ Where barriers to enter the market are high, the level of competition is low and dominant operators are likely to increase fares and reduce their level of service without losing any market share. That means that the level of service (considering both cost and quality) is sub-optimal. In places where bus services are deemed commercially unviable, the level of service in deregulated markets is likely to be lower than what is socially desired, with many people lacking access to basic amenities such as healthcare or education. Lastly, even in viable and competitive markets, lack of coordination between public transport operators may result in some disbenefits to passengers. For instance, where interchange between operators is difficult due to lack of interchange facilities, or where timetables are misaligned.

- 3.15 **Advantages of fully controlled markets** – under full control, local authorities or governments can execute their bus strategy in full, where the only barrier is the availability of public funding. Public entities with full control are also able to invest in bus infrastructure without the need for complex contracts with private operators who will use them.
- 3.16 **Disadvantages of fully controlled markets** – Public entities are not as incentivised to minimise costs and maximise revenue as private entities (although they are politically incentivised to provide adequate levels of service where it's most needed), and therefore there is a risk that the design of services will be sub-optimal, and the cost of running them less efficient.
- 3.17 **Mitigation of the disadvantages and risks of deregulated markets** - the disadvantages of unregulated markets can be addressed with *some* intervention, without resorting to full control. In the UK, for instance, following an investigation of the Competition Commission in 2011, it was made illegal to prevent operators from using bus stops, thus reducing barriers to entry. In addition, services can be subsidised to provide a socially desired level of service. Lastly, local authorities may invest in interchange facilities and require the alignment of timetables.
- 3.18 **The cost of intervention** – where public entities decide to intervene in the bus market, by providing subsidies, or imposing requirements on bus operators, there are *transaction costs* involved. That is, the cost of planning regulatory measures (or

⁸⁰ Note that actual competition is not necessary to achieve an optimal service level. In some cases, the 'risk' of competition to a dominant operator is enough to encourage them to provide an optimal level of service. A study by the Competition Commission in 2011 demonstrated that operators are aware of, and respond to, the risk of competition. See "Local bus services market investigation. A report on the supply of local bus services in the UK (2011)".

planning bus services to be subsidised), the cost of enforcement, and the cost operators incur to comply with regulations.

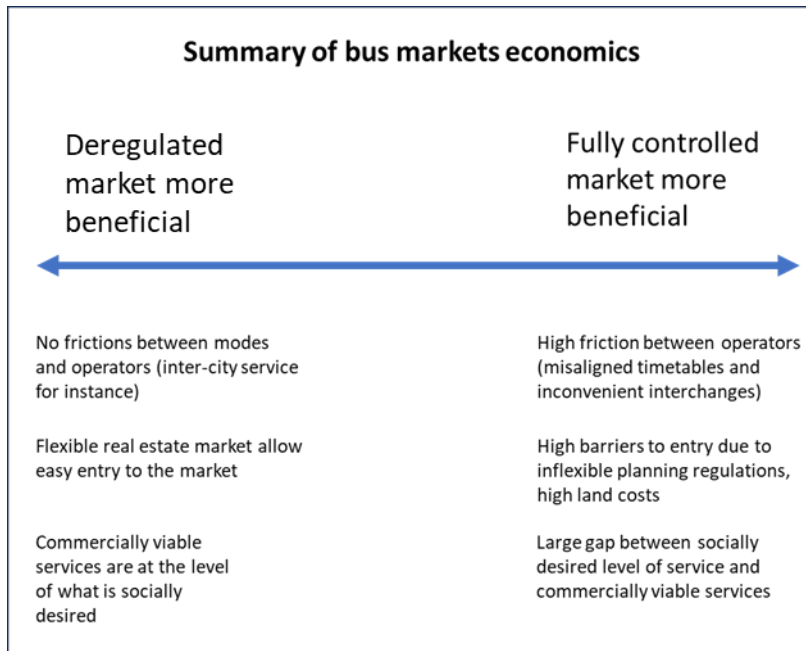
- 3.19 **Scope of intervention** – the required scope for intervention is determined by exogenous and endogenous factors. Exogenous factors include barrier to entry, due to high land values, for instance, or the level of friction between operators. Endogenous factors include the willingness of public entities to provide public transport above the level of service that is commercially viable.
- 3.20 **Intervention vs. full control** – Intervention is different from ‘full control’ in that it imposes requirements on operators without fully specifying service contracts or taking revenue risks. In theory, intervention in a deregulated market could achieve the same outcome as gaining full control. However, in practice, beyond a certain scope of intervention, the level of transaction cost may make it more cost effective to gain full control.
- 3.21 For example, in a city like London, where there are several (dominant) public transport operators and modes, it is more cost effective to control bus (and rail) contracts and specify them, instead of imposing a requirement on operators to align their timetables and ticketing systems in exchange for a subsidy. The cost of planning, enforcing, and monitoring the latter might be higher than gaining full control.
- 3.22 Equally, if the gap between the socially desired level of service and what is commercially viable is large, then providing subsidies to increase the level of service must be accompanied by adequate bus planning, contract management and monitoring. Therefore, as the required level of subsidy rises, it becomes more cost efficient to gain full control over the network than it is to provide subsidy.

Summary of the economics of bus markets

- 3.23 Both deregulated and fully controlled bus markets have advantages and disadvantages, and whether one is superior to the other depends on market conditions and the desired level of bus service.
- 3.24 A deregulated market is more beneficial where there are low barriers to entry and so competition encourages operators to provide an optimal and efficient level of service. The disbenefits of deregulated markets are lower where there are few or no interchanges between modes and operators involved in most trips.
- 3.25 A fully controlled market is more beneficial where the market is not competitive enough to provide an optimal level of service, and where the desired level of service is significantly higher than what is commercially viable. In addition, fully controlled

markets may be more beneficial if there is a high degree of integration between modes and operators.

Figure 3-1: Summary of bus markets economics



Implications for the CA

- 3.26 The structure of the bus market means that a fully controlled market is more beneficial.
- Currently there is a dominant operator in the CPCA area with a large majority market share. It is likely that barriers to entry are high due to an inflexible land market, although there may be other reasons for the lack of competition. It is therefore likely that the service levels in the area are sub-optimal and would benefit from more competition and an enhanced network.
 - The CA is willing to provide a bus service above the commercially viable level. As this Business Case shows, even in a Do-Nothing scenario, the CA will increase its support of the bus market, which is likely to result in increased transaction costs.
 - Friction between operators exists, and the structure of the market prevents passengers from taking full advantage of bus services in the CA area.
- 3.27 The following section of the Economic Case attempts to capture flaws in the current situation and demonstrate the benefits of introducing more control over the bus market.

Bus reform objectives

3.28 To reiterate the objectives of bus reform:

- Maximise the ability of the CA 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.

3.29 With these objectives in mind, a number of proposed measures have been included, at different scales, in the two 'Do Something' options. The measures can be split into three main themes.

- Network Operations
 - Improved network integration, with improvements in co-ordination between public transport services (including with Busway and rail services);
 - Increased early morning and late evening services, where this can be justified; and
 - Increased service frequency.
- Fares and ticketing
 - Single ticket for all operators;
 - Increased off-bus ticket sales;
 - More control on fare setting.
- Customer experience
 - Increased bus priority leading to faster journey times;
 - Improved Real Time Information (RTI), on board information, and Wi-Fi.

Overview of options

3.30 Two 'Do Something' options have been assessed and presented in this Business Case; Franchising and Enhanced Partnership (EP). These have been compared against a baseline or Reference Case (a 'Do Nothing').

Reference Case ('Do Nothing')

3.31 For the purposes of this Assessment, a representative 'Do Nothing' case, was taken as being a continuation of the current deregulated market with a minimal Enhanced

Partnership model in place. In the Reference Case, the CA will not make any capital investment. Nevertheless, the Reference Case demonstrates the CA's commitment to supporting bus services. Therefore, whilst no capital investment is included, it does assume that the CA will continue to support the current level of service with increased subsidy. This approach was based on a CA Board decision in March 2024.

- 3.32 While an approach to maintain current service levels has been taken, it should be noted that there remains uncertainty around future bus provision in the area. In the past where commercial operators stop running certain services, the CA has stepped in to restore these services, as happened in 2022 with service 22, and has happened continuously since. However, where operators reduce the level of service, but keep the route in place, there is no clear mechanism for the CA to intervene and restore the previous level of service. This means that the Reference Case does not reflect the counterfactual perfectly. However, this does not have a material implication on the conclusion of the assessment or the affordability of the proposals.

Enhanced Partnership

- 3.33 Under the modelled 'Do Something' Enhanced Partnership, the Authority will make some capital investments into the bus network and enhance the current level of service as much as it can.
- 3.34 In addition to enhancing the network, the CA will work with operators to introduce integrated ticketing, which will make it easier for passengers to use any bus service.
- 3.35 Furthermore, the CA will work with operators to improve bus performance measured by Public Performance Measure (PPM).
- 3.36 As part of the CA's commitment to improve bus services for passengers, and to make the area a better place for operators to run buses, it will also invest in bus priority measures to improve travel times and reduce operating costs.
- 3.37 All measures implemented as part of an EP would be subject to negotiation with operators and therefore contain a degree of uncertainty around what level of implementation may actually occur. The assumptions modelled contain the CA's best estimates of the future at the point of assessment and have been designed as a comparator to a Franchising alternative.

Franchising

- 3.38 Under the Franchising option, the CA will gain control over public bus services in the area, including the planning of services, setting fares, and specifying service contracts. Note that services such as home to school transport would remain the responsibility

of Peterborough City Council and Cambridgeshire County Council, but opportunities for co-ordination in this area could be more easily sought under Franchising. The CA will undertake a similar level of capital investment in the network as in an EP, including bus priority measures, the introduction of integrated ticketing and focus on bus performance in its contract.

- 3.39 Due to the increased level of control under Franchising, the Authority will also take revenue risk from operators, and allow them to focus on delivering specified contracts in a cost-efficient manner.

Desired and Proposed Bus Service Network

- 3.40 A central component of the 'Do Something' scenario is the enhancement of bus services. An ideal level of service (i.e. the 'gold standard') is set out in Table 3-1 below, in line with the objectives of the Bus Strategy. This represents the desired frequencies for different categories of services.

Table 3-1: Desired Service Frequencies

Service category	Service type	Service frequencies (minutes)			
		Mon-Sat daytime (06:00-19:00)	Mon-Sat evening (19:00-midnight)	Sunday daytime (08:00-18:00)	Sunday evening (19:00-22:00)
Primary	Busway	10(North)/20(South)	20	20	60
	City	15	20	20	60
	Strategic	60	60	60	-
Secondary	City	30	60	60	-
	Town	60	-	-	-
	Link	60	-	-	-
Local	Feeder, local link and/or DRT	All operate, but perhaps for less duration and/or using fewer vehicles		-	-

- 3.41 In the model, operational costs increase over time at a faster pace than fares revenue. This is seen as a conservative assumption which is reflective of the trend in the last 10 years. Therefore, constraints of affordability mean that 'gold standard' levels of service are not modelled in this economic case. Instead, an increase in the level of service has been included up to 2038, and a decrease thereafter once the enhanced level of service becomes unaffordable. The details of this are set out in the Economic Case in Table 3-2. Generally, the services of greater value to the network (i.e. with

greatest patronage and ability to generate more use) are likely to have the higher levels of enhancement.

- 3.42 It is important to note that cost and revenue forecasts are highly uncertain beyond 2038. Depending on demand, and operating costs, the 'gold standard' may never be achieved. The intention is that by starting to implement improvements, patronage and revenue growth over time would make further enhancements feasible, reaching the 'gold standard' if it is affordable.
- 3.43 Consequently, the CA proposes a phased introduction of enhancements, with different levels of improvement (as a percentage of the full 'gold standard') envisaged for different service groups.

Modelling approach

- 3.44 At the core of this Economic Case, is the estimate of the impact of the two Do Something options, compared to the Reference Case.
- 3.45 The Do Something options are expected to mainly impact passengers, bus providers, other transport users, the Authority, and the government. For each of these groups, the impact on costs, revenues, and socio-economic benefits (or costs) were modelled.
- 3.46 The logical structure of the model is as follows:
- External / exogenous factors are considered for their impact on costs, demand, and revenues in the Reference Case and in the Do Something cases. The main external factors include economic growth, inflation, population growth and car costs.
 - Internal / endogenous factors are considered for their impact on costs, demand, and revenues in the Reference Case. The main internal factor to affect the Reference Case is the CA's subsidy of bus operators to maintain the current level of service.
 - Internal /endogenous factors are considered for their impact on costs, demand, and revenues in the two Do Something options (separately).
 - Considering the difference in costs, demand and revenues, the economic impacts are estimated.
- 3.47 A spreadsheet model⁸¹, incorporating both the demand forecasting elements of the appraisal and the economic appraisal, was developed to support the Assessment. To

⁸¹ TUBA-equivalent <https://www.gov.uk/government/publications/tuba-downloads-and-user-manuals>

ensure consistency between the different elements of the business case, the same spreadsheet also incorporates relevant elements of the Financial Case.

3.48 2024/25 was used as the base year.

Approach to demand modelling

3.49 In the absence of a multi-modal transport model for the area, demand was forecast using an elasticity⁸² approach, on a service-by-service basis.

3.50 For each service, the forecast patronage is influenced by changes to frequency, operating hours, ticket price and journey time at the appropriate elasticity. This is a standard practice in demand modelling and considered appropriate for this kind of intervention. The elasticities used were based on the DfT's Transport Analysis Guidance, or other evidence from reputable sources.

3.51 In addition to the standard impact of exogenous and endogenous factors, special consideration was given to the impact of major development sites being promoted in the CA area. The impact of these developments is explained in Appendix A.

3.52 The modelling approach means that each of the steps and inputs used can be found in the spreadsheet model and have been reviewed by the auditor.

Approach to revenue modelling

3.53 Revenue is a function of demand and fares. Data for on-board bus fare revenue per route was made available by bus operators. Average fare per passenger per service type was calculated.

3.54 To estimate total revenue, the forecasted demand of fare paying passengers was multiplied by average fare for each service, as provided by operators.

Approach to cost modelling

3.55 At the time of completing this OBC, the CA did not have access to specific and detailed cost data of running buses in the CA area from all operators, apart from data on the cost of supported services.

3.56 Therefore, as a simplification with the available data, a 'cost per mile' approach was used to estimate the cost of running bus services. It is understood that some services

⁸² The term 'elasticity' is used within the economic case, it means the degree to which demand is sensitive to changes (for example how much patronage changes as a result in changes in ticket price)

may be more costly, while others more cost efficient, but the average is considered appropriate for assessment of the network as a whole.

- 3.57 Total miles for each option were estimated based on the timetables, where the length of the route was multiplied by the total number of buses per day. Daily services were then multiplied to generate an annual figure.
- 3.58 The cost per mile for the 2022/23 financial year was obtained from two sources. One was a DfT publication of cost per live mile of bus operations in England outside of London. The other was CPCA's cost data for supported services. The total cost per mile was a weighted average of these two figures, where the weight of the supported services figure was equal to the share of supported services in CPCA (in mileage terms).
- 3.59 The 'cost per mile' may not be sensitive to variations in services which make them cheaper or costlier to operate. Nevertheless, it is believed that the cost model is sufficiently robust to estimate the impact of the intervention, and it is superior to other methods, considering the availability of data, for the following reasons:
- For large-scale modelling, such as of an entire CA, average cost per mile is likely to be similar to the national average (defined for the appropriate area). While there may be variations, these could be captured under sensitivity analysis.
 - Using a cost per mile approach, every additional mile is costed at an *average cost*. However, in practice, additional miles will only incur *marginal cost*. In large scale operations, operators can find efficiencies and therefore marginal costs can be lower than the average cost. Hence, the per mile cost estimate is conservative.
 - An alternative approach would have been to estimate the Peak Vehicle Requirement (PVR) (the number of vehicles needed) and estimate a cost per PVR. This is a common approach to estimate the cost of bus services. However, this approach is less sensitive to incremental mileage changes where the PVR may remain the same, even where extra running miles are added in for additional evening services, for example. In addition, due to the 'lumpy' nature of changes in costs due to changes in PVR, the margin of error may be higher.
- 3.60 Other costs, such capital investment, were estimated with a bottom analysis, or by using evidence from elsewhere.

Reference Case demand modelling

Baseline

- 3.61 Bus operators provided two months of data on patronage per service in the CA area. For this study the most relevant datapoint was demand during November 2022, as this was after the largest effects of COVID had been removed from the market, but before the effect of the government's bus fares cap pilot was introduced. A factor was applied to monthly patronage to generate an annual figure. Regional historic trends in car traffic seasonality were used as a proxy to derive this figure and was supported by local operator data on monthly bus patronage. These travel patterns are shown to similarly represent bus demand seasonality on a quarterly basis according to DfT bus statistics. Based on comparison with local operator data, it appears that using car traffic seasonality for November underestimates annual demand, therefore this analysis should be seen as conservative.
- 3.62 Operators also provided data in different forms and assumptions were applied to obtain an overall patronage figure across all services.

Exogenous impacts

- 3.63 The baseline demand in 2022/23 is likely to change with the change of several exogenous factors, including:
- **Fare change** – fares are expected to increase by +1.58% above inflation annually⁸³. Considering fare elasticity of -0.8⁸⁴, this is applied to non-concessionary trips. Concessionary passengers who do not pay for their travel are influenced to use the bus by other factors, but price is not one of them.
 - **Population growth** – background growth across the network is applied according to local area housing stock forecasts⁸⁵ (with adjustments for locations of specific major development sites below).
 - **Major development sites** – in addition to the national forecast of population growth, special consideration was given to the demand from major development sites in the CA area.

⁸³ Inline with historic trends

⁸⁴ DfT recommended LR elasticity figure (avg of -0.7 to -0.9) - SYSTRA (2018) Bus fare and journey time elasticities and diversion factors for all modes, page 54. This is the amount that people are estimated to respond to price changes (for example if fares go up by 10%, the fare paying patronage levels might be expected to reduce by 8%)

⁸⁵ Cambridgeshire County Council's 2018-Based Dwelling Stock Forecasts <https://cambridgeshireinsight.org.uk/wp-content/uploads/2022/04/2020-Based-Population-Forecasts.xlsx>

The impact of committed investments

- 3.64 Within the CA area there are several named transport improvements, many of which incorporate bus related infrastructure improvements. These are summarised on the Greater Cambridge Partnership website⁸⁶. The schemes that are relevant to this Assessment are:
- Cambourne to Cambridge - A dedicated public transport route between Cambourne and Cambridge;
 - Cambridge South East Transport - Measures to improve public transport in phase 1, and dedicated busway between A11 and Biomedical campus in phase 2;
 - Cambridge Eastern Access - Public transport improvements, dedicated bus lanes and park and ride reallocation on Newmarket Road; and
 - Waterbeach to Cambridge - New public transport link connecting to the busway.
- 3.65 No information on any schemes led by the CA, Peterborough City Council nor Cambridgeshire County Council were provided in the context of this study.
- 3.66 These changes were included in all scenarios tested as part of this OBC (as they are considered part of the Reference Case). Each will have an impact on base patronage, which needed to be considered as part of the demand forecasts. However, it should be noted that where these improvements involve capital expenditure and have therefore been subject to economic appraisal, the benefits were excluded from this appraisal, to avoid any double counting.
- 3.67 Within this Assessment, it was possible to identify the existing and new bus services that would be positively affected by each of the corridor schemes above. This enabled the identification of the likely impact of the scheme and how this would affect the operation of the relevant bus services. As these named corridor schemes are the subject of separate business cases, it has been assumed that they would be part of the Reference Case and are considered in all scenarios.

Rail investment

- 3.68 The Cambridge South railway station is currently under construction and is planned to serve southern Cambridge and the Biomedical Campus. Construction commenced

⁸⁶ <https://www.greatercambridge.org.uk/sustainable-transport-programme/public-transport-schemes>

in 2023 and the station is planned to open in 2025. The main improvement of rail services planned in the CA area is the East West Rail proposal which would introduce new rail services between Cambridge, St Neots, Bedford, Milton Keynes and Oxford, with a new proposed station at Cambourne. Whilst CPCA supports this major development for longer distance travel opportunities, as the details of this scheme are still in their early stages of development, for the purposes of this Assessment, the possible impact of East West Rail was omitted from this Assessment.

Short term Mayoral precept funded enhancements

- 3.69 It is recognised that while this appraisal work was being progressed, the CA Board took the decision to raise additional funding through the Mayoral precept. Some of this increase is allocated for short term enhancements of the bus network through a range of measures. This includes investigation of early introduction of new routes, enhanced frequency or length of existing routes and fare reductions for young people.
- 3.70 While this early enhancement of services has the potential to alter the do nothing position, and thus shrink the scope of additional benefits that could be delivered through bus reform and investment (as per the 'Do Something' presented in this OBC report), at the time of assessment the proposals were not committed and only set out in outline form. As funding is not secured for the medium term, any changes could cease to operate by the 2027 start year of reform set out in this Assessment. Therefore, these forthcoming proposals are not included as part of this Assessment.

Do Something demand modelling

- 3.71 It is expected that the demand for buses will increase as a result of the proposed interventions. These impacts are explained below, for the Franchising and EP scenarios.

Demand impact of enhanced service level

- 3.72 A central component of the Do Something options is the enhancement of bus services. The ideal service level (i.e., 'the gold standard') is described above, and it represents the desired frequencies for different service groups.
- 3.73 Whilst the ambition is to significantly increase the level of service, due to affordability constraints the new service level is modelled slightly below the 'gold standard'. Improvements will be prioritised whereby the highest value services will see the most significant improvement, and other services will see a more modest improvement. In

addition, it is proposed that the enhancement will be introduced in steps so that the level of service will gradually increase.

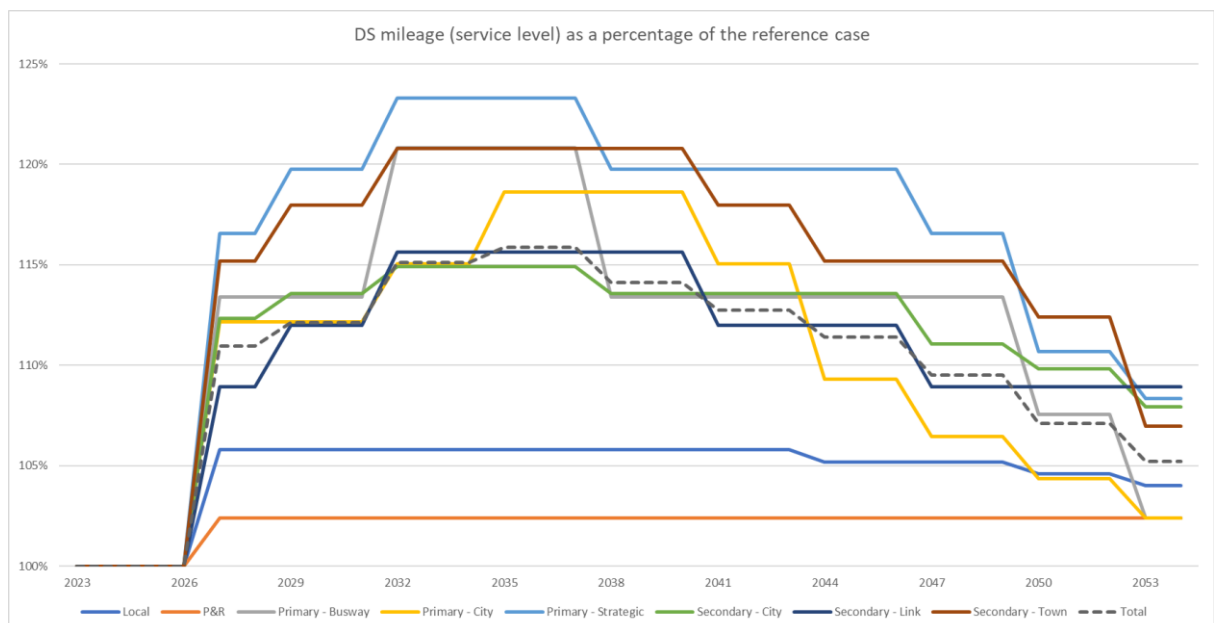
3.74 The proposed phasing of the network improvements is set out in Table 3-2 represented in percentage terms of the 'gold standard'.

Table 3-2: Network phasing approach

		2026	2029	2032	2035	2038	2041	2044	2047	2050	2053
Primary	Busway	75%	75%	80%	80%	75%	75%	75%	75%	70%	60%
	City	80%	80%	85%	90%	90%	85%	75%	70%	65%	60%
	Strategic	40%	45%	50%	50%	45%	45%	45%	40%	30%	25%
	P&R	95%	95%	95%	95%	95%	95%	95%	90%	80%	65%
Secondary	City	80%	85%	90%	90%	85%	85%	85%	75%	70%	60%
	Town	40%	45%	50%	50%	50%	45%	40%	40%	35%	20%
	Link	20%	25%	30%	30%	30%	25%	25%	20%	20%	20%
	Local	95%	95%	95%	95%	95%	95%	90%	90%	80%	70%

3.75 A 'nil detriment' approach was applied, whereby any routes that would receive a reduced level of service as a result of this methodology were assumed to maintain operations at the existing level. This means that all routes operate at either the same level of service as currently, or an enhanced level. The resulting mileage, compared to the existing service level by route type and total network mileage, is shown in Figure 3-2.

Figure 3-2: Network phasing approach – Do Something



3.76 The impact on demand is estimated on a service-by-service basis and it is based on a headway elasticity of -0.3. For example, if on a particular service, the headway (time between bus services) was reduced from 30 minutes to 15 minutes (i.e. made twice as frequent), the impact on demand is calculated as follows:

$$\left(\frac{15}{30}\right)^{-0.3} = 1.231$$

3.77 That means that for an improvement of 50% in headway, the service is likely to see a 23.1% increase in demand.

3.78 Headways / bus frequencies can change throughout the day, making the use of a single elasticity approach less straight forward. Therefore, to simplify the modelling, an average daily headway figure was estimated by dividing the total daily bus journeys by 18 hours (taken to represent the daily operation time that will be relevant to most passengers). This does not have a material impact on the estimated demand change.

3.79 In addition to changes in bus headway, it is proposed to expand operating hours. The impact of expanding operating hours is estimated using the same elasticity approach.

3.80 **Transformational frequency changes** – Some rural services in the CA area have low frequencies, such as once a day, or even once a week. A small portion of services is expected to see a transformational level of frequency change of more than 50%. The evidence is unclear as to whether the elasticity approach, and the figure of -0.3 is appropriate to forecast demand in these cases. It is important to note that the uncertainty goes in both directions, meaning this could over or under state the impacts.

3.81 The share of passengers that would benefit from transformational frequency changes is 0.3% of total patronage in the area (those living in remote areas with minimal bus services currently), therefore this uncertainty described above should not materially impact the assessment.

Table 3-3: share of passengers by headway reduction

Service Frequency	Passengers as % of total
1 - 5% Headway reduction	0.0%
5 - 10% Headway reduction	13.4%
10 - 25% Headway reduction	12.5%
25 - 50% Headway reduction	9.2%
50%+ Headway reduction	0.3%

Impact of Bus Performance

- 3.82 The two Do Something options offer an improvement in bus performance due to the implementation of Quality Incentive Contracts. Such contracts are common practice in public transport operations, where operators are financially incentivised to meet performance targets.
- 3.83 The most common measure is the Public Performance Measure (PPM) which counts the number of buses that arrived at their destination in under 5 minutes of the published timetable arrival time.
- 3.84 Evidence from TfL shows that Quality Incentive Contracts can bring a significant improvement of up to 10 percentage points in PPM. The observed level of performance improvement in the TfL study was linked to a bonus payment of 5% of operating costs.
- 3.85 For the purpose of this analysis, it was assumed that under Franchising, operators will receive a bonus of 2.5% of their total operating costs, and will manage to improve performance by 5 percentage points. Under an EP, it was assumed that half the bonus would be paid, and half the improvement would be achieved.
- 3.86 It is important to note that in addition to efforts by operators, in a Franchising scenario the CA would be able to plan and introduce more coordinated services, which might enable better performance. To estimate the impact on demand, an In-Vehicle Time (IVT) demand elasticity approach was adopted. First, rail data was used to translate the improvement in performance into a reduction in Average Minutes Lateness (AML). Based on the analysis, a 5 percentage points (pp) improvement results in a reduction of 57 seconds in average lateness. Following TAG, a weighting of 2.5 was applied to AML, which subsequently was used to estimate the perceived reduction in IVT. For example, in a Franchise scenario for a trip of 30 minutes, the following formula was used:

$$\left(\frac{30 - (0.95 * 2.5)}{30}\right)^{-0.6} = 1.05$$

- 3.87 In this case, demand was estimated to increase by 5%.

Impact of improved ticketing

- 3.88 In the Do Something scenarios, passengers would benefit from simplified and integrated ticketing products, making it easier to use buses across the area. The current product range is limited, either tightly tied to urban areas (Cambridge city, Peterborough city, or smaller market towns (e.g. Huntingdon only; St Ives only), or a wide area (whole of Cambridgeshire and Peterborough and beyond). There are no

products for people living just outside the urban areas or those wanting to travel more extensively within slightly wider travel to work areas. As such, some people are faced with high fares for relatively short return journeys.

- 3.89 The multi-operator ticketing products envisaged by the CA will offer a wider range of choice, with tickets offering travel across larger travel to work areas around Cambridge and Peterborough and potentially around groups of market towns. There may be overlapping fare zones, allowing travel in different directions, and will fill the gaps between the Stagecoach products, such as creating some wider travel to work area tickets around Cambridge and Peterborough, and potentially around groups of market towns, potentially with overlapping zones to provide choice for people that might wish to travel in different directions. These products would give more choice to customers, who may on occasion wish to travel (or might be encouraged to travel because of the ticket) to different destinations than on their normal travel to work journeys. Equally, such tickets would provide customers with the ability to use different operators where parallel services operate (reducing wait times) – such as on key corridors like Addenbrooke’s to Cambridge city centre (rather than making a conscious choice to wait for a bus run by a particular operator).
- 3.90 The DfT’s TAG provides evidence on the impact of ‘soft’ factors, such as integrated ticketing on bus passengers. According to the guidance, passengers value simplified ticketing at 1.43 minutes of IVT. Therefore, to estimate the impact on demand, IVT demand elasticity was used, assuming that IVT is shorter by 1.43.⁸⁷
- 3.91 For the Do Something EP scenario, a 75% factor (i.e. the benefit for passenger is 25% lower) was applied, due to the fact that implementing simplified and integrated ticketing will not be as seamless as in a Franchising scenario.
- 3.92 In addition, only fare paying passengers were assumed to enjoy the benefits of integrated and simplified ticketing.

Programme of Other Bus Priority Interventions

- 3.93 In addition to the four schemes discussed above, the CA intends to implement a further package of smaller interventions related to improving bus priority, as part of the medium investment scenarios. At this stage, the precise make up of this package is still being developed, however it has been assumed to include short lengths of new bus lane, improvements to existing bus lanes, enhanced bus lane and parking enforcement, and changes to junction infrastructure to provide bus priority. To assist

⁸⁷ Bus Soft Factors Final Report (startransport.co.uk) p. 114, applied at a reduced level of 75% for EP scenarios

in incorporating the impact of these investments in this OBC, an indicative package was developed, to enable the estimation of the impact of the package on bus journey times and vehicle operating costs.

- 3.94 To estimate the impact, the indicative package was linked to the bus service network, identifying which services would be impacted by each element of the package. This allowed the identification of the overall impact from the package of measures. The estimate of the impact was based on an assessment of the likely benefit from each type of scheme, in terms of journey time saved. These estimates were based on a range of documented sources, including the estimates made by consultants to the CA who identified the potential package of measures.⁸⁸ The impact of the indicative package of measures on bus journey times varies between 4 seconds for the least affected service, to more than 2 minutes for the most affected.
- 3.95 It is assumed that an appropriate package of bus priority measures will be implemented in advance of the start of the first franchise, or EP.
- 3.96 It is important to note that whilst there is extensive evidence to show the benefit of bus priority measures on passengers and bus operators, there was insufficient local evidence to demonstrate most of the benefit.

Table 3-4: Summary of Do Something demand forecasting assumptions

Intervention	Method	Source
Reductions in average headway and expansion of operating hours	Elasticity of -0.3 was applied	Figures derived from SYSTRA 2018 report ⁸⁹
Reliability improvements	Translating the improvement in PPM to a reduction in Average Minute Lateness. Using an IVT reduction elasticity approach with 2.5 weighting.	Combination of studies, TAG and ORR rail data.
Passenger amenity benefits – simplified ticketing	Assuming perceived time saving of 1.43, as per TAG and using IVT reduction elasticity approach.	TAG and the TAG Databook
Bus priority schemes	Linking the location of intervention to specific services and using IVT reduction elasticity approach.	Previous studies and TAG

⁸⁸ CPCA Bus Network Appraisal, PJA (2021)

⁸⁹ SYSTRA (2018) Bus fare and journey time elasticities and diversion factors for all modes, page 60

Revenue modelling (all scenarios)

Non-Concession passengers

- 3.97 Operators provided data which was exported from ticket machines. This data showed how many passengers boarded each bus, what ticket type they used and the fare they paid. Using this data, it was possible to derive an average fare per passenger per service type.
- 3.98 Where fare data was missing, either because operators did not provide it, or because payment was made online, it was assumed that the average fare for that service type was paid.

Concessionary pass holders

- 3.99 The England National Concessionary Travel Scheme (ENCTS) means that pass holders do not pay fares. Instead, operators are compensated at a pre-agreed rate by local authorities.
- 3.100 Local authorities can decide to offer additional concessionary travel to certain groups of passengers, such as young people, retired, or people with disabilities. Within the CA area this now includes the £1 fare for under 25s. This was introduced while the assessment was in its later stages and therefore has not been taken into consideration within this OBC.

Total revenue

- 3.101 Total revenue was estimated by multiplying the total number of passengers, based on the service type and concession status by the appropriate fare.

Summary of demand forecast

- 3.102 Table 3-5 below summarises the patronage forecasts produced for this OBC, incorporating a number of factors including the impact of proposed improvements to the bus service network, reliability and ticketing, development related trips, and capital investments in bus priority. These show that in the early years, patronage is forecast to grow significantly as a result of population growth related to specific developments and the impact of investments in the bus network. This levels off in the middle years as the impact of increasing fares takes effect. In the later years patronage is forecast to begin falling again due to the time horizons of population forecasts.

Figure 3-3: Comparative area bus patronage forecasts (2023 – 2054)

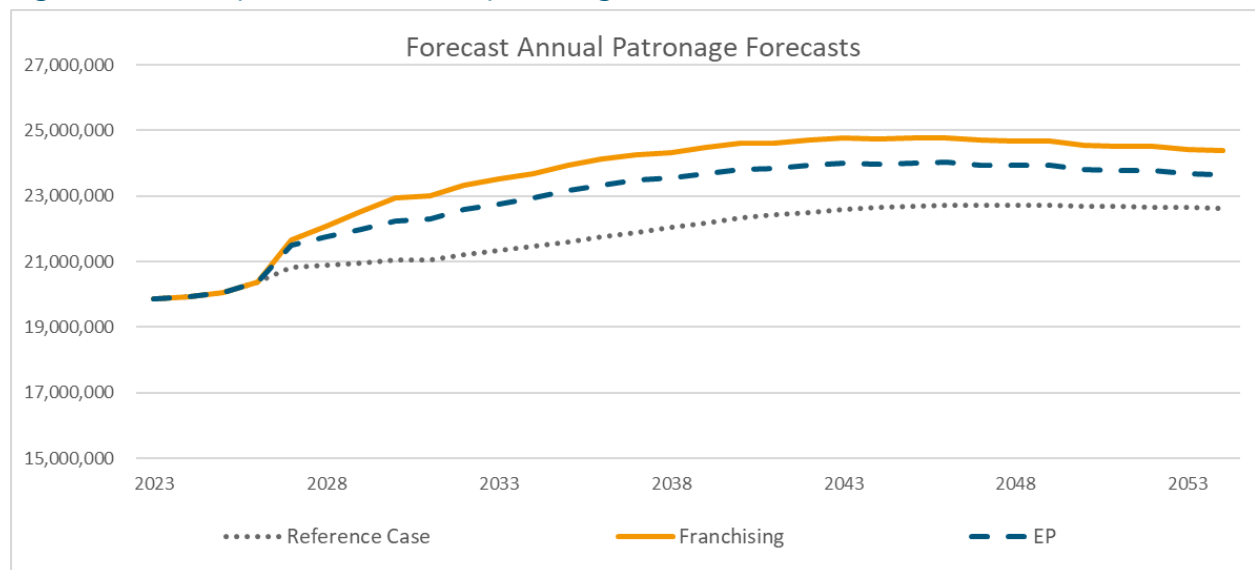


Table 3-5: Summary of annual patronage forecasts (millions)⁹⁰

(millions)	Reference Case	EP	Franchising
Base Patronage 2023	19.86		
2027	20.83	21.49	21.65
Five year average 2027 – 2031	20.96	21.95	22.44
<i>Change from 2023</i>	<i>5.6%</i>	<i>10.6%</i>	<i>13.0%</i>
2032 – 2036 average	21.47	22.96	23.73
<i>Change from 2023</i>	<i>8.1%</i>	<i>15.6%</i>	<i>19.5%</i>
2054	22.64	23.66	24.39
<i>2027 to 2054 change</i>	<i>8.0%</i>	<i>7.8%</i>	<i>8.7%</i>
<i>2023 to 2054 change</i>	<i>14.0%</i>	<i>19.1%</i>	<i>22.8%</i>

Cost modelling

3.103 The costs of the different options were assessed under three broad categories – capital, operating, and institutional costs. These reflect the one-off costs of the options, the increased operating costs that will largely face operators, and a mix of recurring and one-off costs that will generally face the CA. Within these categories the following elements were assessed:

⁹⁰ Figures include the impact of development related trips

- Vehicle operating costs (including profit allowance and quality incentive where applicable);
 - Capital costs;
 - Complementary investments such as bus priority measures, new stops and shelters (in the medium scenarios only);
 - Depot costs in the Franchising medium investment scenarios.
 - Institutional costs;
 - Professional fees (legal and technical advisors);
 - Procurement costs;
 - Operator bidding costs (the costs incurred by prospective bidders during the procurement processes);
 - Ongoing CA costs (the extra staff that the CA will need).
- 3.104 Each of the options to be considered in the OBC would incur a series of costs. These include capital costs, institutional costs (one-off and recurring) and operating costs.
- 3.105 The derivation of each of the relevant cost items is described in the following sections.

Operating cost

Base Vehicle Operating Costs

- 3.106 The main cost component in this analysis is bus vehicle operating costs. To estimate these costs, an assessment was made of the total vehicle km that would be involved in providing the proposed services. This was done on a service-by-service basis and is based upon notional timetables, according to frequencies and route length. The total bus vehicle km is lower in the Reference Case than in the Do Something cases due to lack of network enhancement measures.
- 3.107 The bus vehicle km estimate has been combined with national and local factors to develop total operating costs for the network, for all three scenarios.
- 3.108 Costs per mile for running bus services have been taken from two sources:
- The DfT Bus Statistics for English non-metropolitan areas (Table BUS04gi)⁹¹. The latest figure (2022/23) of £4.43 per live km for was used.

⁹¹ DfT bus statistics as published in March 2024

- An estimate of the cost per km of contracted services. This internal analysis showed that the cost per live km is £4.36 (including profit margins). Assuming profit margins of 7.5%, a figure of £4.03 was used (see explanation below on profit margins).
- 3.109 The two sources were combined to create a single cost per mile figure. This was done by calculating a weighted average where the weight of the contracted service cost is 23% and the weight of English non-metropolitan areas is 77%.

Impact of Zero Emission Buses

3.110 A reduction in operating costs was assumed as the fleet transitions away from fully diesel engines to low emission vehicles as low emission vehicles are assumed to have lower operating and maintenance costs. An estimate of the relative difference between these costs are derived from the operating costs in the Greener Buses Model and used in the Liverpool City Region Combined Authority (LCRCA) assessment⁹², which indicated electric buses cost 50% less than their equivalent diesel vehicle, and the LCRCA franchising assessment, which provided a proportional breakdown of vehicle operating costs⁹³. An overall reduction of 5% for operating low emission vehicles was applied, assuming:

- fuel and engineering costs are 50% of the diesel costs;
 - depreciation could be twice the diesel equivalent – reflecting the comparative difference in capital purchase cost; and
 - all other costs (including driver cost, insurance, overheads) are fixed.
- 3.111 Using the values set out in Section 3.108, an operating cost per mile was calculated based on the forecast roll out of electric vehicles within the bus fleet. This was taken from the targets outlined in the CPCA BSIP, interpolating to estimate the proportion in the interim years. It has been assumed that 100% of the fleet will be low/zero emission vehicles from 2030 in all scenarios (including the counterfactual / Reference Case).

Increase Vehicle Operating Costs

3.112 Future vehicle operating costs (VOCs) will be affected by a range of factors, including congestion, fuel prices and driver costs. For the purposes of this Assessment, it was assumed that costs will continue to rise in a similar way to that seen in the past.

⁹² Developed by the DfT for the economic assessment of applications to the ZEBRA fund. Page 155 of the LCRCA assessment

⁹³ Figure 2.5 in LCRCA Economic Case (25 April 2023) summarising data provided by operators in the region

Published Department for Transport (DfT) data⁹⁴ for the period between 2004 and 2021, shows that VOCs per km rose by an average rate of 1.56% above inflation. This reflects the impact of rises on some input costs, and is assumed to continue for the duration of the appraisal period.

Operating Profit margins

- 3.113 On top of operating costs, bus operators expect to make an operational profit margin. Data on profit margins in the CA area was unavailable when this Economic Case was completed, therefore it was estimated from external evidence.
- 3.114 According to reports by the Urban Transport Group, profit margins of bus operators in the UK can vary from 0% in some years to 12%-13%.⁹⁵ In 2017, profit in GB outside London and PTEs was c. 7.5%. A study by the Competition Commission from 2011 showed that profit margins can vary between different depots of the same operators, in the same area.
- 3.115 Therefore, any assumption about profit margin will be uncertain. As long-term impacts of the COVID-19 pandemic on bus patronage levels and associated government support initiatives stabilise, forecasts for bus operator margins will become more certain. Nevertheless, it is reasonable to assume that profit margins, on average, are likely to be between 5% to 10%.
- 3.116 For the purpose of this analysis, it is assumed that profit margins are 7.5% (when applied as a share of revenues, or 8.11% when applied as a share of costs). While this number is uncertain, it is assumed for the Do Nothing and the Do Something scenarios and therefore it does not have a material impact on the conclusion of the Assessment. Some potential affordability implications of higher profit margins are discussed in the financial case.
- 3.117 The commercial and management strategy of the Franchising options is likely to bring a reduction in profit margins if they are currently above the industry average. However, there was insufficient evidence to include it in the model.
- 3.118 Reflecting the uncertainty of profit margins, a sensitivity test of high profit margins in the Do Something was performed.

⁹⁴ Bus 108

⁹⁵ See 'Bus operator profitability analysis' [Microsoft Word - Bus Profitability Report 2017 \(urbantransportgroup.org\)](#)

Do Something cost modelling

Quality Incentive contracts – Do Something

3.119 As explained above, it is assumed that the introduction of Quality Incentive Contracts (QICs) will result in payments to bus operators of 2.5% of total operating costs in the Franchising scenario. For the EP scenario, it is assumed that half the bonus will be payable.

Summary of operating costs

3.120 For clarity, the above elements that feed the estimation of vehicle operating costs are shown in Table 3-6 below.

Table 3-6: Summary of bus operating costs⁹⁶

VoC Cost element	Assumption	Source
Diesel bus cost	Cost per mile of £4.34. Weighted average of £4.43 (national figure) (77%) and £4.03 (23%).	DfT Statistics and local data
Zero emission reduction	95% of diesel costs Phased in to make up 100% of the fleet by 2030	CPCA BSIP and consultants' analysis
Profit margin	7.5%	Urban Transport Group reports, WYMCA and GMCA Bus Reform OBCs
Future cost growth	GDP inflation – TAG databook Long run historic operating cost increases	Historic rate based on DfT statistics
Quality Incentive Contracts (Do Something only)	2.5% of total OPEX in Franchise 1.25% of total OPEX in EP	TfL study on QICs

Bus priority infrastructure

3.121 A previous study assessed bus services across the CA area and identified those subject to most delay. Given the short term (2023-2026) focus of the BSIP, the focus of the study was on short term and lower cost interventions which could be

⁹⁶ Source: BUS04 (which replaced bus0408b) average yearly operating cost per vehicle mile 2004/05 to 2021/22 for Great Britain outside of London. Figures include zero emission reduction and profit allowance as set out in proceeding paragraphs. Cost is applied to both live and dead mileage.

implemented within that timescale. The study completed an outline economic appraisal of each measure, or package of measures, to identify those which would be most likely to deliver strong economic benefits.

- 3.122 On the basis of these results, for this OBC, those investments that were predicted to present the best value for money have been included in the indicative programme. This Assessment excluded those corridors that are included in the GCP corridor schemes discussed in the Strategic Case. It should be noted that this indicative programme has only been developed to give an indication of the total value of the investment package. Further studies would be required to develop this into a robust package of investments.
- 3.123 A package of schemes has been identified, to make up an indicative programme. Given the focus of GCP on corridors in Cambridge, the majority of the schemes included here are largely within the Peterborough City area. For the purposes of a high-level cost estimate, two types of bus priority improvement have been considered in the OBC.
- 3.124 For the Do Something scenarios, with optimism bias and inflation uplifts, this reflects an investment of £10 million in bus priority.⁹⁷

Depots

- 3.125 It is assumed that depot purchase only comes under the Do Something franchising scenario. This scenario includes costs in 2025 and 2026 for a total of £31 million. This estimate assumes investment in two new depots, one in Peterborough and one in Cambridge. More details on the cost estimate and funding arrangements can be found in the Financial Case. It should be noted that as this is at OBC stage, there are no concrete investment plans yet.

Institutional costs

Professional Fees

- 3.126 As discussed in the Management Case, the CA will require significant professional support throughout the development and implementation phases of the two Do Something options. This will include external technical, legal and procurement

⁹⁷ Inclusive of optimism bias and inflation

support, to supplement the CA's in house teams. The total estimated costs for these are £1.39 million in the Franchising case.

- 3.127 Technical costs would include costs for development of additional financial and operational models, risk management and mitigation, and further development of demand and costing models. It is assumed that most of this would be procured externally from the CA.
- 3.128 Legal costs would include provision of legal and regulatory advice, writing of draft contracts, and support to manage the risk of Judicial Reviews. Although a proportion of this may be provided internally, these costs should still be costed and included in the OBC.
- 3.129 Procurement would include costs incurred in setting up and advertising franchise contracts, costs of tender evaluation (where provided from outside the CA Public Transport team), and the costs of tender preparation.
- 3.130 It is assumed that these costs would be incurred over 3 years, 2024 - £350,000, 2025 - £750,000, 2026 - £250,000 (with forecast inflation as additional). Further information is provided in the Financial Case (Section 4 of this report). No allowance is included in EP scenarios.

Operators' bidding costs

- 3.131 Franchises, outside London, are a new way of procuring bus services. As such, experience within operators is limited about how to structure, cost, and implement this type of procurement. Even where experience is available, the costs of preparing detailed tenders for this type of contract, are significant. The total costs will depend upon the number of tenders and the number of tenderers, but for the purposes of this appraisal, it is assumed that total bidding costs incurred by operators will be £200,000 in the Franchising option every five years. These have been assumed to be split across two years (assuming a phased approach to contract packaging) and additional allowance for inflation assumptions in future years. No allowance is included in EP scenarios.

CPCA on-going staff costs

- 3.132 As discussed in the Management Case, in taking forward an option for Franchising, the CA will be required to exercise a series of additional duties and responsibilities. This will require an additional administrative and strategy team. The cost of the team identified as being necessary is summarised in Table 3-7 and comprises:

- Hiring key roles such as the Head of Bus Transformation, Network Manager, and the Communications Manager. This resource cost applies to both the Franchising and EP scenarios.
- Bringing in additional team members including another Network Planner, Bus Infrastructure Project Manager, and the Ticketing Project Manager. It will also see additional roles for Public Relations and branding to enable in-house activity and to manage the branding work. This resource is applied in both the Franchising and medium investment EP scenarios.
- Growing teams with an additional Network Planner and the Bus Infrastructure Project Manager and Procurement and Financial Analyst roles to support network scale-up. This resource cost is just applied in the Franchising scenario in the Assessment.

3.133 To maintain a robust analysis, the upper bounds of the proposed salary ranges are used in this Assessment. Staff costs are assumed to rise at 2% p.a.⁹⁸ and commence in the Assessment in 2025.

Table 3-7: Proposed CA internal staff team

Scenario	Cost Allowance (2023 prices)
Franchising	£885,000
EP	£600,000

3.134 These costs are assumed to include the majority of the costs incurred by the CA in the procurement processes, as the majority of these costs relate to internal staff required to structure, manage and report on procurement processes.

3.135 In the Reference Case, there would be less need to scale the Network Management Team and projects would be likely to be managed within the shorter-term level of resource, therefore no additional staff costs are included for this scenario.

System Costs

3.136 These costs are assumed to include the non-staff costs that would be incurred by the CA in the procurement, management, and monitoring of the franchised bus services. These costs will include software licences for specialist software, marketing, passenger surveys and performance monitoring surveys amongst other things. At this stage, it is difficult to assess an accurate cost for these items, without detailed system

⁹⁸ 4% p.a. increase for the first four years and 2% p.a. thereafter, forecast assumption provided by CPCA

specifications. However, an amount of £500,000 per annum (plus inflation) has been included for these items⁹⁹. No allowance is included in EP scenarios.

Procurement costs

- 3.137 In addition to the staff related costs set out above, for each procurement process the CA will incur a series of costs. These will include specific legal and planning support, as well as the costs of issuing notices etc. For the Franchising option, these costs were estimated at £300,000 on franchising set up, with spend spilt equally across 2026 and 2027 (and uplifted for inflation). No allowance is included in EP scenarios.

Optimism bias

- 3.138 At this stage, optimism bias has been applied to all physical measures capital costs, to reflect the uncertainty in future cost rates. For the purposes of this Assessment an optimism bias factor of 46%¹⁰⁰ has been applied to the base cost rates.

Economic appraisal

- 3.139 This section discusses the impact of the two Do Something options on bus users, other road users, and the economy more generally. Where standard methods and guidance exists, impacts have been monetised. However, some of the impacts are assessed qualitatively.

Monetised impacts

User benefits

- 3.140 The interventions described above under the two Do Something options are likely to generate user benefits. In Transport Economics, economic benefits are often expressed by *willingness to pay (WTP)* for improved transport services. The most common way to measure WTP of transport users' is by estimating perceived, or real, time savings, and multiplying it by the value of time.
- 3.141 Evidence shows that improved Generalised Journey Time (GJT) generates induced demand. Theory suggests that the opposite is true as well. That is, where induced

⁹⁹ For comparison TfGM in their Outline Business Case for Bus Service Franchising, assumed a base figure of £500,000 per annum, with additional information system costs of £15 million, plus an annual cost of £1.2 million. These latter costs are not expected for CPCA.

¹⁰⁰ As per TAG Unit A1.2 scheme costs – Table 8, Stage 1 Roads

demand is observed (due to interventions that does not necessarily involve time savings), it is possible to estimate perceived time savings for users.

- 3.142 To estimate perceived time savings per trip, the demand change on every service has been considered, and then the required reduction in Generalised Journey Time (GJT) estimated, assuming GJT elasticity of -1.1.
- 3.143 GJT is expressed in minutes/hours and it is comprised of all the stages of the journey, and the fare. For bus users, GJT is made up of walking to the station, waiting for a bus, time spent on the bus, and walking from the stop to the destination (interchanges and additional wait time should also be considered).
- 3.144 According to TAG, each of these stages is perceived differently by bus users. Time spent outside the vehicle, i.e. walking and waiting, is weighed by a factor of two. This weight represents the inconvenience of walking and waiting for a bus. The monetary cost of the travel can be converted to time dividing the value of time by the fare.
- 3.145 Considering the theory above, the economic benefits per trip were first estimated for a Reference Case GJT using the following steps:
- Each trip starts with 5 minutes of walking to the bus stop.¹⁰¹
 - Wait time is then assumed to be half the headway, up to a maximum wait time of 30 minutes. For services with headway of up to 15 minutes, this is a common assumption to make. When the headway is longer than that, people usually time their arrival at the stop to when the bus is scheduled to arrive. However, in many cases, people are unable to plan their arrival. For instance, on the way back from an activity, or if they are unable to control the timing of a scheduled activity. TRL's demand for public transport guidance suggests, therefore, that even for longer headways, demand may equal half the headway.¹⁰² Since this assumption is applied to all trips, the assessment is sensitive to the choice of maximum wait time. As such, a sensitivity test was performed to test lower maximum wait times.
 - In-vehicle time is calculated based on average bus speed and average trip length of 50% of the length of the route. This rule of thumb is recommended in DfT guidance.¹⁰³
 - Another walk stage of 5 minutes is then assumed.

¹⁰¹ It is common to assume that people walk up to 400m to a bus stop. See more here: [TF Template Word Windows 2010 \(bham.ac.uk\)](https://www.bham.ac.uk)

¹⁰² See page 79 here: [untitled \(trl.co.uk\)](https://www.trl.co.uk)

¹⁰³ See page 48 here: [Reimbursement Guidance 2023-24 \(publishing.service.gov.uk\)](https://www.publishing.service.gov.uk)

- For fare paying passengers, additional time is added depending on the average fare of the service.

3.146 The Perceived time savings is then estimated using the following formula:

$$PercievedTimeSaings = \left((1 + \%DemandChange)^{\frac{1}{-1.1}} - 1 \right) * DoNothingGJT$$

3.147 And the benefit per trip is calculated as

$$BenefitPerTrip = PercievedTimeSavings * ValueOfTime$$

3.148 Passenger benefits per trip per service type is presented below for Franchise in 2035 when benefits peak:

Table 3-8: Passenger benefits per trip (2035)

	Primary			Park & Ride	Secondary			Local links
	Busway	City	Strategic		City	Town	Link	
Fare paying (£ per DN trip)	1.06	0.91	0.90	1.28	0.92	2.85	0.99	0.84
% of fare paying passengers	18.1%	34.2%	11.3%	15.7%	15.1%	0.2%	4.2%	1.1%

Concession (£ per DN trip)	0.81	0.64	0.85	0.59	0.59	2.12	1.02	0.69
% of concession passengers	14.6%	35.8%	8.6%	17.2%	15.1%	1.3%	5.3%	2.2%

3.149 Existing trips receive the full benefit per trip as per the table above, and new trips receive half the benefit, as per the 'rule of the half'.

Journey split and value of time

3.150 The evidence suggests that different trip purposes have different values of time. In the absence of specific local data on the journey purpose split, an indicative assessment was made based on the fact that c. 70% of the trips on the network are taking place on three service types: Primary Busway, Primary City and Park and Ride, which are believed to be dominated by commuters. The assumed journey purpose split is given in Table 3-9-9 below. This is different from the national average in the TAG Databook (Table A1.3.16). To address uncertainty around journey purpose split, a lower value of time was tested, reflecting a smaller share of commuters.

Table 3-9: Journey purpose split

Trip Purpose	Value of Time (£/hr)	Assumed share in CPCA	DfT's TAG national average
Commuting	£9.95	40%	22%
Other	£4.54	58%	75%
Business	£10.02	2%	2%
Average VoT	£6.82	-	

3.151 It was assumed that the journey purpose split remains constant throughout the appraisal period.

Marginal External Impacts

3.152 Some of the new bus trips on the Do Something network will replace trips that would otherwise be taken by cars. The impact of removing these cars from the network is expressed as reduced Marginal External Costs (MECs), and quantified through application of DfT TAG databook values¹⁰⁴. The quantification of benefits includes appropriate adjustments for diversion factors¹⁰⁵, average vehicle occupancy¹⁰⁶, and the average length of bus trips¹⁰⁷.

3.153 The estimation of reduced car km was undertaken per bus service. First, the total additional passenger km was estimated by multiplying the number of new trips by the average length of a journey (estimated at 50% the route length). A diversion factor was then applied (24% for cars, and 12% for taxis), which assumed that a total of 36% of bus passenger km would have taken place by car. This sum was then divided by average vehicle occupancy.

3.154 These are expressed as reductions in congestion, infrastructure, maintenance, accident, local air quality, noise, and greenhouse gas costs (all of which are associated with reductions in car kilometres travelled, achieved through the additional interception of car vehicle trips).

3.155 In addition to a reduction in MECs due to reduced car use, an increase in MECs was estimated due to the increase in bus km. To estimate the latter, TAG's Databook values for Public Service Vehicle for MECs were used, multiplied by the total increase in bus km.

¹⁰⁴ Table A5.4.2

¹⁰⁵ TAG Data Book Table A 5.4.6

¹⁰⁶ TAG Data Book Sheet A1.3.3 - all week average car occupancy per trip

¹⁰⁷ DfT Concessionary Fares Reimbursement Calculator (DfT Guidance 7.12)- derived from NTS

Providers and revenue impacts

- 3.156 The Do Something options would result in increased fare revenues. In the Franchising option these would go to the Authority, and providers would receive contract payments. In an EP option, revenues would go to operators.
- 3.157 In both cases, bus operators would see an increase in revenues and in profit.

Impact on wider government finance

- 3.158 Due to the increase in bus km, there would be an increase in indirect taxation, due to increases in the amount of fuel duty and VAT collected, which is higher than the decrease in indirect taxation due to the reduction in car km.
- 3.159 In addition, it is assumed that the current BSOG regime would remain and so due to the increase in bus km, government would pay higher BSOG payments.¹⁰⁸
- 3.160 These results show that both options have value for money. The Franchising option performs the best in terms of NPV, reflecting the benefits to passengers from the improved services provided and the balance of affordable level of investment costs.

Treatment of monetised costs and benefits

- 3.161 Where applicable, an Optimism Bias was applied to capital costs, at a rate of 46%.
- 3.162 All costs and benefits were converted to 2010 real prices and discounted to 2010 values.
- 3.163 Capital investment costs were estimated at factor prices, therefore for the purpose of appraisal these were converted to market prices by applying a factor of 1.19. This is meant to bring factor prices in line with other costs and benefits which are reported at market prices.

Appraisal of impacts

- 3.164 This section breaks down the impacts of each scenario on the economy, society, the environment, and public accounts according to the headings in the DfT's Appraisal Summary Table (AST). Appendix C provides a summary of these impacts.

¹⁰⁸ The increase in BSOG payments will be considered under the Broad Transport Budget

Impact on economy

3.165 This section presents a review of the impact of the scenarios on the economy according to the headings in the DfT's Appraisal Summary Table (AST).

Business users

3.166 A monetised impact of improved journey times for bus passengers because of a better-connected network was estimated. These impacts, particularly the latter, could benefit business users.

3.167 Based on the journey purpose split above, it was assumed that 2% of affected bus users were business users. This was estimated at £6m in 2010 PVs.

Reliability impact on business users

3.168 The likelihood and scale of reliability impacts associated with the scenarios depend on the delivery of bus priority measures and the incentives to improve bus operations. Where bus delivery reform also brings quality incentive contracts (in a Franchising scenario) alongside investment in bus priority measures and/or reductions in general highway congestion which results in better bus journey time reliability, better realisation of these benefits could be achieved.

Regeneration

3.169 The provision of an enhanced network would impact the connectivity of the region. However, these are not expected to have a material impact as a direct result of bus network review, therefore the impact has been assessed as neutral.

Wider Impacts

3.170 Some additional benefits, representing wider economic impacts of improved bus connectivity, are discussed below. In this appraisal these have not been quantitatively assessed nor monetised. In general, the higher level of network delivered and increased frequencies that could be offered, the higher the benefit against these wider economic impacts.

- **Agglomeration** – any option where journey times are reduced, and connectivity improved will generate an agglomeration or 'clustering' benefit. Although this is likely to be small as few business trips are taken by bus, wider modal shift away from car use for other trip purposes could reduce highway congestion for those remaining drivers. This would be more beneficial in areas of poor current

connectivity where the situation is greatly improved and in key areas for employment.

- **Labour market** – any option where journey times are reduced, and travel option enhanced, would generate a benefit for the labour market. Where areas (both in terms of residential areas and locations of businesses) are not currently well served by public transport, they will particularly benefit from an improved network. Those without access to private transport would also benefit as options for employment broaden with enhanced connectivity.

Competition – good transport connections could improve productivity and in turn generate increased market competition. While business bus travel is generally low, there is potential for highway congestion improvements to benefit.

Summary of impacts on the economy

- 3.171 Overall, impacts on the economy are positive. Table 3-10: summarises qualitative and quantitative assessment of these impacts. The benefits mainly come from environmental and societal impacts, while business and regeneration impacts are less direct.

Table 3-10: Summary of impacts on the economy (AST extract)

Impacts	Qualitative assessment (7-point scale) of Monetised Present Values (£, 2010)	
	EP	Franchising
Business users & transport providers	£11,578,395	£13,730,293
Reliability impact on Business users		
Regeneration	Neutral	Neutral
Wider Impacts	Slightly beneficial	Slightly beneficial

Impact on the environment

- 3.172 The scope for environmental impacts is mainly influenced by vehicle use through vehicle emissions. Some environmental impacts also have implications for society. The quantification of these impacts takes into account additional bus vehicle miles being proposed on the network as well as potential for reducing car mileage as a result of mode shift to bus.

Noise

- 3.173 Reducing the kilometres driven by private vehicles on the roads in the area would have a positive health impact on society through the reduction of noise pollution.

- 3.174 Noise impacts were calculated using values from the TAG databook (Table 5.4.2 in v1.20.2) as part of the Marginal External Cost (MEC) valuations. This was applied per car km estimated to be removed from the network due to mode shift towards buses.
- 3.175 Increasing the prevalence of low emission bus fleet will also generate additional benefits (although these have not been quantified as part of this Assessment).

Air quality

- 3.176 In the same way that noise impacts were valued, air quality impacts were calculated using values from the TAG databook (Table 5.4.2 in v1.20.2) as part of the Marginal External Cost (MEC) valuations. This was applied per car km estimated to be removed from the network as a result of mode shift towards buses, and it was applied to additional bus km.
- 3.177 The analysis currently shows a negative impact on Air Quality due to the increase in bus km. However, this analysis is not sensitive to the potential transition to EVs, both buses and cars.

Greenhouse Gases

- 3.178 In the same way that noise and air quality impacts were valued, greenhouse gas (GHG) impacts were calculated using values from the TAG databook (Table 5.4.2 in v1.20.2) as part of the Marginal External Cost (MEC) valuations. This was applied per car km estimated to be removed from the network as a result of mode shift towards buses, and it was applied to additional bus km.
- 3.179 The analysis currently shows a negative impact on GHG emissions due to the increase in bus km. However, this analysis is not sensitive to the potential transition to EVs, both buses and cars.
- 3.180 Increasing the prevalence of low emission bus fleet will minimise the GHG impact of additional bus mileage on the network.

Other environmental impacts

- 3.181 Recommendations in TAG include assessment against impacts of a scheme on landscape, townscape, historic environment, biodiversity and water environment. While any physical infrastructure elements will be required to assess their impact on any of these elements in more detail, the reform of bus network operation is not considered to have a material impact.

Summary of environmental impacts

3.182 Overall, the impacts on the environment are mixed, with some noise reduction benefits, but potential Air Quality and GHG emissions disbenefits. As explained, these assessments may change once national datasets include the transition to EVs. However, it is important to note that as more private cars convert to EV, the relative environmental benefits of buses may be reduced.

Table 3-11: Summary of impacts on the environment (AST extract)

		Qualitative assessment (7-point scale) or Monetised Present Values (£, 2010)	
	Impacts	EP	Franchising
Environmental	Noise	£ 111,707	£158,039
	Air Quality	-£ 139,577	-£110,136
	Greenhouse gases	-£ 4,798,035	-£4,525,833
	Landscape	Neutral	Neutral
	Townscape	Neutral	Neutral
	Historic Environment	Neutral	Neutral
	Biodiversity	Neutral	Neutral
	Water Environment	Neutral	Neutral

Impact on society

3.183 This section considers the impact of the scenarios on society – including consideration of existing bus users, new bus users and other CA residents, workers and visitors.

Congestion

3.184 By reducing the number of car kilometres on the roads, the levels of congestion reduce. This would improve all highway journey times – benefitting those on buses as well as business, commuting and other trip purposes.

3.185 In the same way that noise and air quality impacts were valued, congestion impacts were calculated using values from that TAG databook (Table 5.4.2 in v1.20.2) as part of the Marginal External Cost (MEC) valuations. This was applied per car km estimated to be removed from the network due to mode shift towards buses.

Bus user benefits

3.186 For existing users of the public bus network, the enhanced network, with higher frequency services, bus priority and better interchange options, journey times would improve. The monetised impact of this was calculated in the economic appraisal by estimating the average journey time of the average trip and multiplying savings by the estimated patronage. Where new bus journeys are generated, the rule of half is applied to these benefits¹⁰⁹.

Physical activity

3.187 Bus users, particularly those who would otherwise travel by car, could benefit from increased levels of physical activity on their health, with short walks taken to and from their nearest bus stop. This is not expected to have a sizeable impact and may reflect similar distances to/from a car park therefore the impact of this is considered 'neutral' in all scenarios.

Journey quality

3.188 The options tested, particularly those with higher levels of investment, would generate journey quality improvements, both in terms of on-board and stop information and accessibility, including at key interchange locations. These are considered to have a 'slight benefit' to bus users.

Accidents

3.189 Similarly to the congestion, air quality and GHG impacts presented under environment, decreasing the number of car km on the roads within the CA, as people are attracted to bus travel instead, will reduce the rate of highway incidents. This was calculated using values from the TAG databook (Table 5.4.2 in v1.20.2) as part of the Marginal External Cost (MEC) valuations.

Security

3.190 While investment in the bus network might provide opportunities to improve security (through introduction or upgrade of lighting, visibility and CCTV for example), these are likely to be at specific locations and not included as a significant direct impact of any of the scenarios. The impact on security is considered as 'neutral' across all scenarios.

¹⁰⁹ TAG Unit A1.3

Access to services

- 3.191 As a key objective of the region's LTP is to deliver a world-class transport network, access to services is an important outcome. Through generating increased ridership, market competition and investment, as well as increased integration of networks, bus service provision can aid improvements in access for passengers. This could improve access to leisure and retail facilities as well as education, healthcare, and employment opportunities. Therefore, those scenarios with investment in an enhanced network are considered to have a 'slight benefit' in relation to access to services.

Affordability

- 3.192 Ticketing and fare structures are likely to be influenced by bus service delivery models. With ticketing solutions in an EP scenario proposed to include an enhanced multi-operator ticket, bus users could benefit from financial savings from this product. This impact is improved in a Franchising scenario, where no fare premium would exist for such a ticket.
- 3.193 Further to ticketing affordability, the enhanced connectivity from an improved network could create an alternative to car ownership, reducing the need to incur the expense of owning, operating, and maintaining a vehicle.

Severance

- 3.194 Changes in the bus service delivery model are unlikely to generate direct impacts on severance. No significant infrastructure is proposed that is likely to alter people's access compared to the Reference Case. The impact therefore has been categorised as neutral for all scenarios.

Option and non-use values

- 3.195 An enhancement of the network, in terms of connectivity and frequency, would generate some slight benefits for residents who do not use the bus but value the option of the service. These impacts would be experienced differently across the area, with communities currently suffering from no or poor public transport access (where rural services are limited or market town services are being withdrawn for example) benefitting from improvements the most.

Summary of Societal impacts

- 3.196 Overall, all scenarios are considered to have a beneficial impact on society.

Table 3-12: Summary of impacts on society (AST extract)

Impacts		Qualitative assessment (7-point scale) or Monetised Present Values (£, 2010)	
		EP	Franchising
Social	Commuting and Other users	£ 200,635,373	£ 294,455,569
	Reliability impact on Commuting and Other users		
	Physical activity	Neutral	Neutral
	Journey quality	Slightly beneficial	Beneficial
	Accidents	£ 2,457,840	£ 1,745,956
	Security	Neutral	Neutral
	Access to services	Slightly beneficial	Slightly beneficial
	Affordability	Neutral	Slightly beneficial
	Severance	Neutral	Neutral
	Option and non-use values	Slightly beneficial	Slightly beneficial

Impact on public accounts

- 3.197 The costs were calculated for each scenario relative to the Reference Case. Further detail of the cost breakdown is set out above with funding sources detailed in the Financial Case. The public accounts summary includes ticketing revenue, operating costs, capital investment costs, staffing costs as well as BSOG and concessionary fare allowances.
- 3.198 Indirect Tax Revenues would be affected by a change in the demand for private car use. With a reduction in car use, the demand for fuel would reduce, resulting in a negative tax impact for central government. This was calculated using values from the TAG databook (Table 5.4.2 in v1.20.2) as part of the Marginal External Cost (MEC) valuations.

Table 3-13: Summary of impacts on public accounts (AST extract)

Impacts		Qualitative assessment (7-point scale) or Monetised Present Values (£, 2010 PV)	
		EP	Franchise
Public Accounts	Cost to Broad Transport Budget*	£89,452,562	£121,753,889
	Indirect Tax Revenues	-£3,641,982	-£3,650,047

Summary of impacts

3.199 An Appraisal Summary Table (AST) presents both the qualitative assessment as well as those monetised economic, social, and environmental impacts in all assessed scenarios. This is presented in Appendix C.

3.200 In relation to the SMART objective, as set out in the Strategic Case:

a) Maximise the ability of CPCA to achieve a significantly enhanced and integrated bus network as quickly as possible.

In the economic and financial assessments, all scenarios were assumed to be implemented at the same time. The speed to which each scenario could be implemented is discussed more in later sections of this OBC. While each of the individual enhancements (e.g. bus priority, stop improvements, passenger information or ticketing integration) would be subject to individual decisions in both delivery models, in an EP scenario this may cause additional delays to implementation as they are subject to operator and other stakeholder agreement.

b) Maximise bus user benefits in respect of coordinated service provision, integrated ticketing, service stability and information provision.

Service coordination, ticketing, reliability, and passenger information impacts were all included as part of the composite patronage uplift factors, which estimate forecast demand for each scenario. The resulting increase in patronage aligns with the aim of the CA to double bus patronage by 2030.

Again, options with higher levels of investment have increased potential to offer bus passenger benefits. Franchising enables 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.

c) Maximise the value for money and benefits from investment in the bus network.

The economic appraisal results illustrate that a medium level of investment would most likely achieve the best value for money. A well delivered Franchising Scheme would provide opportunity to maximise the value of investment.

Distributional impacts

3.201 This section considers the distribution of identified benefits and their associated distribution to different societal groups.

3.202 The TAG (Unit A4-2 Distributional Impact Appraisal, May 2020) recommends the first step in this Assessment is a screening process. This seeks to identify broad areas

where the proposed intervention (Franchising or EP) might have an impact on society. The following metrics from the TAG AST were identified for further review:

- Accessibility – this was assessed by reviewing:
 - Car ownership information, particularly focusing on areas with a high prevalence of households with no access to private cars.
 - Age distribution, particularly focusing on those aged 65 and above, where mobility and ability to utilise ENCTS passes aims to improve wellbeing.
 - General health statistics and disability.
- Personal affordability – this was assessed by reviewing:
 - Average income levels
 - Indices of multiple deprivation

3.203 These metrics have been mapped alongside key areas of improvement, highlighting particular areas within the CA where a comparative difference in network frequency is clear between the existing 'do nothing' scenario and the Do Something. At this stage of scheme development, benefits are considered to be distributed the same between Franchising and EP scenarios.

3.204 Other metrics such as noise, accidents, security, and severance were not considered to be materially influenced by any of the options under consideration, or sufficient detail of the locations of these impacts / interventions not known at this stage.

Figure 3-4: Existing bus service network

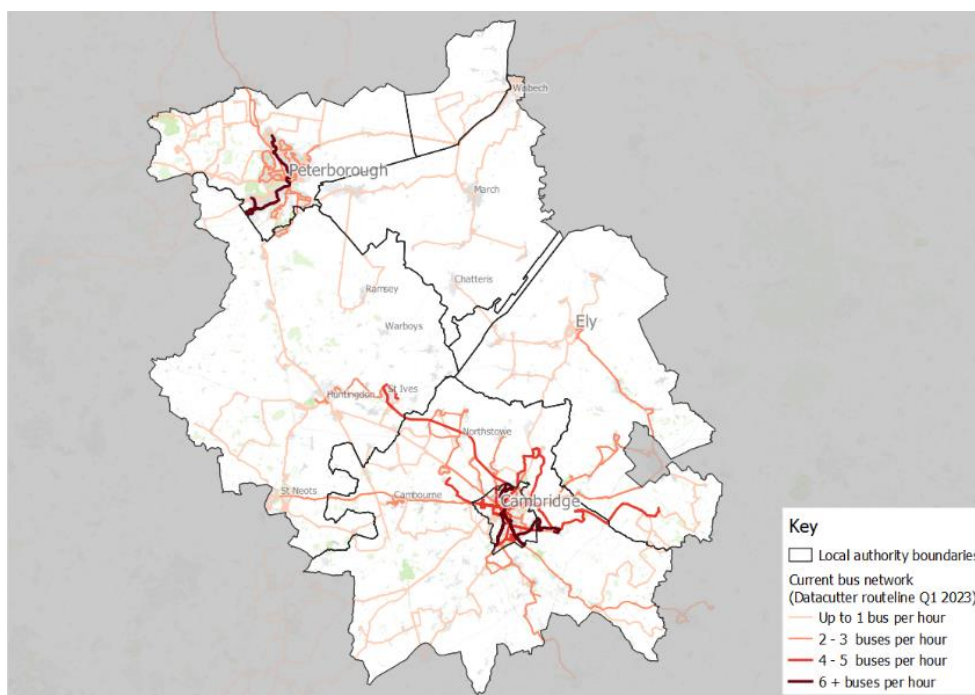
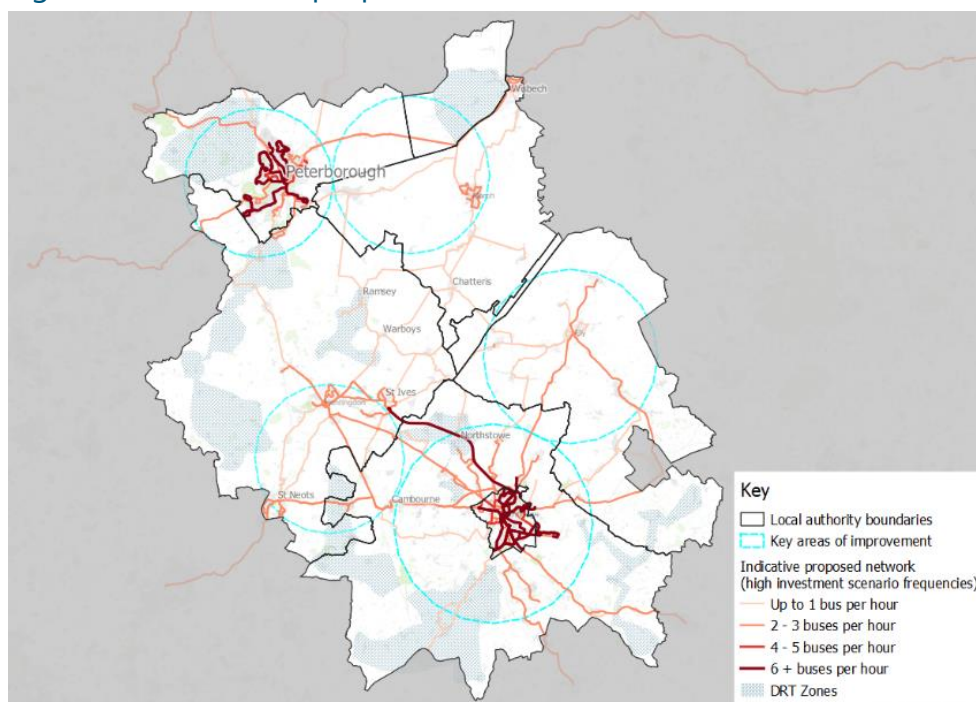


Figure 3-5: Indicative proposed enhanced bus service network¹¹⁰

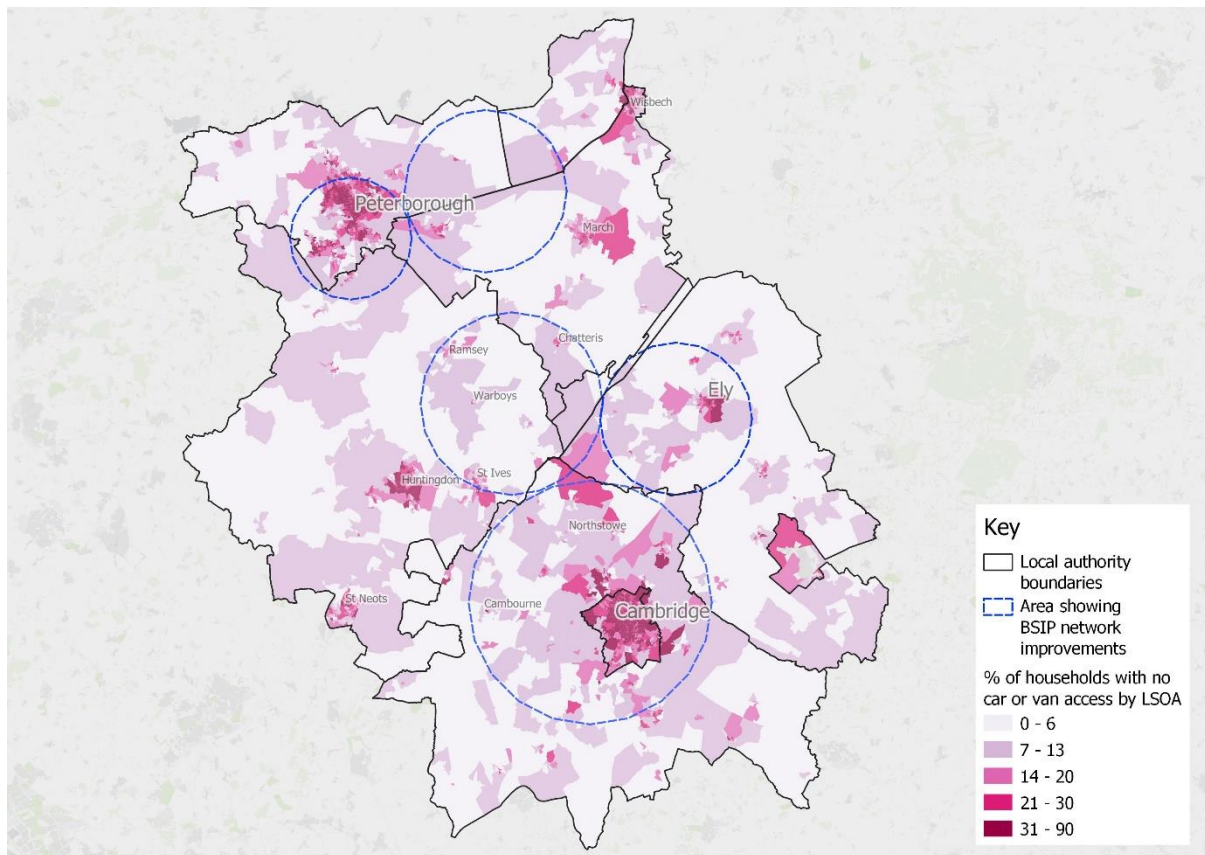


3.205 Figure 3-6 shows the percentage of households across the CA that have no access to a car or van, with the data retrieved from the 2021 Census. The centres of Peterborough, Cambridge, and Ely have a high percentage of households without access, indicating that the higher density of development and greater number of key services within a shorter distance reduce the need for a car. However, this could also suggest a lack of income in these areas to purchase and run a car. Nonetheless, the improved bus network in these areas will be beneficial to the local residents in providing greater accessibility without relying on the private car.

3.206 Large swathes of the CA have a low percentage of households with no access to a car or van. This presents more challenges in the sense of encouraging modal shift away from the private car. However, improving the bus network in these areas, for example for residents on the main links between key centres such as Ely and Cambridge, and Peterborough and its suburbs, may help to reduce residents' reliance on the car and encourage greater bus patronage.

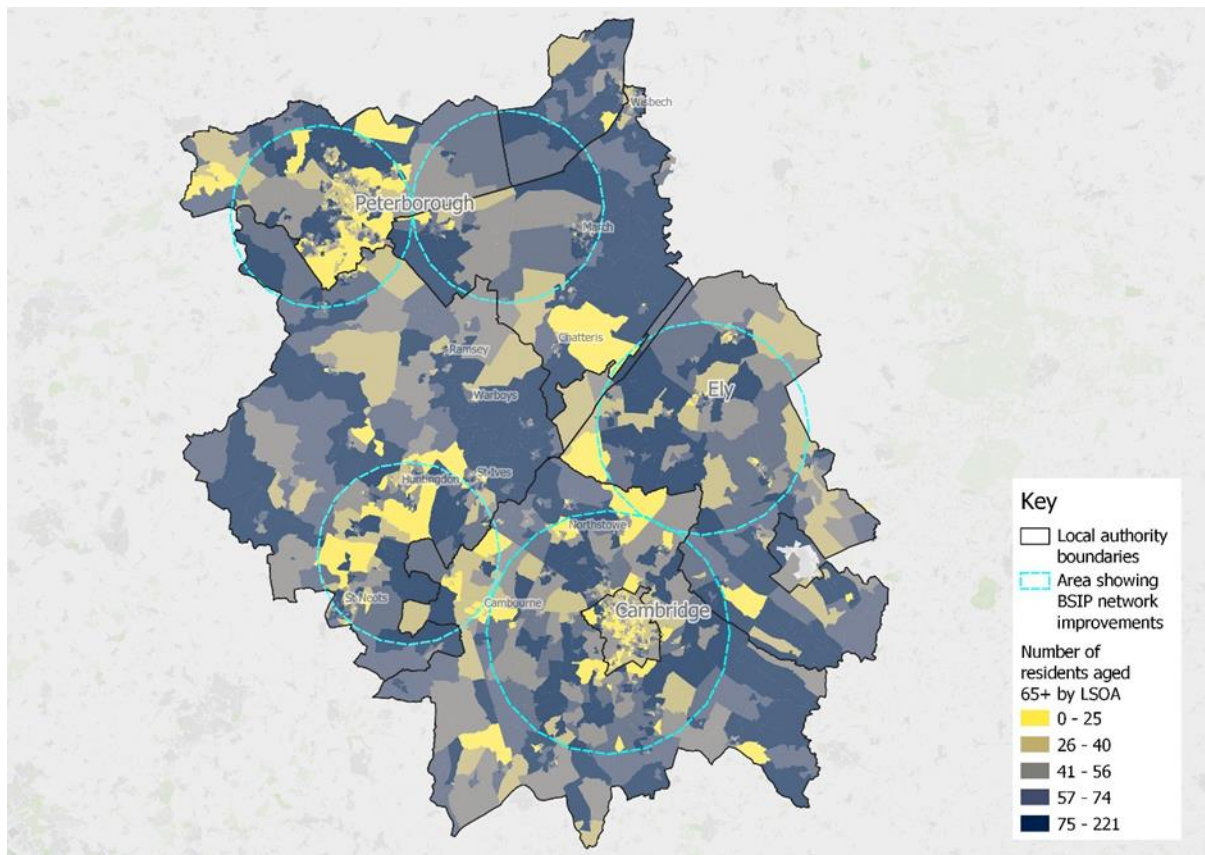
¹¹⁰ While this figure illustrates the indicative 'high' investment scenario, the principles on where the frequency enhancements geographically fall are also applicable to the 'medium' investment case

Figure 3-6: Car ownership



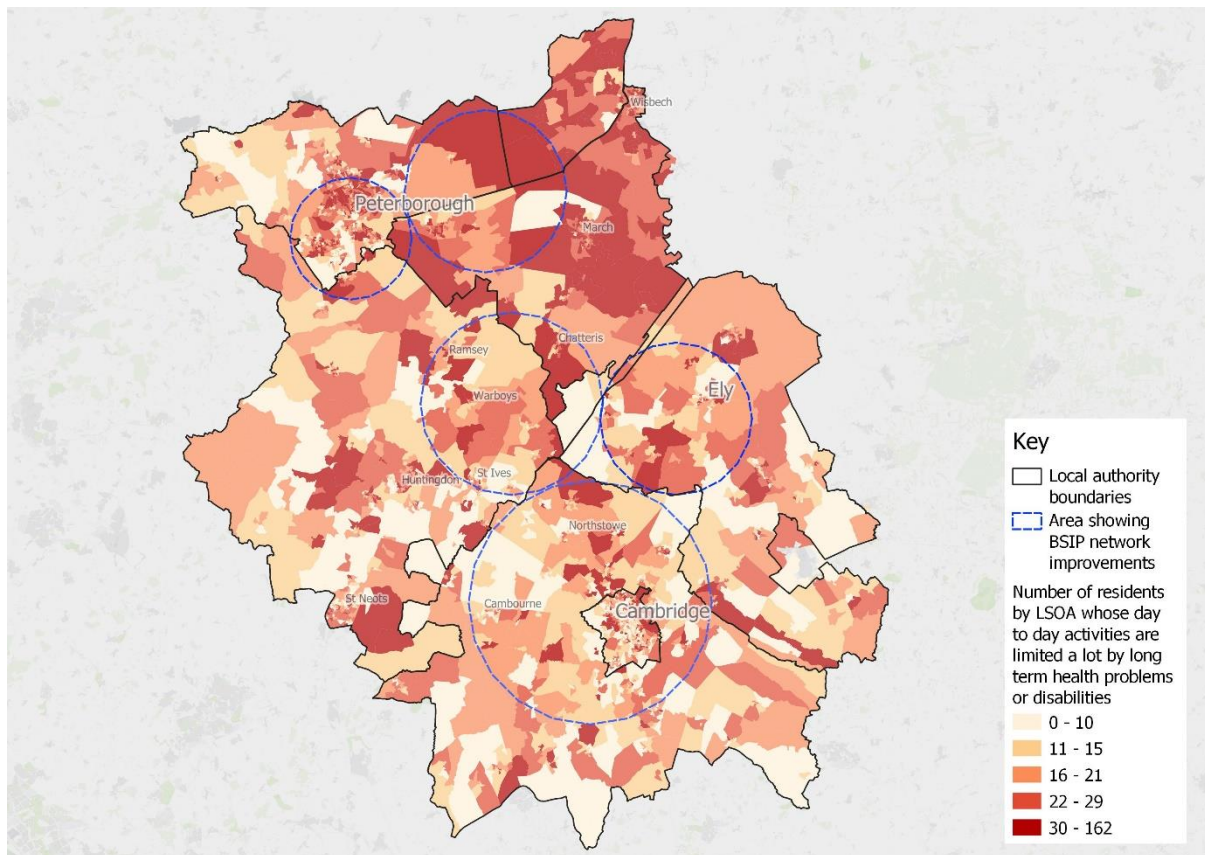
3.207 Figure 3-7 illustrates the number of residents aged 65 or over by Lower Super Output Area (LSOA), taken from the 2021 Census. Residents of this age category may be more vulnerable than the average resident in the CA with many likely relying on the bus network to access essential services. As such, the large populations of those over 65 years around Ely and St. Neots, as well as areas surrounding Peterborough and Cambridge, would benefit from the bus service improvements.

Figure 3-7: Population aged 65 and over



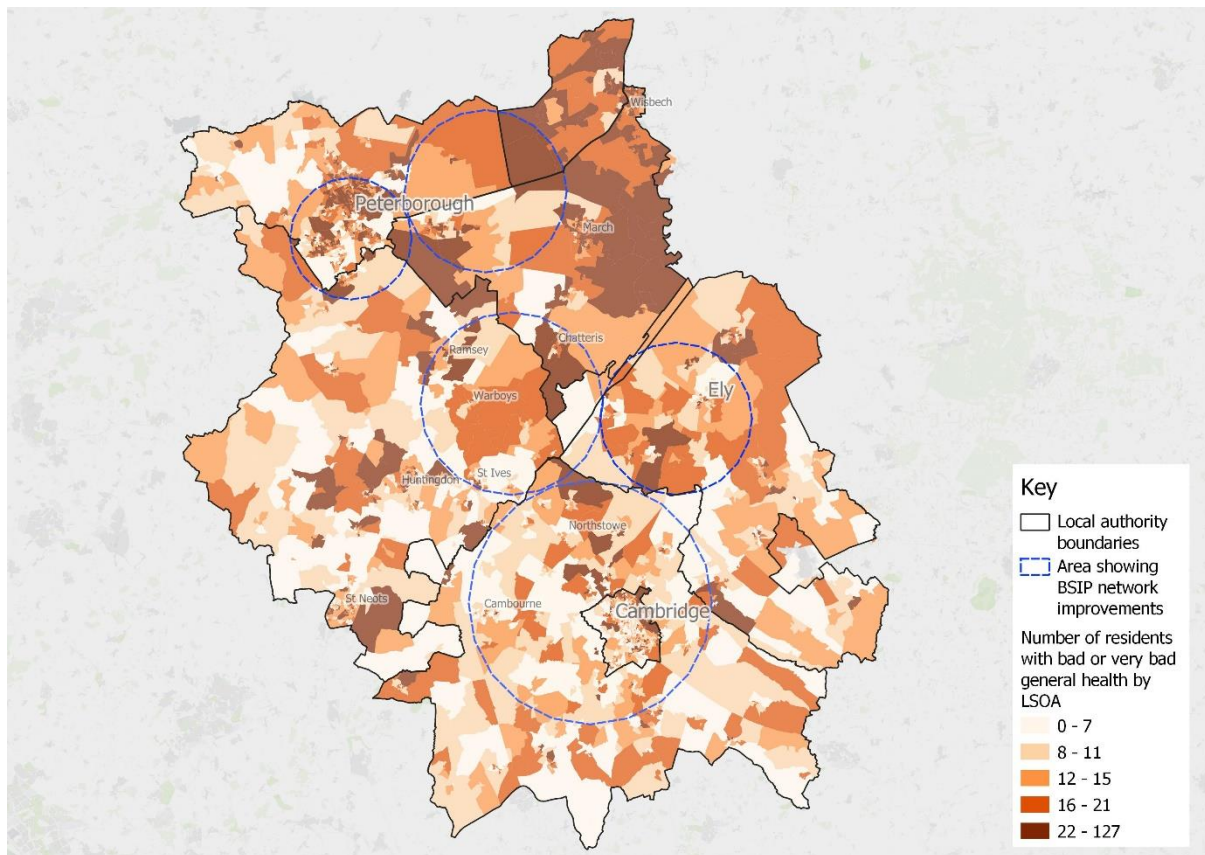
- 3.208 Figure 3-8 shows the number of residents by LSOA whose day-to-day activities are limited a lot by long-term physical or mental health conditions. Taken from the 2021 Census, this categorisation was the most severe, with the other categories defining residents whose day-to-day activities are limited a little, not limited but with a long-term physical or mental health condition, and not limited and with no long-term condition.
- 3.209 An area in the map that stands out is to the east of Peterborough, which shows that in much of the area covered by the improved bus network, there is a larger number of residents who are limited a lot by their long-term health problems (30-162 residents). This is also the case for areas around Ely and St. Neots. An improved bus network can help to increase accessibility for these groups and may be crucial for them to be able to travel around.

Figure 3-8: Population affected by a disability



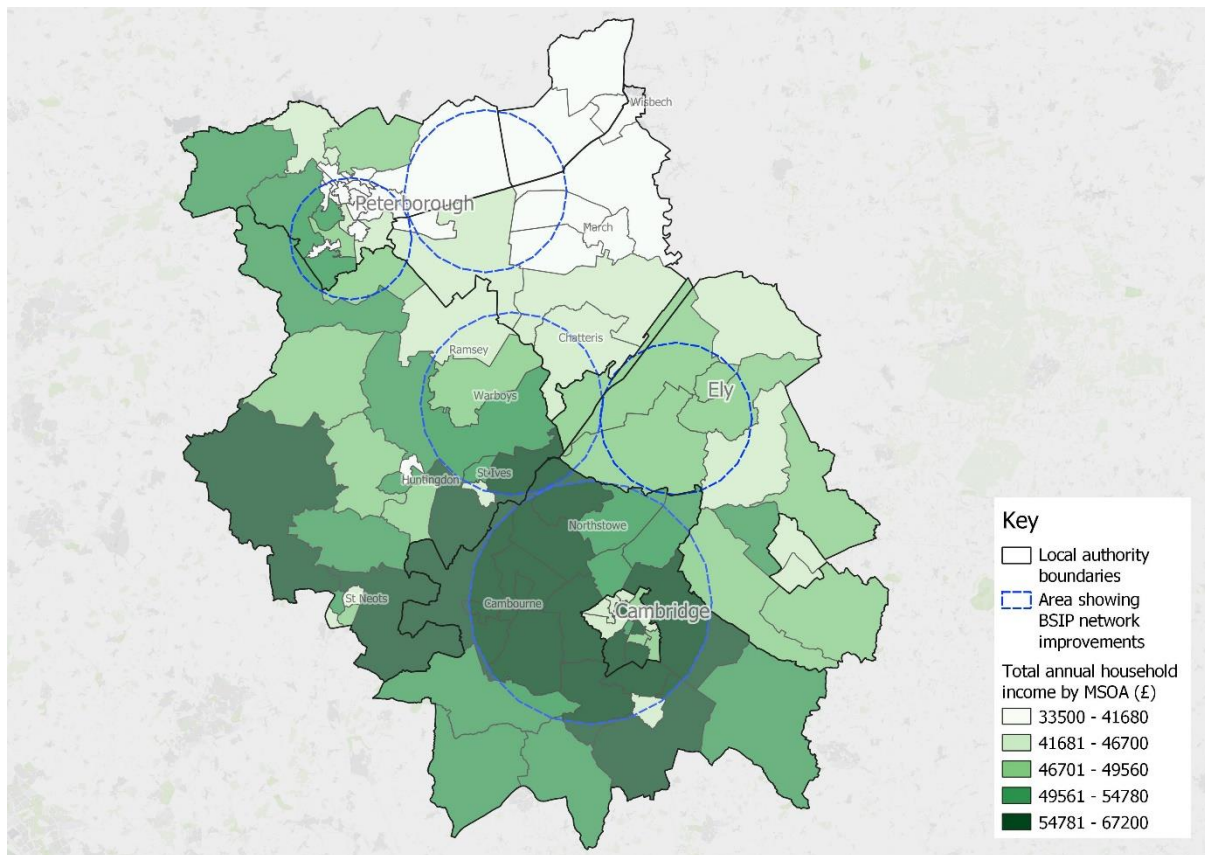
3.210 Figure 3-9 reveals the number of residents with bad or very bad general health by LSOA, taken from the 2021 Census. These groups are particularly vulnerable and may rely on public transport to access key facilities and meet their daily needs. Although there are pockets across the area where residents have bad health, this tends to increase further north and east towards Peterborough and its suburbs. For instance, for those residents with bad health in the improvement area to the east of Peterborough will be able to benefit from the increased accessibility.

Figure 3-9: General health of population



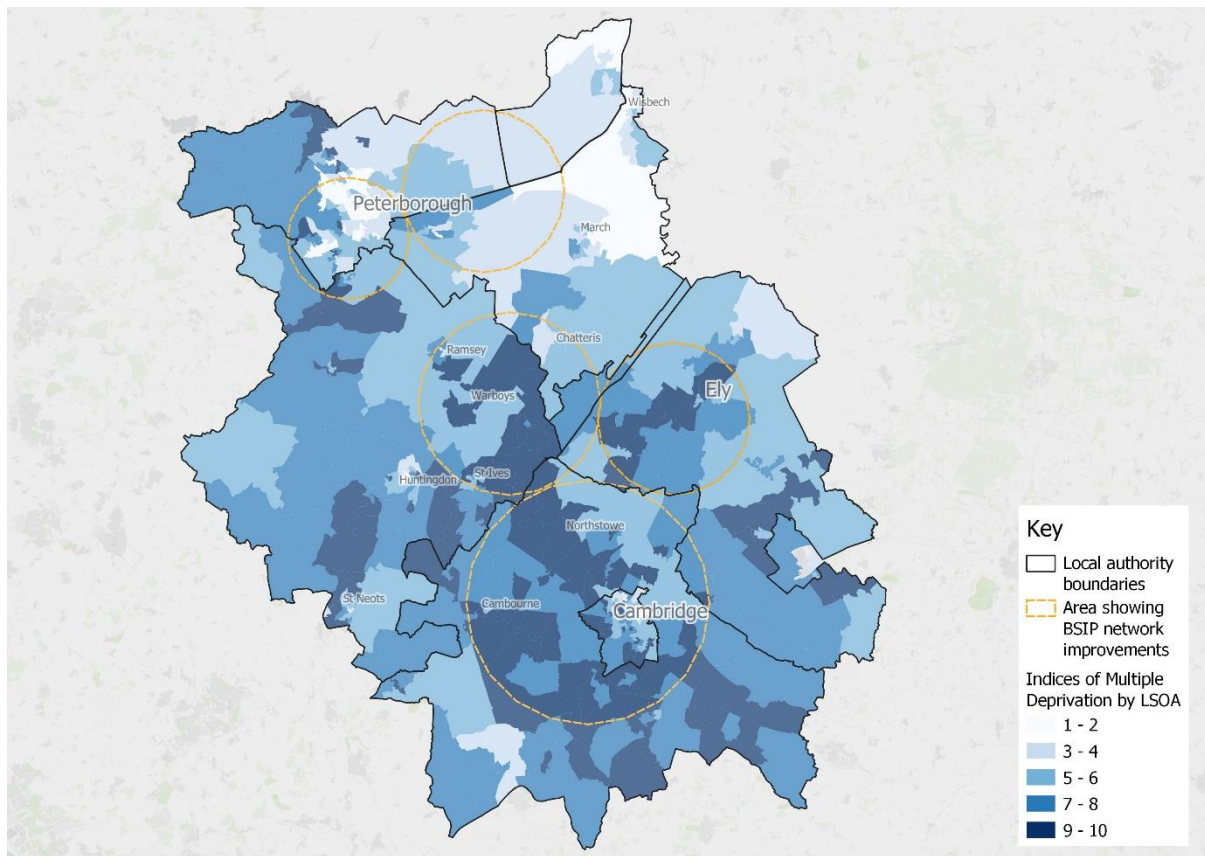
3.211 Figure 3-10 conveys total annual household income by MSOA, drawn from ONS data. The areas with lower incomes within Peterborough and to its east coincide with the areas of greatest network improvements. There are also pockets of low household income in Cambridge, Huntingdon, and St. Neots which will benefit from the improvements, and provide a cheaper alternative to the private car.

Figure 3-10: Average income levels



3.212 Figure 3-11 shows the Indices of Multiple Deprivation decile results across the CA by LSOA, taken from 2019 ONS data. The most deprived areas are shown in lighter shades, in lower deciles, while the least deprived areas are reflected by the darker shades. The map indicates that there would be particular network improvements around more deprived areas in Peterborough city centre and to its east. There are also pockets of deprived areas within Cambridge and Huntingdon which would benefit from the improved network.

Figure 3-11: Indices of multiple deprivation



Uncertainty in network operation

- 3.213 Levels of certainty in the delivery system and network operation will change over the course of implementation. While implementing a system of Franchising may cause changes to the network initially and cause some disruption to passengers while new timetables and services are established, in the longer term it will secure operations with longer term contracts with operators and levels of certainty in the bus network will increase from the current arrangement.
- 3.214 For an EP, levels of certainty would also evolve, but with some uncertainty initially as the EP is established. Once this initial period of medium levels of uncertainty is overcome and a working partnership is developed, uncertainty would reduce. However, rising operating costs, reducing patronage and unknown future challenges for the private sector, mean that in the longer term, as an EP scheme was renegotiated, this could result in more uncertainty for passengers and operators.

Impact on stakeholders

3.215 The impacts from the scheme may affect different groups in different ways. This section highlights some of the key considerations for passengers, operators, and the CA as three key stakeholder groups.

Impact on passengers

3.216 As discussed above, there would be a number of impacts that would affect passengers. It is considered that all of these would be positive. These impacts include:

- Reduced journey times (both on-board and reduced waiting times);
- Improved vehicles and onboard facilities in some cases;
- Improved waiting facilities and integration of services;
- Extended hours of operation, particularly in rural areas;
- Simplified ticketing offer, making journeys cheaper and/or easier to use multiple services; and
- Simplified communications, whereby consistent branding and information is available making services easier to understand.

3.217 These impacts would accrue to different groups in different ways. The main beneficiaries can be summarised as:

- Existing bus users in the CA area.
- Residents of new residential areas in the CA area who would benefit from new/improved bus services that are available when they move into the area.

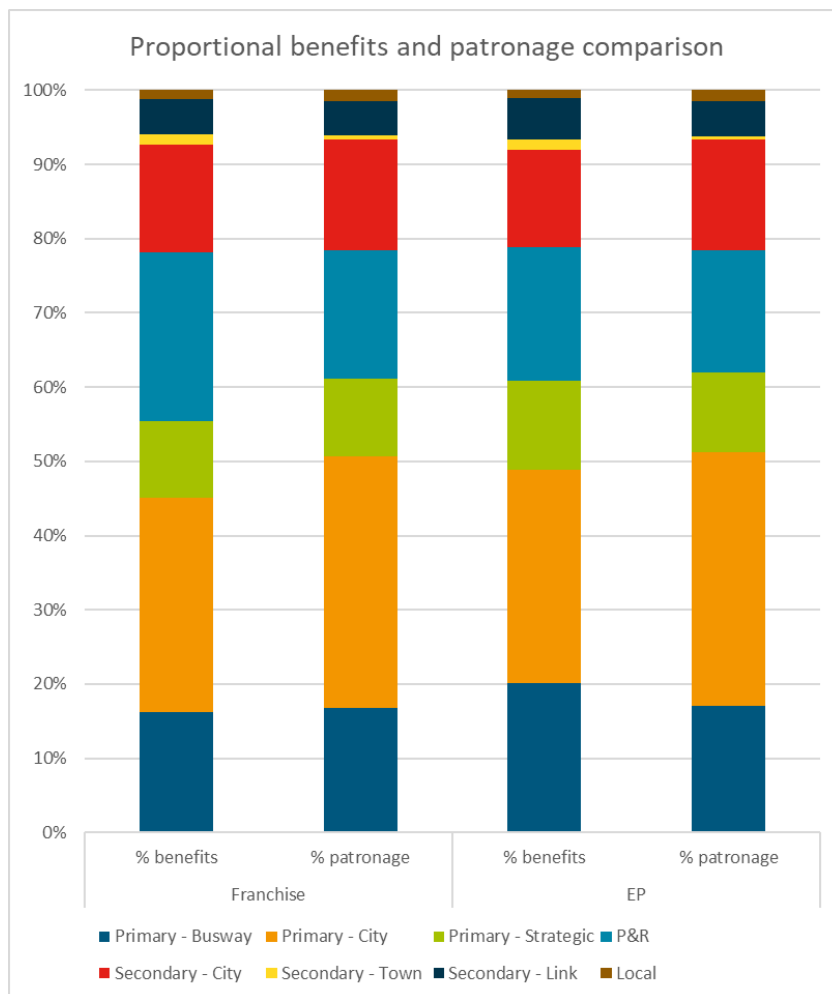
3.218 Secondary beneficiaries would include:

- Non-bus users who may come to use improved bus services across the area;
- Non-bus users whose location may now be covered by new bus routes or expanded reach offered by Demand Responsive Transport (DRT);
- Non-bus users who may benefit from mode shift to improved bus services, thereby reducing the traffic congestion and delays experienced on local and strategic transport networks across the CA area.

3.219 Reduced journey times are likely to disproportionately accrue to rural residents and those commuting, particularly where new bus services would provide greater travel opportunities. These groups tend to be disproportionately in lower income groups, or in the case of rural residents, disproportionately in older age groups.

- 3.220 Improved vehicles will tend to better meet accessibility requirements and will therefore disproportionately accrue to the elderly and disabled.
- 3.221 Extending the operation of DRT services will provide much improved accessibility for rural residents. These bus users tend to be disproportionately in elderly or low-income groups.
- 3.222 A summary of the Equalities Impact Assessment is given in paragraph 3.252 onwards below.
- 3.223 Arrangements to protect passengers would be put in place. If operators reduce or withdraw services prior to them being subject to a franchise contract, the CA could manage this in a number of ways:
- Facilitate other operators stepping in to take on the service contract.
 - Use short-term tendered contracts to replace the services leading up to the point at which these services move to a franchise contract.
 - If the service is deemed to be no longer required as part of a Franchised network, no further action would be taken in relation to the withdrawn services.
- 3.224 The proportion of forecast economic benefits estimated within the assessment can be attributed to specific route types. By comparing to the proportion of patronage associated with these route types in each forecast scenario, Figure 3-12 illustrates the comparison, with similar proportions of benefits to patronage in each scenario.

Figure 3-12: Proportion of economic benefits and patronage by route type



Passengers in neighbouring authorities

- 3.225 Some services that extend outside the CA area would not be directly affected by changes to Franchising, due to the Service Permit arrangement (see further details in the Commercial and Management Cases). Therefore, passengers in neighbouring authorities would not be negatively affected by either a Franchising or EP arrangement.
- 3.226 There is potential for slight benefits to be experienced through better integration of services and ticketing, facilitating improved interchange and more travel choice. Contractual arrangements for the Service Permits also contain scope to influence for conditions such as ticketing purchase methods, vehicle standards and discounted ticketing offers.
- 3.227 The intention would be, as much as possible, to design the Service Permit requirements with those in the Franchising Scheme to ensure consistency of service over the area. Therefore, subject to the exact scope and stakeholder consultation,

passengers from neighbouring authorities may benefit from improvements in services beyond the CA area boundary.

Impact on operators

- 3.228 The business as usual scenario is likely to be characterised by a continued decline / stabilisation in patronage. This is likely to be accelerated if road conditions and congestion further deteriorate, and service levels will reduce as a result.
- 3.229 **Under an Enhanced Partnership** scenario operators would be involved in the negotiations to develop and implement the scheme. It would be designed to ensure that a dominant operator cannot force through requirements which could be detrimental to other smaller operators. The EP Board would be made up of the same members as the existing Bus Operators' Forum, whereby local bus operators are one of a number of stakeholder groups.
- 3.230 **Under a Franchising scenario** the impacts on operators would be different depending upon whether the market as a whole is considered, or whether the assessment is restricted to the position of the dominant operator.
- 3.231 The position of the dominant operator may be significantly affected by the franchising proposals. This is based upon the assumption that at least some of the franchise contracts would be secured by other operators. In this case, the position of the dominant operator would be significantly reduced, as services and revenue are lost to other operators. In the short term, the impacts of this would be limited, as staff would transfer to the new operators. However, in the longer term the impacts could be considerable, if other operators were successful in winning a larger proportion of franchise contracts.

SMOs and new entrants

- 3.232 The bus operator market in the CA area is largely dominated by Stagecoach, operating much of the commercial bus network¹¹¹. As set out in the BSIP, many of the local authority supported bus services are run by smaller operators. There is limited competition for contracts.
- 3.233 Both Franchising and EP scenarios would support small and medium operators to continue operations in the area and have the potential to grow.

¹¹¹ <https://cambridgeshirepeterborough-ca.gov.uk/wp-content/uploads/documents/transport/buses/Bus-Reform-Mayoral-Task-Force/CPCA-BSIP-Final-291021.pdf>

- 3.234 **An Enhanced Partnership** would be designed to ensure that a dominant operator could not force through requirements which could be detrimental to other operators. The EP Board would be made up of the same members as the existing Bus Operators' Forum, whereby local bus operators are one of a number of stakeholder groups.
- 3.235 An EP is only achievable through market consultation and negotiation with operators. In the formation of an EP, local bus operators are able to provide their opinions and confirm whether or not they support any of the relevant proposals from the CA or other bus operators.
- 3.236 Not all operators need to agree with an EP Scheme's content, for the EP Scheme to be made. Operators have a right to object and, if either of the two objection criteria set out in the table below are satisfied, the EP cannot be made. This is to ensure that a dominant operator cannot force through requirements which could be detrimental to other smaller operators.
- 3.237 **In a Franchising model**, the intention is to provide opportunities for large, medium and small operators to play a part. When considering the market as a whole, it would be considered that the Franchise option would represent an overall improvement, as the size of the bus market would be increased, with more services being operated, more passengers, and higher overall fare revenue and other income. Under this scenario it would be expected that there would be increased competition for franchise contracts, with new entrants to the area.
- 3.238 The procurement strategy would aim to open up the market for the provision of bus services across the CA area, provide suitable structures and processes to encourage the development of the network, and achieve value for money. It is intended to have a qualification system in place, whereby operators will only be required to apply once and be evaluated once. Having qualified, they will be automatically eligible to tender for any future contracts. This should minimise bidding time for operators and reduce the barriers for entry.

Impacts on the CA

- 3.239 The main impacts on the CA would be both positive and negative; in the case for **Franchising** these include:
- On the plus side, the CA would attain far greater levels of control over bus services and would be able to influence fare levels, service patterns and the quality of bus services. If successful, the CA would be in a stronger position to achieve its strategic objectives for improved transport, connectivity, access to employment and environmental improvements.

- On the downside, the CA would be required to invest significant additional funding in staffing a much-strengthened public transport team, incurring additional costs each year.
- In addition, the CA could be required to invest significant amounts in complementary measures to ensure that the benefits of Franchising can be captured.
- This operating model would expose the CA to an increased level of risk, with more elements of operation becoming part of the authority's responsibility.

3.240 For an **EP**, impacts could include:

- More limited control in services compared to a Franchising scenario, while a successful EP would mean the CA would be able to more effectively work with operators, ultimately all changes would need to be agreed.
- There is potential that the CA would need to fund the provision of existing bus services as the trend of an increasing lack of commercial sustainability in services, would lead to an increasing amount of funding required for contracted services.
- The CA can initiate more changes to bus operations than currently, but they are more likely to take longer to implement as they would require cooperation and agreement from operators.

Value for Money Assessment

3.241 This section brings together the various aspects of the economic appraisal to provide a Value for Money (VfM) assessment.

3.242 Usually, value for money is judged based on two measures, the Benefit-Cost Ratio (BCR) and the Net Present Value (NPV). TAG's Analysis of Monetised Costs and Benefits (AMCB) table considers the different economic impact of the project. Following this analysis, values are grouped into total Present Value Benefits, and Present Value Costs. The NPV is then calculated as $NPV = PVB - PVC$, and the BCR is calculated as $BCR = PVB / PVC$.

3.243 However, there are different ways to formulate the PVB and the PVC, depending on what is perceived as the budget constraints. In addition, for public transport projects, there could be different ways to classify revenues. These different formulations do not affect the NPV, but do affect the BCR.

3.244 For instance, the 'conventional' approach classifies Indirect Taxation as a benefit. Because it is considered that the entity who is making the investment decision (CPCA in this case), does not control wider government finance. In addition, under

Franchising, the conventional approach classifies revenues as negative costs. That as well, suggests that the entity making the decision can use revenues for further investment.

- 3.245 Due to the explanation above, decision makers should look at the conventional BCR (presented in the AMCB table below) as the main indicator for the Value for Money of the project. This tables classifies different values in a way that is relevant for the investment decision.
- 3.246 Nevertheless, some projects consider a different BCR formulation which classifies costs to operators and to public sector under the PVC, and revenues and user benefits under the PVB. This approach considers the resource cost to the economy, rather than focussing on the cost to the public entity. To make the Value for Money assessment comparable to other projects, we have also included a 'social' BCR which follows this approach. It should be noted that because revenues are considered in the PVB, the social BCR shows a higher PVC.
- 3.247 The NPV is less sensitive to allocation of costs and benefits, however it is affected by the size of the project. The three VfM measures below are coherent and all point towards the same conclusion that Franchising is the highest VfM option, and that it is costlier than the other two options.
- 3.248 Table 3-14 presents a shortened version of the standard Transport Economic Efficiency assessment; this follows TAG's template and shows the impact of the scheme on different groups. It shows that all groups are affected positively. However, the largest impact is on non-commuting 'Non-Business Users'.

Table 3-14: Transport Economic Efficiency (TEE) extract

£, 2010 PV	Franchising	Enhanced Partnership
Non-Business Users: Commuting	£120,525,362	£83,769,162
Non-Business Users: Other	£173,930,207	£116,866,211
Business Users	£6,026,268	£4,188,458
Private sector providers impact	£7,704,025	£7,389,937
Total TEE	£308,185,862	£212,213,767

- 3.249 Table 3-15 shows the conventional Analysis on Monetised Costs and Benefits

Table 3-15: Conventional Analysis of Monetised Costs and Benefits¹¹²

Analysis of Monetised Costs and Benefits (2010 £m)	Franchise	Enhanced Partnership
Noise	0.16	0.11
Local Air Quality	-0.11	- 0.14
Greenhouse Gases	-4.53	- 4.80
Journey Quality	-	-
Physical Activity	-	-
Accidents	2.46	1.75
Economic Efficiency: Consumer Users (Commuting)	120.53	83.77
Economic Efficiency: Consumer Users (Other)	173.93	116.87
Economic Efficiency: Business Users and Providers	13.73	11.58
Wider Public Finances (Indirect Taxation Revenues)	3.65	3.64
OVERALL IMPACTS		
Present Value of Benefits (PVB)	309.82	212.78
Present Value of Costs (PVC)	121.75	89.45
Net Present Value (NPV)	188.06	123.32
Benefit to Cost Ratio (BCR)	2.54	2.38

3.250 The NPV of Franchising is £188m, and is higher than the EP NPV of £123m. The Conventional BCR of Franchise is 2.54 compared to 2.38 of EP. This analysis demonstrates that Franchise is a higher VfM option than EP. This reflects the fact that under Franchise, interventions can be implemented more comprehensively.

Table 3-16: Economic Appraisal Results

(£millions, 2010 prices, PV)	PVC	PVB	BCR	NPV
Franchising	£21,753,889	£309,815,819	2.54	£188,061,929
EP	£89,452,562	£212,775,801	2.38	£123,323,238

3.251 The table below presents the 'social' BCR. This alternative method of calculating the BCR also shows that Franchise is higher VfM, however the difference is marginal. The social BCR shows that from a 'whole economy' point of view, Franchising is only

¹¹² Detailed explanations of the benefit categories shown in this table can be found in TAG UNIT A1.3, User and Provider Impacts

slightly more beneficial than EP. However, as explained above, from the point of view of the CA, the conventional BCR is more representative of its considerations.

Table 3-17: Social BCR

£m, 2010 PV	Franchise	Enhanced Partnership
Total user benefits and non-user benefits	£298	£202
Increase in bus revenue	£39	£25
PVB	£338	£227
Increase in bus costs	£101	£91
CPCA Investment	£48	£11
Government Costs	£2	£2
PVC	£150	£104
Social BCR	2.26	2.19

Summary of Equalities Impact Assessment

3.252 As part of this OBC assessment an Equalities Impact Assessment (EQIA) was undertaken in order to identify any impacts upon protected groups under the Do Something scenarios. Whilst this is fully reported elsewhere¹¹³, a summary of the key issues identified is provided below.

¹¹³ Integrated Transport Planning/CPCA, 2020

Table 3-18: Summary of EQIA

Protected Group	Effects of Franchising	Effects of Enhanced Partnership
Age	<p>Many older people will benefit from increased accessibility resulting from new DRT services.</p> <p>Older people will benefit from reduced travel times.</p> <p>Improvements in bus stop and shelter design and provision would benefit older people.</p>	<p>Many older people will benefit from increased accessibility resulting from new DRT services.</p> <p>Older people will benefit from reduced travel times.</p> <p>Improvements in bus stop and shelter design and provision would benefit older people.</p>
Disabled people	<p>Disabled people in rural areas would benefit from increased accessibility as a result of improved DRT services.</p> <p>Improvements in bus stop and shelter design and provision would benefit disabled people.</p> <p>Vehicle branding would benefit those with visual and cognitive disabilities.</p>	<p>Disabled people in rural areas would benefit from increased accessibility as a result of improved DRT services.</p> <p>Improvements in bus stop and shelter design and provision would benefit disabled people.</p>
Gender reassignment	<p>Passengers would benefit from improved vehicle design, including additional security measures.</p> <p>Improvements in bus stop and shelter design and provision would benefit gender reassignment people through improved security.</p>	<p>Improvements in bus stop and shelter design and provision would benefit gender reassignment people.</p>
Gender	<p>Female passengers and families would benefit from reduced fares.</p> <p>Passengers would benefit from reduced travel times.</p> <p>Female passengers would benefit from improved vehicle design, including additional security measures.</p> <p>Improvements in bus stop and shelter design and provision would benefit female passengers.</p>	<p>Female passengers and families would benefit from reduced fares.</p> <p>Passengers would benefit from reduced travel times.</p> <p>Improvements in bus stop and shelter design and provision would benefit female passengers.</p>

Pregnancy and maternity	<p>Mothers would benefit from reduced travel times.</p> <p>Improved vehicle design would benefit mothers.</p> <p>Improvements in bus stop and shelter design and provision would benefit mothers.</p>	<p>Mothers would benefit from reduced travel times.</p> <p>Improvements in bus stop and shelter design and provision would benefit mothers.</p>
Race (ethnicity)	<p>Improved vehicle design, including additional security measures, would benefit BAME communities.</p> <p>Improvements in bus stop and shelter design and provision would benefit those from BAME communities.</p>	<p>Improvements in bus stop and shelter design and provision would benefit those from BAME communities.</p>
Religion and belief	<p>Improved vehicle design, including additional security measures, would benefit all communities.</p> <p>Improvements in bus stop and shelter design and provision would benefit those from all communities.</p>	<p>Improvements in bus stop and shelter design and provision would benefit those from all communities.</p>
Sexual orientation	<p>Improved vehicle design, including additional security measures, would benefit all communities.</p> <p>Improvements in bus stop and shelter design and provision would benefit those from all communities.</p>	<p>Improvements in bus stop and shelter design and provision would benefit those from all communities.</p>

Note: No impacts were identified related to marriage and civil partnership

Risk assessment

- 3.253 An assessment of risk was undertaken for both the Franchising and EP options. A full review is included in the risk matrices in Appendix B. The top scoring risks for each operational model are summarised in Table 3-19 below, these represent legal, financial, implementation, consultation, and operation related risks.
- 3.254 Further assessment of commercial risks, along with risk management mechanisms are considered in the Commercial Case chapter of this OBC.

Table 3-19: Top risks

Franchising				
Risk No	Risk Description	Cause	Consequence	Mitigation
F1	Judicial review of any CPCA decision to proceed with franchising	<p>Mayoral decision is challenged.</p> <p>Reasons for a challenge include:</p> <ul style="list-style-type: none"> a) adequate consideration of impacts of proposed scheme had not given throughout process. b) there had been a failure to comply with the process set out in the 2017 Act. c) a decision of the CA was not taken in accordance with the CA's constitution and other governance rules. d) inadequate consideration of other alternatives e.g. partnership approach. 	<ul style="list-style-type: none"> 1) Delays to the schedule for implementing the Franchising Scheme. 2) Costs associated with defending the challenge. 	<ul style="list-style-type: none"> 1) Ensure compliance with the requirements of the 2017 Act. 2) Full assessment to consider impacts of the proposed scheme. 3) Review and consideration of any feedback to the CA's assessment both upon completion of assessment and during any potential statutory consultation. 4) Appropriate engagement with stakeholders. 5) Ensure compliance with the CA constitution and comply with any instructions given by the CA.
F11	Economic downturns lead to reduced patronage and fare revenue	<ul style="list-style-type: none"> a) Short term economic downturn leads to reductions in patronage. b) Longer term economic downturn leads to reduced patronage over the life of the franchise. 	<ul style="list-style-type: none"> 1) Reduced fare income, which would need to be covered from CA budgets. 	<ul style="list-style-type: none"> 1) Retain contingency from fare income received (where available), to meet shortfalls. 2) Periodically revise patronage and fare income forecasts. 3) Review bus service provision within franchise contracts against revised forecasts.
F6	Insufficient market interest in franchising tenders	<ul style="list-style-type: none"> a) Position of dominant operator deters competition. b) Tender packages are seen as too large or too small. c) Tender requirements are prohibitive. 	<ul style="list-style-type: none"> 1) Tender prices are inflated due to lack of competition. 2) Lack of supply in the market. 3) Procurement is considered as invalid. 	<ul style="list-style-type: none"> 1) Extensive market sounding and consultation with prospective bidders. 2) Testing of procurement options prior to procurement process begins. 3) Consultations with potential operators regarding structures and sizes of franchises.
F7	Depots: suitable depot sites are unavailable and existing sites cannot be secured at an economic cost	<ul style="list-style-type: none"> a) Suitable sites are in short supply in the CA area. b) Existing operators retain depot sites, or dispose of them for non-transport uses. c) Land values for suitable sites rise. 	<ul style="list-style-type: none"> 1) Incoming operators will be unable to secure suitable depot facilities. 2) Prospective tenderers are deterred due to potential operational difficulties. 3) Cost of securing depot facilities are higher than expected leading to high tender prices. 	<ul style="list-style-type: none"> 1) Early search and securing of suitable sites, possibly through the planning system. 2) Put a plan in place to secure appropriate depot facilities. 3) Negotiations with existing depot owners to secure release of sites.

F18	Permanent driving and maintenance staff resources may not be secured immediately by incoming operators on commencement of transition	<ul style="list-style-type: none"> a) TUPE poorly managed. b) Operators actively encourage best maintenance staff to be retained for other local operations. c) General shortage of skilled staff in the market price at the right price. d) Inadequate budgeting for required salaries to attract staff. e) Assumptions about individuals that will TUPE from one operator to another are incorrect. f) Poor Management of Mobilisation by the successful operator. g) Not run as a project with all the appropriate governance. h) Incumbent operators stop recruiting and/or move staff into other regions following mayoral decision. 	<ul style="list-style-type: none"> 1) Reduction in service quality. 2) Reduction in availability of service. 3) Reduction in customer confidence and reputation. 4) Loss of revenue. 5) Additional cost. 	<ul style="list-style-type: none"> 1) Risk transferred to operator. 2) Due Diligence to take place during the bid stage to ensure that the commitments made during the bid are backed up by evidence. 3) Bid requirements to ensure clear methodology has to be provided to address any the CA concerns over approach. 4) Robust Franchise Management around the delivery of agreed personnel numbers. 5) Performance regime to incentivise operators to run services in line with contract. 6) Minimise requirement for new systems. 7) Employ appropriate experienced resource on contract basis to provide robustness, training and handover to any the CA personnel.
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Enhanced Partnership

Risk	Risk Description	Cause	Consequence	Mitigation
P4	Economic downturns lead to reduced patronage and fare revenue	a) Short term economic downturn leads to reductions in patronage. b) Longer term economic downturn leads to reduced patronage over the life of the enhanced partnership.	1) Reduced fare income, is likely to affect the viability of some services and affect the ability of operators to meet their obligations under the partnership. 2) The CA may need to provide additional revenue funding to support at risk services.	1) The CA to retain contingency within bus service support budgets. 2) Periodically revise patronage and fare income forecasts.
P5	Non-delivery of complementary investments such as bus priority measures	a) Reduced CA and LA budgets lead to reduced capital investment programmes. b) Technological issues delay implementation of systems. c) The CA is not the highway authority so does not have control over the provision of bus stops and shelters.	1) Service improvements are not delivered leading to reduced patronage. 2) Inadequate infrastructure makes timetables undeliverable. 3) Improved stops and shelters are not provided, reducing patronage on some routes. 4) Additional costs for the CA to provide alternative measures.	1) Maintain strong liaison between the CA and Las. 2) Ensure the CA input to LTP and capital programmes. 3) Complete detailed risk assessment for complementary investments. 4) Adopt proven technologies wherever possible.
P10	Traffic congestion is worse than expected leading to service disruption	a) Delays to implementation of complementary investments. b) Impact of highway works. c) Economic growth leads to significantly increased levels of road traffic.	1) Inability to meet contractual obligations for bus priority. 2) Service unreliability leading to reduced revenue and increased complaints.	1) The CA to liaise closely with highway authorities. 2) Service contingency plans in place.
P11	Unpredictable fuel prices	a) Volatile international fuel markets lead to variations in cost. b) Fuel costs higher than expected.	1) Costs of service operation increase. 2) Services are reduced to maintain affordability.	1) Seek external specialist advice on fuel risk.
P13	Reduction/removal of government funding for bus services (BSOG, Concessionary fares)	a) Government reduces or removes bus service operators grant. b) Concessionary fares compensation rates are reduced or do not maintain parity with inflation.	1) The CA may be required to provide additional funding for supported bus services. 2) Impact on other the CA budgets. 3) Services would need to be reduced to maintain affordability.	1) Any changes would be national and would be challenged by all local authorities and bus operators.

Sensitivity tests

- 3.255 In line with the guidance accompanying the Bus Services Act 2017, a series of sensitivity tests were completed. The results of these sensitivity tests, in terms of NPV and BCR, are shown in the following section.
- 3.256 Sensitivity tests were developed to assess the impact of different levels of monetised benefit through a change to the value of time (+/-25%) and levels of vehicle operation costs (+/-10%) on the franchising case. The two metrics have been chosen as they represent a range of potential risks identified. These include vehicle operating costs, including costs of securing additional drivers and other staff, uncertainty on profit margins, local variation (although this risk has been mitigated with review of local bus costs, additional testing provides further rigor). The assessment of value of time reflects potential uncertainty around economic assumptions included in the model, such as generalised journey time valuations of improvements, variation in journey purposes and potential for forecast benefits not to be realised in full.
- 3.257 For each sensitivity test the Net Present Value and Benefit to Cost Ratio is presented below. As can be seen from Table 3-20, the Franchising scenario is economically robust under all of the sensitivity scenarios presented. BCRs range from 1.90 – 3.32, while NPV remains above £100m.

Table 3-20: Economic sensitivity test results – Franchising

Franchise - BCR		Operating cost		
		-10%	CENTRAL	+10%
Value of time	+25%	3.32	3.03	2.79
	CENTRAL	2.79	2.54	2.34
	-25%	2.25	2.06	1.90

Franchise - NPV (£m)		Operating cost		
		-10%	CENTRAL	+10%
Value of time	+25%	£257	£247	£237
	CENTRAL	£198	£188	£178
	-25%	£139	£129	£119

- 3.258 While the economics of a change to benefit valuation tests the robustness of the economic case for investment, and the value for money case is maintained even with an increase in cost, the financial implications of cost increases could be significant. An assessment of this risk arising, and a management approach the authority would take to mitigate its impact, is included in the Financial Case.

Appraisal period

3.259 The use of a 15 year appraisal period was reviewed to give an indication on the shorter term performance of the scenarios. This results in a NPV of between 35% and 50% of the full appraisal period, and reduced BCR where the impact is more significant. This reflects the significant 'front-loading' of investment costs, with the majority of the benefits from increased patronage and long-term operational cost savings coming later in the appraisal period. This indicates that any bus reform should be undertaken with a view to it being for the long-term, at least beyond 15 years.

Table 3-21: Economic performance of each option (15 year sensitivity)

(£millions, 2010 prices, PV)	PVC	PVB	BCR	NPV
Franchising	£85,607,507	£157,442,344	1.84	£71,834,837
EP	£55,214,747	£111,548,754	2.02	£56,334,007

Zero emission vehicle operating costs

3.260 The central case as presented throughout this document includes a reduction of vehicle operating costs for zero emission buses compared to diesel fleet. This is set as a 5% reduction and has been based on a number of supported assumptions. However, it is understood that reliable observed evidence about the performance / costs of operating and maintaining these vehicles, particularly over the longer term and in relation to elements like battery replacement cycles and associated cost, still has a degree of uncertainty. Therefore, an additional sensitivity test seeks to understand the potential impact of increases in zero emission bus operations on the economic performance of the proposed scenario.

3.261 An alternative assumption of an equivalent zero emission operating costs to diesel has been tested, with results presented below. This shows that, while an increase in costs (and associated reduction in net present value) may result in increased costs over the estimations presented in the 'central' analysis, the comparative performance of each option to inform decision making between scenarios holds.

Table 3-22: Economic performance of each option (operating cost sensitivity)

(2010 prices, PV)	PVC	PVB	BCR	NPV
Franchising	£127,309,102	£310,232,550	2.44	£182,923,447
EP	£94,504,833	£213,154,803	2.26	£118,649,970

Economic Case conclusion

- 3.262 Both EP and Franchising show advantages against the counterfactual 'do nothing' case. They both generate benefits (both monetised and non-monetised) in relation to social, environmental, and economic outcomes. A summary of the impacts of Franchising and an EP are set out in Appendix C, against the AST headings.
- 3.263 The distribution of these benefits could be further influenced by the CA if the proposed network was to be implemented under a Franchising scenario, to ensure benefits from investment and enhancement target those who are likely to gain most.
- 3.264 The monetised results of this economic case show that investing in bus services across the CA region could represent high value for money, with potential for a return on investment and a positive benefit cost ratio above 2.
- 3.265 The assessment suggests that investment in buses would provide good value for money whichever operational model is used, but that Franchising provides opportunity to realise further benefits above those estimated for an Enhanced Partnership model. Further analysis would need to be undertaken to identify the optimum locations for any infrastructure investment and more detailed review of the specific interventions should be conducted.
- 3.266 Uncertainty is associated with both options, both in transition and operation, although at differing scales. Further review of these uncertainties and ways to plan for, and mitigate, them are considered in the next two dimensions of this OBC.
- 3.267 Franchising offers the CA advantages in comparison to EP. Results suggest that, at each level of investment, Franchising performs slightly better in terms of economic benefits. The Franchising approach at the medium investment scenario provides the best net present value, indicating that despite the higher costs, significant benefits can be achieved through investing in the bus network.
- 3.268 It is important to acknowledge that, while the economic dimension plays a significant role in the decision-making process, it should not be the sole factor. The final choice should consider the ability of an option to meet strategic objectives, its financial sustainability, commercial viability, and practical feasibility as part of the comprehensive selection process.

Table 3-23: Comparison of competition

Impact	Enhanced Partnership	Franchising
Anticipated impacts on the level and capacity of competition for bus service delivery	Minimal impact on number of bus operators in CPCA	Potential to attract new operators to the market

3.269 In terms of maximising the user benefits through coordinated service provision, integrated ticketing, service stability and information provision, Franchising offers CPCA the opportunity to take a more integrated approach to the overall planning and provision of its proposed network, shown in Table 3-24Table 3-24 below.

Table 3-24: Comparison of Quality and Integration Benefits

Impact	Enhanced Partnership	Franchising
Revenue impact	Benefit	Strong benefit
Non-monetised quality and integration benefits	Benefit	Strong benefit

3.270 The ability to plan and coordinate the network as a whole would provide the flexibility to adapt and adjust the service offer to ensure continued sustainability and affordability of the network. Decision making and management of these adjustments would be aided by the CA’s access to continuous, detailed performance data secured through franchise contracts.

3.271 Overall, the Economic Case suggests that Franchising would offer advantages over an EP.

4. Commercial Case

Introduction

- 4.1 The Commercial Case seeks to assess the proposed commercial models of the two alternative bus delivery options being assessed, Franchising and Enhanced Partnership, with reference to the Green Book Guidance requirements and Franchising Guidance.
- 4.2 The Green Book Guidance requires an assessment of the proposed commercial arrangements for each option, to determine whether a commercially viable arrangement can be achieved. This includes:
- Consideration of the procurement arrangements necessary to implement any proposed service changes.
 - Assessment of how procurement arrangements can be competitive.
 - Consideration of likely relevant risks and their mitigation.
- 4.3 The Franchising Guidance suggests that an assessment should consider how the options would be procured competitively and what the contractual arrangements would be like to secure the defined local bus network. It requires consideration of:
- The commercial model it is intended to employ.
 - Size and geographical scope of the area(s) to which Franchising would apply.
 - Likely duration of contracts.
 - Cross boundary services and the way they will be facilitated, including the use of Service Permits.
 - The implementation plan for Franchising and its phasing.
 - Other key contractual arrangements, including those relating to the transfer of staff.
 - How competition for contracts will be facilitated, along with the involvement of small and medium operators.
 - Commercial risks, their potential impacts and how they would be mitigated.

Structure of this Commercial Case

- 4.4 To address the requirements in the context of bus services in Cambridgeshire and Peterborough, the Commercial Case goes on to:

- Assess the existing commercial arrangements for bus services within the region.
- Outline the proposed commercial arrangements under each of the bus delivery options being considered, including contractual principles and potential mechanisms.
- Consider potential risk allocation and implications under each option.
- Outline procurement arrangements and develop the wider procurement strategy.
- Reflect the requirements of the Franchising Guidance, including:
 - Size, geographical scope and length of franchise contracts
 - Contractual arrangements and mechanisms
 - Phasing of franchise contracts and implementation
 - How the involvement of small and medium operators will be facilitated.
 - Measures for promoting competition for contracts.
 - Transition period arrangements and the commercial arrangements put in place to manage transition.
 - How cross-boundary services will be facilitated.
 - Commercial risks, their potential impacts, how they are allocated, and potential mitigations.
 - Other contractual issues, including those relating to transfer of staff (e.g., personnel implications, pensions, and TUPE).

4.5 The Commercial Case sets out the commercial proposition for the Franchising option. In particular, the Franchising Scheme Guidance requires an authority to consider the extent to which it is likely to be able to secure local service contracts by setting out the following:

- Likely contractual arrangements (including procurement method; size, scale, and duration of contracts; phasing; staff transfer; risks) and how these will facilitate the involvement of small and medium sized operators.
- Method of facilitating cross-boundary services.
- Consideration to the period of transition and how services to passengers will be protected during that period.

Commercial objectives

4.6 The CA has established six commercial objectives for this Assessment. These build on the policy and scheme objectives set out in the Strategic Case and relate to the commercial aspects of control, value, competition, and risk.

4.7 The commercial objectives are as follows:

- **Public sector influence** – the CA wishes to ensure that its investment will support its intended outcomes and ambitions. This will be achieved through a delivery model that provides sufficient influence over bus network outcomes to achieve desired policy objectives and user benefits.
- **Best value** – The delivery option should be able to demonstrate how it can achieve the best combination of cost and quality in delivering the desired bus network, and which will in turn contribute to passenger affordability.
- **Competition between bus operators** – The delivery option should be commercially viable for operators and encourage competition on a ‘level playing field’ basis between operators. The model should enable the participation of small and medium operators, as well as new entrants.
- **Appropriate risk allocation** – The delivery option should allocate risks to the public and private sectors in accordance with their capability of managing them. Risk allocation will be across several areas, including fare revenue risk, operating cost risk, service standards and asset provision.
- **Ease of implementation** – The delivery option must be practical to implement and sustainable over time.
- **Recovery and flexibility** – The delivery option must allow the CA to manage the network effectively, including during times of disruption.

4.8 The way these commercial objectives meet or support the achievement of the wider strategic objectives is summarised in

4.9 Table 4-1 below.

Table 4-1: Strategic and Commercial Objectives

Strategic objectives	Commercial objectives
Maximise the ability of CPCA to achieve a significantly enhanced and integrated bus network as quickly as possible	Public sector influence Ease of implementation Risk allocation

Maximise the contribution of bus services to the achievement of a range of wider economic, social, and environmental policy objectives and goals	Public sector influence Ease of implementation
Maximise bus user benefits in respect of coordinated service provision, integrated ticketing, service stability and information provision	Public sector influence Risk allocation Ease of implementation Recovery and flexibility
Maximise the value for money and benefits from investment in the bus network	Best value Competition Risk allocation Recovery and flexibility

Current bus market

Current regulation

- 4.10 A deregulated bus market currently exists in the area, which is much the same across England, Scotland and Wales, apart from London and Greater Manchester.
- 4.11 In the deregulated environment, private sector bus operators can decide what bus services they wish to operate, including route, timetable and fares. Once satisfactorily registered with the Traffic Commissioner, they operate the services in accordance with the registrations. Operators provide bus services commercially and compete for passengers based on the quality of service provided and the fares charged for journeys.
- 4.12 Services can be varied or cancelled by giving the required amount of notice to the Traffic Commissioner.
- 4.13 Where authorities consider there to be a gap in service provision or inadequate service to meet local needs, they can choose to financially support additional bus services. Requirements are specified and, through competitive procurement, operators are awarded contracts to provide those additional services. These services should not compete with commercial services.

Current bus market structure

- 4.14 Buses run a total of about 69,000 km per day in Cambridgeshire and Peterborough. Of the 245 separately registered local bus services in Cambridgeshire and Peterborough in Q1 2023, 60 are operated by Stagecoach. However, given Stagecoach operates many of the higher frequency services in Cambridge and Peterborough, it represents a large proportion of provision in terms of vehicles, service distance and patronage.
- 4.15 Key characteristics and statistics of the local bus market include:
- About 88% of overall bus mileage is provided on a commercial basis by operators; the remainder is provided with local authority support¹¹⁴.
 - Stagecoach provides city bus networks in Peterborough and Cambridge, Park & Ride services in Cambridge, guided Busway services between St Ives and Cambridge, along with other interurban and rural services.
 - As of February 2023, Stagecoach operated 72% of overall bus mileage.
 - Cross-boundary commercial services are provided by Delaine (Bourne – Peterborough), First (Peterborough – King’s Lynn – Norwich) and Stephenson’s (Newmarket – Cambridge).
 - Several other operators (A2B; Big Green Bus; Dew’s; Fenland Association of Community Transport - FACT; CG Myall; Lord’s Travel; Mil-Ken; Star Travel; Vectare; Whippet) provide mainly supported services under contracts and de minimis agreements with CPCA at a cost of some £7m p.a. The ‘Universal’ service in Cambridge, operated by Whippet, is supported by Cambridge University.
 - Concessionary travel reimbursement to operators amounts to about £9.5 million p.a. Journeys under the concessionary fares scheme account for around 20% of all passenger journeys.
 - Across all services, about 20 million passenger journeys are currently made per year. This compares to 29.3 million in 2018/19.
 - There is an average of 24.6 passenger journeys per head of population p.a. across the region.

¹¹⁴ Based on data provided by operators

- In addition to the bus network, community-based minibus and volunteer car schemes operate throughout the area, providing for more specialist or individual needs.

Assets – depots and buses

- 4.16 Depots are key to supporting the provision of bus services and play an important role in managing and maintaining the fleet and supporting the granting of, and adherence to, operator licences issued by the Office of the Traffic Commissioner. In addition to this, due to the large cost and time implications of establishing a new depot, they present a significant barrier to entry for new and aspiring operators.
- 4.17 The majority of buses operate from 5 strategic depots within the CPCA area, as shown in Table 4-2 below.

Table 4-2: Major bus depots in CPCA area

Depot	Operator	Approximate capacity
Cambridge	Stagecoach	120
Peterborough	Stagecoach	70
Fenstanton	Stagecoach	65
Swavesey	Whippet	45
Somersham	Dew's	40

- 4.18 The remainder of the fleet operates from smaller depots, locations outside the CA area, or out-stations.
- 4.19 The overall fleet of 370 buses consists of a mix of vehicle types and ages. The majority are either double deck or full-size single deck buses, in varying proportions across the area. Cambridge services are predominantly operated with double deck buses, whilst there is a greater mix in Peterborough. Cross-boundary services provided by Delaine, First and Stagecoach deploy double deck buses. There is limited use of minibuses on certain supported services and demand responsive services (Call Connect and Ting).
- 4.20 The published BSIP provides information on the overall make-up of the vehicle fleet.
- 4.21 A trial of two zero-emission electric double deck buses funded jointly by Greater Cambridge Partnership and Stagecoach was completed in 2021/22, following which a successful bid was made to the DfT for ZEBRA funding, resulting in the delivery of a

further 30 battery electric double deck buses introduced by Stagecoach to the Cambridge Park & Ride services and one of the Cambridge city services.

- 4.22 The CA intends to invest in the provision of further zero emission buses over coming years, dependant 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.
- 4.23 The majority of buses are equipped by their operators with electronic ticket machines (ETMs) with contactless payment facilities, provided through different suppliers.
- 4.24 The ETMs provide automatic vehicle location, enabling the data feeds for real time information displays.

Facilities

- 4.25 Cambridgeshire County Council provides a number of facilities that bus operators are charged to use. This includes the dedicated Busway infrastructure and the five Park & Ride sites around Cambridge. In 2023, the total charges collected by the County Council were approximately £210,000.
- 4.26 Under a Franchised model of provision, operators would continue to be responsible for the charges to use these facilities, building the costs into the franchise contract with the CA.
- 4.27 There are a number of bus stations provided and maintained by various local authorities.

Responsibility and risk

Revenue risk

- 4.28 Commercial services are wholly the responsibility of operators, with them taking net cost risk. Operators retain revenue and operational cost risk and, therefore, have control over the customer offer, including fares and ticketing. Factors relating to operational performance, fares evasion and patronage are all managed by the operators.
- 4.29 Operators may design and implement their own control measures, including performance management, standards of service quality, and revenue protection measures to manage risks. Equally, operators bear operational cost risk, which they seek to control through effective cost management and forecasting.

- 4.30 In respect of supported services, much of the responsibility and risk is on operators, although with the benefit of knowing that a certain amount of subsidy will be received. For minimum subsidy contracts (where operators retain fares revenue), the position of risk is similar to that of commercial services. However, on gross cost contracts, the CA is responsible for setting fares and takes the risk on fares revenue, leaving operators to be responsible for effective provision of services in line with contract specifications. The authority has some responsibility for monitoring performance of the operator against the service requirements set out in the contracts.
- 4.31 Given the uncertainties around bus use since the COVID-19 pandemic, operators have become more risk averse and there has been a shift towards more supported contracts operating under minimum cost contracts. Currently, 55% of contracts are cost-based and 45% minimum subsidy.

Fares and ticketing

- 4.32 Fares and ticketing are currently set by individual operators for their commercial services. The CA has little influence over these, apart from setting fares on supported services.
- 4.33 There is just one multi-operator product provided by the CA. 'Multibus' covers the Cambridgeshire area only and excludes the use of the Busway. Day and week tickets are available at a premium compared with operators' own products.
- 4.34 From recent discussions at the Cambridgeshire and Peterborough Bus Operator Forum it has been agreed to move forward with the development of a more comprehensive multi-operator ticket. The details of this are being formulated with operators, but the principles for it include coverage of the whole CA region, with localised area variants, and all bus services.

Employment of bus staff

- 4.35 Most staff involved in the delivery of bus services are employed by individual operators. This includes drivers, revenue protection staff, maintenance staff, management, and planning staff.
- 4.36 The CA employs a small team of staff to manage its limited interventions in the bus market.

Bus facilities

- 4.37 The St Ives – Cambridge – Trumpington guided busway and 5 Park & Ride sites around Cambridges are owned by Cambridgeshire County Council. Charges are

levied for the use of these facilities by the County Council. This would continue to be the case under any model of bus service delivery.

4.38 A number of bus stations exist across the CPCA area, as shown in Table 4-3:

Table 4-3: Location of bus stations

Location	Ownership
Drummer Street, Cambridge	Cambridgeshire County Council
St Ives	Huntingdonshire District Council
Huntingdon	Huntingdonshire District Council
Queensgate, Peterborough	Peterborough City Council
Wisbech	Horsefair Shopping Centre / Fenland District Council
Addenbrooke's Bus Station	Addenbrooke's Hospital

4.39 Peterborough Queensgate Bus Station is the only location where departure charges are applied.

Service specifications and branding

4.40 The CA only has responsibility for specifying those services that it financially supports.

4.41 Timetables and routes on commercial services are the responsibility of individual operators. If the routing, frequency or timing of bus services is inadequate to meet the CA's requirements, the only available mechanism currently available to the authority is to pay for additional services through tendered or de minimis arrangements.

4.42 The CA currently has no input or responsibility for bus branding.

Assessment of commercial risk

4.43 Table 0-1 below assesses the commercial risks associated with the current bus network arrangements and the steps that the CA can take to mitigate these.

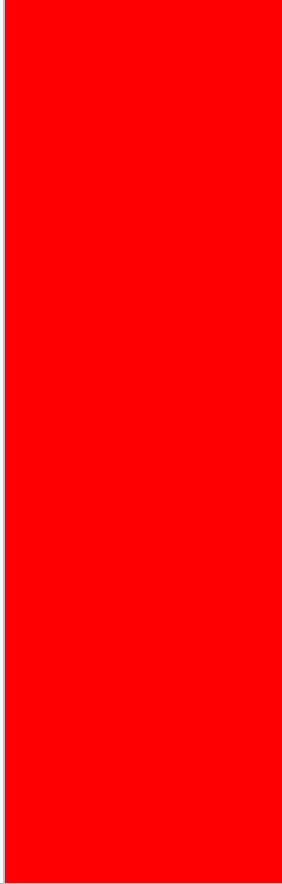

Table 0-1: Assessment of current commercial risk


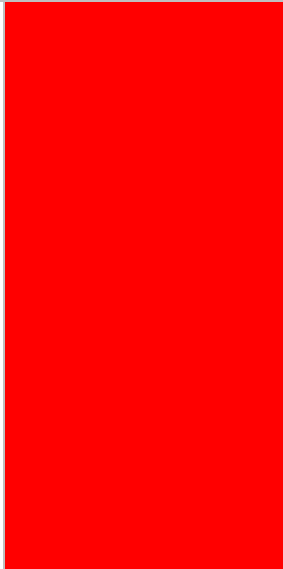
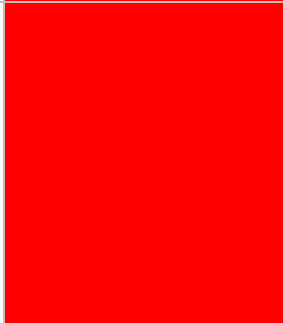
Risk	Mitigation
Unable to achieve scale of ambition for enhanced bus network, with increased service frequency, connectivity, and connections, as it is dependent on significant coordination and collaboration that cuts across existing commercial provision.	Take a more gradual approach and seek to negotiate certain changes and improvements. Encourage operators to buy-in to the overall plan and make changes to commercial services accordingly.
Failure to deliver network initiative due to continued fall in patronage and increasing costs - this could put current service levels at risk if supported services requirements grow.	Monitor operators' services regularly and maintain open dialogue with them to identify actions to support patronage and mitigate costs.
Failure to deliver fleet ambitions if operators are unwilling to invest in zero emission buses.	DfT subsidies may continue to be available (ZEBRA funding). Otherwise, CA may need to find ways of incentivising operators to invest in zero emission buses.
Failure to deliver fares and ticketing ambitions, due to challenges in negotiating pricing and range of multi-operator tickets with operators.	Use existing powers to achieve multi-operator ticket range.
Reputational risk for CA in not delivering the ambitions of improved bus services as set out in the Cambridgeshire and Peterborough Bus Strategy.	<p>Maintain on-going engagement with customers to ensure services continue to meet their needs.</p> <p>Work with operators to improve bus services to achieve small steps towards the overall ambition.</p>
Lack of market interest in the provision of supported services.	Continued engagement with market to understand interests, and design contracts accordingly.
Service disruption from continued instability in the market and consequent service changes or operators withdrawing from the market.	<p>Regular dialogue with operators.</p> <p>CA to develop contingency plans to deal with any resulting disruption.</p>

Assessment against commercial objectives - current

4.44 Table 0-2 gives a summary assessment of current bus arrangements against the CA's commercial objectives. Red indicates an unlikelihood of meeting the objective; amber indicates that the objective could be met, albeit with some challenges; and green indicates that the objective can be met.

Table 0-2: Assessment against current commercial objectives

Commercial objective	Description	Rating
Public sector influence	<p>The ability to achieve the ambitious step change envisaged would be impossible under current conditions.</p> <p>Under current arrangements, interventions in the commercial bus market are through negotiation and may require compromise.</p> <p>Operators are risk averse and unlikely to introduce interventions without compensation.</p> <p>Most interventions are taken forward on a voluntary basis and so some operators may not participate.</p> <p>Operators' ambitions are not always aligned with public sector ambitions.</p> <p>The requirement for public sector financial support for bus services since the pandemic indicates how little commercial viability there is in the market. The public sector has taken on a higher level of risk than previously, but without gaining greater control of the network.</p>	
Best value	<p>Operators can choose to stop running services or reduce them, which can add pressure on public sector budgets for more supported services.</p> <p>Tendering for replacement services can be reactive, with little ability to plan ahead in a coordinated way, resulting in loss of economies of scale or the ability to get value for money from operators in their tenders.</p> <p>The CA's budget is focused on just the supported bus services, rather than achieving overall optimisation of the network.</p>	

<p>Competition between bus operators</p>	<p>Deregulated model is based on commercial competition for passengers on-street. However, no such competition exists. There is little incentive to compete in this way, particularly with the market dominance of one operator.</p> <p>Some competition exists for supported services.</p>	
<p>Appropriate risk allocation</p>	<p>Operators can withdraw services when they are no longer commercially viable. In response, the CA will consider whether to reinstate those services, subject to having sufficient funding. Use of funding on these services may mean other services can no longer be funded.</p> <p>The requirement for public sector financial support for bus services since the COVID-19 pandemic indicates how little commercial viability there is in the market. The public sector has taken on a higher level of risk than previously, but without gaining greater control of the network.</p>	
<p>Recovery and flexibility</p>	<p>Mechanisms put in place to help the bus sector recover following the COVID-19 pandemic were not helpful in restoring any confidence back into the sector. They were relatively short term and still provided no contractual obligations over operators; CA had no greater control over the shape of the network or actions taken by operators.</p>	

Conclusion

- 4.45 Overall, current arrangements are not suited to the delivery of the CA’s ambitious plans to transform the bus network, essentially because the authority has insufficient influence or control and the necessity to have to negotiate the introduction of any initiatives.
- 4.46 Equally, the current market offers limited competition, meaning that there is no certainty that the CA can achieve value for money through any interventions it makes.

Proposed model for Franchising

Introduction to Franchising

- 4.47 A move to a franchised bus network model represents a significant change from the current deregulated environment, with the ability for the CA to exercise significant influence across all aspects of bus network design and service provision.
- 4.48 The model of franchising envisaged is different from that found in London or the one recently introduced in Greater Manchester. Rather than controlling and managing all aspects and assuming all risks, the CA 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. This approach is like models of franchising (or concessions) found elsewhere, such as in parts of the Netherlands and in Jersey.
- 4.49 The envisaged approach to franchising is set out in this draft Scheme. It represents an approach that suitably matches the needs of the Cambridgeshire and Peterborough area. Some of the ideas set out were discussed with existing operators during summer 2020. The meetings were productive and operators expressed their thoughts, ideas and opinions on both Enhanced Partnership and Franchising models. Notes of the meetings were provided to operators to amend or add further thoughts and the opportunity offered for further dialogue.
- 4.50 More recently, ideas around a potential franchising approach were presented at a meeting of the Bus Operators' Forum in February 2023 and the presentation circulated to all operators after the meeting. Subsequently, further refinements have been made to the proposed Scheme, taking account of different stakeholder views.

Franchising Scheme area

- 4.51 The Franchising Scheme will cover the whole of the area within the boundary of the CA. This will provide consistency of provision across the area, along with stability and the ability to promote the network as a single entity or brand. The ability to plan and manage services across the whole area will maximise opportunities for service integration through timetabled connections and interchange, and area-wide, comprehensive fares and ticketing products.
- 4.52 All local bus services operating wholly within Cambridgeshire and Peterborough will be governed by the Franchising Scheme, except for the following:

- Schools or works registered local bus service that are not currently eligible for Bus Service Operator Grant.
 - Services operated under section 22 of the 1985 Transport Act.
 - 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).
- 4.53 With regards to cross boundary services, the following will **not** be included in the Scheme and will be able to operate under Service Permits:
- Services operating under contract to neighbouring local transport authorities.
 - Services with more than 90% of their registered mileage in a neighbouring area.
 - Commercial services that largely serve markets outside of the Cambridgeshire and Peterborough area.
- 4.54 Services that operate mainly in Cambridgeshire and Peterborough, but cross the boundary into neighbouring authority areas, such as Newmarket, Haverhill and Saffron Walden, will be included within the Franchising Scheme and managed by the CA collaboratively with the appropriate neighbouring authority.

Service packaging into contract lots

- 4.55 The CA envisages having a 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. The intention is to encourage competition for contracts by maintaining a vibrant marketplace with contract opportunities set in a staggered programme of introduction and end.
- 4.56 The CA will ensure that opportunities remain for existing operators in the area, as well as encouraging operators from outside to consider possible operation in the area. The franchising approach will offer a stable environment in which operators can plan and manage their businesses in the knowledge of having secure work for a suitably long period of time.
- 4.57 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 ranging 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.

4.58 It will be possible for larger operators to include sub-contractors in their bids, to operate particular elements of service where that would be appropriate.

4.59 Larger packages of services will be based on the following locations:

- Cambridge area (2 separate packages);
- Peterborough area (1 package); and
- St Ives – Cambridge Busway (1 package).

4.60 These will cover the delivery of most city and Park & Ride services, along with the Busway corridor. The city packages are likely to include a mix of different types of services (urban, rural and park & ride), which will allow for cascading of buses from one service type to another, meaning that different ages of vehicles can be deployed on different services or groups of services within the contract. Maximum ages of buses will be specified for each service at particular milestone dates.

4.61 A reasonable number of other services will be included in smaller packages, including single route contracts, with requirements of between 1 and 10 vehicles. Given the different nature of demand responsive services, these will be packaged separately from fixed route services. These will be in area-based packages, based on the main focal point of their operating area. Areas in close proximity might be packaged together, to achieve economies of scale.

4.62 As well as larger operators being able to tender for the bigger packages of services, they will also be able to tender for smaller packages, as the services might interwork or dovetail with wider operations and provide economies of scale. However, there will be restrictions on the number of smaller contracts awarded to a single operator and the number of smaller contracts awarded to large operators, to ensure that opportunities continue to exist for smaller operators.

4.63 Each of the cross-boundary services included in the Franchising Scheme may be subject to a separate contract (rather than being part of a wider package of services under one contract). This would provide the opportunity to the existing operator to submit a nil tender or to request de minimis support (by providing evidence of all costs and revenues for that services) to bridge a revenue gap resulting from lower fares specified within the franchised area. Keeping arrangements for these services separate will avoid disruption to the procurement of the wider contract packages and ensure any indirect impacts on services in neighbouring areas are minimised.

4.64 Franchising arrangements will be phased in over a 2-year period, providing two separate opportunities for operators to tender. The first procurement exercise will cover the Greater Cambridge Travel to Work area; the second being the remaining area of north Cambridgeshire and Peterborough. Following the award of contracts there will be a mobilisation period of at least 8 months, allowing time for operators to get appropriate arrangements in place for the commencement of the contracted services and, where appropriate, transition away from the previous deregulated environment.

Duration of contracts

4.65 The CA wants to encourage network stability, with security for operators to enable them to invest in services and be incentivised to develop services and increase ridership. This is particularly true given the desire for operators to be responsible for purchasing or leasing their own bus fleets. Therefore, 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.

4.66 Each of the larger contracts will include a requirement for a mix of different aged vehicles, including a requirement for some to be replaced with new ones by specified milestones through the contract period. This will help maintain a balanced fleet age profile, as well as spreading investment requirements for operators.

4.67 Overall, the aim will be to stagger contract reviews and procurements, to spread the workload for CA staff and the administration involved in the procurement exercises. Equally, annual reviews of all services will need to be considered.

4.68 It is likely that changes to services will need to be made during the contract period. Therefore, contracts will have some flexibility built in to accommodate changes of route, timetable or other service attributes. This may be necessary to respond to areas of new development, changing demand and revenue, or to facilitate interchange with other services.

4.69 Any significant mid-contract changes to services will be agreed within set procedures and governance arrangements, through a formal contract variation mechanism. Where necessary, changes might also need to be subject to public and/or stakeholder consultation.

- 4.70 Minor changes to contracts will be dealt with on the basis set out as part of the original procurement process and service specification (e.g. cost variation for significant change in operating time or vehicle km).
- 4.71 Contracts will have a built-in annual price increase to take account of inflation.

Provision of depots

- 4.72 Any significant growth in overall bus fleet required to enhance the bus network will require additional bus depot capacity across the area.
- 4.73 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), the CA will not provide depot facilities for the smaller lots as the barrier to entry of a small depot is considered minor.
- 4.74 The CA, working with Peterborough City Council, is currently seeking to develop a site in the city as a new bus depot. The CA will provide the financing for this depot. The specific ownership model for the depot is still under consideration. The capital costs associated with the development of this depot, as a diesel only depot, have been included within this OBC.
- 4.75 In addition to the Peterborough depot, the CA will seek to fund a depot in the Cambridge area to provide facilities for successful operators of the two large lots operating in the area. Costs have been approximated for both depots and details can be found in the Financial Case.
- 4.76 The ownership of these depots is under consideration. However, they will be available for use for the winning bidder(s) of the three lots. Depending on the requirements of different operators, these facilities may be shared or used exclusively. It is intended that sites will be capable of supporting zero emission bus fleets. The cost of using the facilities will be set out as part of the contract package procurement process.
- 4.77 Any CA-provided depots will be in addition to those depots owned and/or used by bus operators. There is no intention to compulsorily purchase any existing depots from operators.

Provision of vehicles and equipment

- 4.78 The CA will pursue consistency in the design and look of vehicles deployed across Cambridgeshire and Peterborough, with passengers able to experience similar levels of quality and comfort regardless of operator. This may include the provision of colour schemes or design features specific to Cambridgeshire and Peterborough.

- 4.79 Operators will be able to retain control and ownership of their own vehicle fleets, so that they can provide these in line with their standard fleet purchasing policies and requirements. Equally, they will have the ability to redeploy them elsewhere when contracts end or when vehicles are replaced as required during the period of the contract.
- 4.80 Therefore, operators will be able to make their own decisions on what vehicles to buy (subject to meeting the specification set out by the CA) and will continue to be responsible for all operational considerations. The CA does not envisage having an involvement in fleet management, vehicle deployment and maintenance matters.
- 4.81 The CA wishes to see significant progress towards a zero-emission fleet. Therefore, it is likely that the provision of such vehicles will be included in the contract specifications.
- 4.82 A single network identity and branding will be adopted as part of the franchised network across Cambridgeshire and Peterborough. The CA will provide brand guidelines and vehicle livery requirements within contract specifications and operators will be required to include details in their proposals as to how these will be incorporated on their vehicles.
- 4.83 Contracts will be structured and specified in a way that operators can deploy fleets of mixed ages, avoiding the need for excessive investment at the commencement of a contract. It will therefore be possible for most vehicles to continue to be deployed in the area for a period beyond the commencement of franchising.
- 4.84 Timescales for the procurement of contracts will allow significant lead-in or mobilisation periods (8-9 months) for vehicles to be sourced.
- 4.85 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.
- 4.86 In certain cases, where the CA wishes to test out new technologies or fuels or encourage the use of newer vehicles, it might purchase vehicles itself and provide them to operators to use on services. In these instances, vehicles will remain in the ownership of the CA and will be returned to it at the end of the contract period, in accordance with the conditions set out at the commencement of the agreement.
- 4.87 As with vehicles, it is expected that operators will be responsible for any equipment on the vehicles, which will again need to meet the service specification set by the CA. This will include ETMs and other associated equipment, such as tap-on tap-off card readers, dependent on the network-wide ticketing and fares structure that will be

specified. A key requirement will be for tickets issued by one operator to be read and recognised by any other operator.

4.88 The ownership and operation of back-office systems to support communications, information and ticketing will be considered as part of the process of defining service specifications and the ultimate nature of contracts entered into with operators.

4.89 It will be expected that all buses will be equipped with:

- CCTV cameras (both internal and external facing);
- Automatic vehicle location and the ability to supply the necessary feeds for real time information displays;
- Some form of system for communication with the driver;
- On-bus audio-visual announcements;
- USB charging points at all seats; and
- Driver and vehicle monitoring equipment (to encourage good driving standards and fuel-efficient driving).

Responsibility and risk

4.90 It is intended that the Franchising model will engender a collaborative or partnership approach between the CA, operators and other stakeholders, whereby the strengths of each are recognised and built upon. Therefore, whilst the CA will take ownership of the network, it will be designed, planned and developed in conjunction with operators.

4.91 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 within a franchised operation. This will include the ability to decide on the types of vehicles and equipment (subject to meeting minimum standards set by the CA) in which to invest and deploy and will include some freedom to design services to some extent in collaboration with the CA.

4.92 Each year, there will be opportunity for operators to put forward suggested amendments for the service specification for consideration and discussion with the CA as part of the annual review process.

4.93 Given the model of shared responsibility, the different parties will also share risk. Initially it is intended that the CA will retain all revenue, whilst also providing incentives to increase patronage (i.e. minimum subsidy contract). The CA will set all fares and define the ticketing products to be made available. The intention is that

fares will be simple and there will be a minimal number of different ticketing products. Tickets will be available for use across the network, regardless of operator.

- 4.94 Operators will not be able to unilaterally offer their own individual products, unless agreed with the CA as part of some short-term special promotion or marketing campaign for an individual service or sub-network, aimed at encouraging mode shift or boosting usage over an agreed period.
- 4.95 In the first round of procurement under the Franchised Model, there may be limited existing data available, as service specifications may be different to current ones and some entirely new services might be specified. Therefore, these services will be tendered only on a cost-basis, allowing data to be gathered for future tendering rounds, where contracts may then be tendered on both a cost and subsidy basis and awarded in the way judged most advantageous to CA.
- 4.96 With the desire for system uniformity and visibility, with consistent standards of service, the CA will be responsible for the provision and maintenance of bus stops and other passenger waiting infrastructure. It will also coordinate and manage the provision of single, system-wide information across all media. Operators will be encouraged to supplement this with other complementary marketing activities to promote services and greater use of the network.

Table 0-3: Summary of proposed responsibilities under Franchising

Summary of responsibilities	
CPCA	Operators
Network planning and procurement.	Tendering to operate services, providing ideas and service enhancements in response to the specification.
Specify service requirements, timetables and quality standards.	Providing vehicles and equipment that satisfy the service specifications.
Define service numbers and consistent route branding.	Designing services in-line with CA parameters set out in the specifications.
Set fares and define ticketing products. On cost-based contracts, responsible for fares revenue and revenue protection. No responsibility for revenue on subsidy-based contracts.	On subsidy-based contracts, responsible for collecting fares and keeping revenue. On cost-based contracts, responsible for collecting fares and transferring that revenue to the CA.

Provide and maintain bus stations, bus stops and passenger waiting infrastructure.	Use infrastructure as directed.
Oversee network-wide identity, branding and promotion.	Deploying vehicles including any requirements in terms of livery, identity and branding.
Manage, provide and maintain comprehensive information (web, paper, at-stop, real time). Market and promote use of the network with operators.	Market the network and promote its use through approved initiatives agreed with the CA.
Monitor service performance.	Monitor and report on service performance.
Review and develop services in partnership.	Review and develop services in partnership.

Potential Reactions to unexpected outcomes

- 4.97 The Economic Case in this Assessment suggests that the medium investment scenario may reflect the best value for money, particularly under the Franchising option.
- 4.98 As with any economic modelling, costs and revenues are difficult to forecast accurately and this uncertainty increases in line with the period the modelling covers making a 30-year assessment period subject to significant uncertainty. Assumptions have been made on which to base the Assessment, but over time bus operating costs and patronage levels (and associated fares revenue) will vary in response to a range of variable factors and circumstances. It is recognised that this creates risks. Therefore, the CA understands the need to strategically prepare for different scenarios to mitigate those risks and respond to any significant variability in operating costs and revenues.
- 4.99 During the franchising process, there will be a number of stages where the CA will have the opportunity to manage and influence outcomes that might not be in line with those predicted. These stages are:
- Stage 1: Pre-procurement
 - Stage 2: Procurement
 - Stage 3: In-contract
 - Stage 4: Forward planning

- 4.100 Details of each of these stages are given within the Commercial Case in this document. However, consideration is given below to how certain scenarios would be dealt with in Stage 3: In-contract. (i.e. during the period that contracts are in place).
- 4.101 This section outlines strategic responses to scenarios where costs exceed expectations or where revenues surpass forecasts, ensuring the CA can adaptively manage the network's financial sustainability.

Scenario A: Higher than Expected Costs or Lower Revenues

- 4.102 If operating costs are higher than anticipated, or revenues lower than forecast, a strategic approach to managing the network would involve careful consideration of service adjustments and efficiency improvements to mitigate financial impacts while maintaining service quality. The focus would be on ensuring the sustainability of the franchise without compromising core services:
- Network Optimisation: Review and potentially reduce the frequency of services on less critical routes while ensuring that primary and strategic services maintain their operational integrity. This may involve consolidating overlapping services or adjusting off-peak service levels to better align with demand. This process would be helped by access to comprehensive performance data facilitated by franchise contracts.
 - Cost Management Initiatives: Introduce or escalate efficiency measures, such as further integration of electric buses to reduce fuel and maintenance costs, renegotiating supplier contracts, or implementing more stringent cost control measures across operational areas.
 - Integration Efficiencies: The ability to plan and manage the whole network through franchise contracts provides an opportunity to integrate home to school transport provision with local bus services, to achieve efficiencies in deployment of resources.
 - Stakeholder Engagement: Work closely with stakeholders, including local communities and bus operators, to communicate the need for adjustments and explore collaborative solutions to maintain service levels within the constraints of higher costs.

Scenario B: Lower than Expected Costs or Higher Revenues

- 4.103 Conversely, if operating costs are lower than expected or if fare revenues exceed forecasts, the scenario presents an opportunity to enhance the network's value to passengers and potentially reduce the subsidy required from the CA:

- **Service Enhancements:** Reinvest savings or additional revenue into the network by increasing the frequency of high-demand services, expanding coverage to underserved areas, or improving service amenities to enhance passenger experience.
- **Fare Strategy Adjustment:** Consider options for fare adjustments that could further incentivise public transport use, such as temporary fare reductions, promotional offers, or enhancing fare capping mechanisms, to sustain and grow ridership levels.
- **Reserve Fund Contribution:** Allocate part of the surplus to a dedicated reserve fund designed to buffer against future cost increases or to fund long-term capital improvements, ensuring the network's sustainability and capacity for future enhancements.

Conclusion

4.104 Scenario planning within the Medium Investment Franchise option enables the CA to navigate the financial uncertainties of operating a public transport network. By outlining strategic responses to variations in costs and revenues, the CA demonstrates its commitment to maintaining a sustainable, efficient, and user-focused service. This adaptive approach ensures that the Franchising model remains viable and responsive to the economic realities of public transport provision, aligning with broader strategic objectives for the region's mobility and accessibility.

Performance incentives

4.105 As discussed 2.134 previously, the CA is keen to see services operate to a high standard in all respects of reliability and service quality. Under a Franchise option, the CA would be responsible for monitoring service delivery. Where performance drops below agreed levels, actions would be taken as set out in the contract terms. Continued poor performance could ultimately lead to a decision to terminate the contract early.

4.106 As a counter to this, the franchising contracts will adopt Quality Incentive Contracts (QIC) principles to encourage operators to further invest to improve reliability and punctuality. The specific details of how the CA will manage performance are still to be determined. Such contracts are common practice in Public Transport operations, where operators are financially incentivised to meet performance targets. TfL have been using QICs when contracting bus services since 2001.

- 4.107 In a report from 2006¹¹⁵, TfL demonstrated the benefits of QICs, and specifically, QIC payment mechanism. Depending on performance, operators may earn a bonus of 15% or a penalty of 10%. Since the introduction of QICs, there was a reduction of 50% in 'excess waiting minutes'¹¹⁶ from 2 minutes to just over 1. To demonstrate the link between the contracts and the improvement in punctuality, the report showed that in London, the percentage of scheduled km lost to staff shortages fell from 1.3% to 0.1%, whilst the rest of England did not show an equivalent trend.
- 4.108 Another indication of the scale of improvement in bus is the average of performance-related payment made by London Buses to operators. Between 2001 and 2004, these payments increased from -2% to 5%. This level of performance pay corresponds to an improvement of 10 percentage points in 'On time reliability performance' from 71% to 81%. Within this OBC, funding for QIC style contracts has been included through the phased addition of 2.5% to vehicle operating costs across the first 4 years of franchising.
- 4.109 Under an EP scheme there will be some performance standards for reliability and punctuality for supported services, although these are unlikely to be particularly effective. However, the same would not be possible for commercially operated services.

Franchising – stages of procurement

- 4.110 The CA's aim is to secure the best possible bus network through the franchising process. Therefore, careful planning and management of franchise contracts throughout the procurement cycle will be important to provide the flexibility to respond to changes in the market or address issues arising from the procurement process itself. The CA Board has recently adopted a new Procurement Guidance Document, which sets out procedures for all procurement undertaken by the Authority. This will form the framework for contracting bus services. The Network Planners (shown within the Public Transport Team - Table 6-1) would be responsible for the planning and design of bus services (routes; timetables; vehicle requirements), and the provision of specifications to be included for the tender packages, in the same way as they do currently for contracts for supported bus services.

¹¹⁵ The Transport Committee's assessment of whether the bus contracts issued by London Buses represent Value for Money

¹¹⁶ Excess Waiting Minutes (EWM) refers to passengers' waiting minutes beyond the timetable

- 4.111 This will be achieved through targeted measures set out within the context of a 4-stage procurement process:
- Stage 1: Pre-procurement
 - Stage 2: Procurement
 - Stage 3: In-contract
 - Stage 4: Forward planning
- 4.112 Each stage of the process will take account of the potential risks and uncertainties that might arise and include measures to mitigate them.

Stage 1: Pre-procurement (design of service specifications and contract packaging)

- Service specifications including different options for levels of service to align with affordability.
- Option for bus operators to offer alternative ways of providing the specified services and service enhancements.
- Specifications with phased enhancements that are triggered when particular performance measures are met (such as patronage and revenue growth targets).
- Plan services with a view to maintaining some contingency, should costs be higher than expected.

Stage 2: Procurement

- Packages of contracts designed to encourage competition and the participation by large, medium and small operators, particularly with a view to retaining all local bus operators in the local market.
- Procurement phased over 2 years to provide opportunities in year 2 for operators that were unsuccessful in gaining year 1 contract packages.
- When contract prices are higher than expected, there will be an opportunity to award the most appropriate option, or to not award at all (and to retender using different packaging of services), or to award for a shortened period whilst a new approach is devised.
- When contract prices are lower than expected, there will be an opportunity to award an option with a higher level of service, or to allocate the surplus to a contingency fund to support other contracts.

Stage 3: In-contract

- 4.113 During the contract period, services will be monitored and reviewed in accordance with the performance monitoring regime set out in the separate section below.

Stage 4: Forward planning

- 4.114 For the duration of the contracts, performance monitoring and on-going review will help determine the shape and specification of services in future contracts. This will be informed by dialogue with operators about potential service changes.

Managing change through contractual flexibility and performance monitoring

Introduction

- 4.115 The commercial viability of the Franchising model is contingent upon effective management of both expected and unexpected changes, particularly in relation to operating costs. This section outlines the strategic approach to embedding flexibility and rigorous performance monitoring within contractual frameworks, ensuring the CA can manage and adapt to changes, maintaining the affordability and sustainability of the Franchise model.

Contract periods and adaptive decision making

- 4.116 Contract periods are designed to balance the need for investment security with the necessity for adaptability. Spanning an initial 7 to 8 years with options for extension based on achieving predefined performance criteria, these periods allow for evolutionary partnership between the authority and bus operators. Key to this approach is the inclusion of regular review points within contracts, enabling adjustments in response to operational, economic, or technological changes.

Integrating monitoring and key performance indicators

- 4.117 A structured framework of Key Performance Indicators (KPIs) will be integral to the contracts, focusing on:
- Operational efficiency and cost management;
 - Service quality and reliability;
 - Customer satisfaction and engagement; and
 - Environmental sustainability and innovation.

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

Ensuring affordability through strategic measures

- 4.119 Given the potential for operating costs to exceed initial forecasts, several strategic measures are proposed to safeguard the franchise's affordability:
- Risk sharing and financial safeguards: Contracts will explicitly define risk-sharing arrangements, with mechanisms such as contingency reserves designed to mitigate financial impacts arising from unforeseen cost increases.
 - Performance-based incentives: Incentivising operators to exceed performance standards, particularly in areas impacting cost efficiency and service improvement, ensures alignment with the CA's strategic goals, while managing costs effectively.
 - Dynamic contract management: Emphasising flexibility in contract management, this approach allows for adjustments based on comprehensive data analysis, stakeholder feedback, and evolving market conditions.
 - Collaborative cost management: Establishing a collaborative framework for identifying and implementing cost-saving measures, leveraging operator expertise and innovation to enhance efficiency and reduce expenses.

Conclusion

4.120 This strategic approach to managing change within the commercial dimension is foundational to the success and sustainability of the Franchising model. By incorporating contractual flexibility, rigorous performance monitoring, and a suite of strategic measures to ensure affordability, the CA can confidently navigate the complexities of delivering high-quality, sustainable public transport services.

Performance Management and Periodic Review Mechanism

Introduction

4.121 To ensure the successful implementation and ongoing management of the Franchise model, a dedicated Performance Management and Periodic Review Mechanism will be introduced. This mechanism forms an important element of the project's governance, focusing on continuous improvement and stakeholder engagement. It mandates regular assessments of contractual performance against predefined metrics, aligning operational activities with strategic objectives. This approach also

helps to mitigate the known risk associated with the assumptions which inform the operating costs of buses in the long term.

1. Overview of Performance Management Framework

4.122 The framework establishes a set of KPIs directly tied to the project's strategic goals. These indicators are designed to provide clear, measurable targets across various operational and financial dimensions, ensuring accountability and facilitating objective performance assessment.

Key Performance Indicators (KPIs):

- Service Reliability and Punctuality: Measured by the percentage of services operating within a defined threshold of their scheduled times.
- Customer Satisfaction Levels: Assessed through regular surveys and feedback mechanisms, focusing on service quality, accessibility, and user experience.
- Operational Cost Efficiency: Evaluated by comparing actual operating costs against budgeted figures and benchmarks, highlighting areas for cost optimisation.
- Patronage growth: Tracked through ticket machine data.
- Revenue Growth and Financial Sustainability: Tracked through annual revenue figures and growth rates, ensuring the franchise's economic viability.

2. Periodic Review Process

4.123 The review process involves a systematic evaluation of performance data, risk assessments, and financial forecasts at regular intervals. Each review cycle is designed to scrutinise specific areas, facilitating targeted improvements and adjustments.

Review Focus Areas:

- Performance against KPIs: A quantitative assessment to identify deviations from set targets, facilitating prompt corrective actions.
- Effectiveness of Risk Mitigation Strategies: An analysis of risk management efforts, assessing the adequacy of responses to identified risks.
- Accuracy of Financial Forecasts: A comparison of projected and actual financials, identifying trends and informing future budgeting.
- Stakeholder Feedback and Satisfaction: Gathering and analysing feedback from users and partners to enhance service delivery and stakeholder relations.

3. Risk Management and Sensitivity Analysis

- 4.124 This section outlines the approach to monitoring identified risks and the methodology for conducting sensitivity analyses. It emphasises the importance of understanding the potential impact of variable factors on the franchise's performance and financial model.
- 4.125 Regular Risk Monitoring: Continuous tracking of the risk register, ensuring that mitigation strategies are effectively implemented and updated as necessary.
- 4.126 Sensitivity Analysis: Periodic testing of the economic model against various scenarios, such as changes in operating costs, to assess potential impacts on financial sustainability.

4. Continuous Improvement and Adaptation Strategy

- 4.127 This strategy focuses on leveraging performance data and stakeholder feedback to drive ongoing improvements. It outlines how insights gained from the review process will inform operational adjustments, policy updates, and strategic planning.
- 4.128 Feedback Integration: Mechanisms for incorporating stakeholder feedback into service improvement efforts.
- 4.129 Adaptive Management Practices: Approaches for adjusting operational and strategic plans based on performance review outcomes, ensuring the franchise remains aligned with market needs and strategic objectives.

5. Stakeholder Engagement and Transparency

- 4.130 Stakeholder engagement is crucial for the mechanism's success. This section emphasises the importance of transparent communication and collaborative review processes, ensuring that stakeholders are informed, involved, and invested in the franchise's performance and improvement efforts.
- 4.131 Engagement Strategies: Plans for engaging with key stakeholders, including communication channels and forums for feedback.
- 4.132 Transparency in Reporting: Commitment to open and honest reporting on performance, challenges, and improvements, fostering trust and collaboration.

Conclusion

- 4.133 The Performance Management and Periodic Review Mechanism is vital for ensuring that the Franchise model not only meets its initial objectives but continues to adapt and improve over time. Through rigorous performance monitoring, stakeholder

engagement, and a commitment to continuous improvement, this mechanism will support the project's long-term success and sustainability, ensuring it delivers maximum value to all stakeholders. It will also ensure that the known risk associated to operating costs which have been included in the economic model are carefully managed and mitigated through to contract and operationalisation.

Procurement strategy

- 4.134 The procurement strategy aims to open up the market for the provision of bus services across the area, provide suitable structures and processes to encourage the development of the network and achieve value for money. The intention is to provide opportunities for large, medium and small operators to play a part.
- 4.135 The CA will use a collaborative approach, where the authority and operators jointly design, develop and deliver services and share the risk involved in providing the network.
- 4.136 Procurement regulations (Utilities Contracts Regulations 2016) provide for 5 different possible approaches:
- **Open procedure**, under which all those interested may respond to an advertisement by submitting a tender for the contract.
 - **Restricted procedure**, under which a selection is made of those who respond to the advertisement and only they are invited to submit a tender for the contract.
 - **Competitive dialogue procedure**, under which a selection is made of those who respond to the advertisement and the contracting authority enters into dialogue with potential bidders to develop one or more suitable solutions for its requirements and on which chosen bidders will be invited to tender.
 - **Competitive procedure with negotiation**, under which a selection is made of those who respond to the advertisement and only they are invited to submit an initial tender for the contract. The contracting authority may then open negotiations with the tenderers to seek improved offers.
 - **Innovation partnership procedure**, under which a selection is made of those who respond to the advertisement and the contracting authority uses a negotiated approach to invite suppliers to submit ideas to develop innovative works, supplies or services aimed at meeting a need for which there is no suitable existing 'product' on the market. The contracting authority is allowed to award partnerships to more than one supplier.

- 4.137 Of these approaches, the **competitive dialogue or competitive procedure with negotiation** options offer the scope for securing the most appropriate bus network in a collaborative way.
- 4.138 It is intended to have a qualification system in place, whereby operators will only be required to apply once and be evaluated once. Having qualified, they will be automatically eligible to tender for any future contracts.
- 4.139 By the time the first procurement exercise is due to commence, procedures under the Procurement Act 2023 will be used. Offering two types of competitive procurement, it is likely that the competitive flexible procedure will be used initially, to facilitate engagement and refinement within the process. This will be most similar to the approach originally envisaged above.

Transition to Franchising Scheme

- 4.140 A decision to move to a Franchising Scheme will create some uncertainty and concern for operators, particularly during the period of transition.
- 4.141 To maintain reliable services and some stability in the network for the benefit of passengers, the provisions of the Bus Services Act 2017 will be used by the CA to extend the cancellation and variation notice period that operators must observe (potentially up to the 112 days permitted) during the transition period.
- 4.142 Where short-term provision of a service is needed to fill a gap during the transition period, the Bus Service Act 2017 provides the ability to register services without the usual notice period.

Staff transfers and pensions

- 4.143 A move to Franchising may result in services being taken over by new operators. In such instances, staff may need to transfer from one operator to another under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE).
- 4.144 If the CA pursues the introduction of a Franchising Scheme, the processes and requirements of the TUPE regulations will be followed. The authority will agree with existing bus operators and local employee representatives the criteria to be applied when determining which staff are principally connected with the affected local services and therefore in scope for TUPE and potential transfer to a new operator. Early in the process, the CA will publish a notice setting out:

- Criteria by which it is proposed to determine whether a member of staff is principally connected with the provision of particular services and should transfer under TUPE.
 - Consultation process and agreement sought.
 - Time period over which the consultation period will take place.
 - What constitutes agreement between the parties.
- 4.145 The Bus Services Act protects the pension rights of staff who transfer under a franchising arrangement by requiring operators to provide such staff with pension accrual post transfer which is the same or "broadly comparable" to the pensions accrual they are entitled to pre-transfer. Operators under a Franchising Scheme do not however take on responsibility for benefits accrued pre-transfer. Liability for such benefits remains with the incumbent operator.
- 4.146 The legislation provides that pension benefits are 'broadly comparable' whereby all employees will suffer no material detriment overall in their future accrual of pension benefits as a result of their employment transferring under the Franchising Scheme. Operators are required under the Bus Services Act to obtain a statement from an actuary confirming that the pension arrangements offered are compliant with these requirements. It would be the responsibility of the CA to ensure that contracts require operators to provide broadly comparable pension benefits and that such obligations can be enforced directly by the transferring staff.
- 4.147 Further information will be provided regarding pension obligations and any costs associated with this, as data is provided by operators.

Service Permits

- 4.148 Whilst most bus services operating wholly within the CA area will be included within the Franchising Scheme, some services, principally cross-boundary as set out earlier under the 'Franchising Scheme area' section above, will not be included. These will be permitted to continue to operate as now (as registered local bus services in a deregulated environment) under a Service Permit issued by the CA, therefore avoiding any impact on service provision in neighbouring areas.
- 4.149 There will be a desire to see network ticketing included on these services, particularly for the part of the route within the CA boundary. The CA will set out the requirements for the fares structure across the area under the Service Permit Scheme.
- 4.150 From the first day that franchised services are introduced, the whole CA area will be a franchised area. Those services not included in the first procurement round will

require interim Service Permits. These will remain as commercial services but will have to meet certain conditions, such as acceptance and issue of network-wide tickets, in order to avoid adverse impact on passenger journeys and customer experience.

Arrangements to protect passengers

- 4.151 If operators reduce or withdraw services prior to them being subject to a franchise contract, the CA could manage this in a number of ways:
- Facilitate other operators stepping in to take on the service.
 - Use short-term tendered contracts to replace the services leading up to the point at which these services move to a franchise contract.
 - If the service is deemed to be no longer required as part of a franchised network, no further action would be taken in relation to the withdrawn services.

Community transport

- 4.152 The role and organisation of community transport will remain unchanged. It will continue to focus on meeting needs within local communities under its own identity.
- 4.153 Where a community transport service performs a function that directly supports, or is integral to, the overall bus network, it will embrace the network brand and identity.

Stakeholder engagement

- 4.154 The CA will engage with stakeholders on the detail of the proposed franchised network and the Franchising Scheme. Feedback will be used to assist in finalising specific service options and decisions around the lotting strategy and procurement process.
- 4.155 The CA will engage with operators and neighbouring authorities in respect of cross-boundary services and Service Permits (both interim and long-term).

Plan for consulting on the operation of the Franchising Scheme

- 4.156 The CA will consult with organisations and individuals that have an interest in, and are users of, local bus services provided under the Franchise Scheme. The purpose of the consultation will be to seek views on how well the Scheme is working.
- 4.157 Consultation will be undertaken within 2 years of the date that the first contracts for local bus services were entered into and then periodically beyond that time.

Consultation periods will be open for sufficient time (at least 8 weeks) for people to respond.

- 4.158 The CA will make public the results of the consultation and its response to the consultation.

Summary

- 4.159 Franchising offers the opportunity to influence the market and secure the various objectives set out by the CA. The proposition for the structure and delivery of a Franchising Scheme offers a suitable balance to encourage more competition, whilst maintaining commercial interest of operators through the sharing of responsibilities and risks and the ability for operators and authority to jointly develop the network. However, as with any major structural and organisational change, there are significant risks.
- 4.160 A full risk register is included within the Economic Case and within Appendix B.

Assessment of commercial risk - Franchising

- 4.161 Table 0-4 assesses the commercial risks associated with franchising and the steps that CPCA might take to mitigate these.

Table 0-4: Assessment of commercial risk of franchising

Risk	Mitigation
<p>Operators change, reduce or withdraw services at an accelerated rate in the lead up to franchising.</p>	<p>It is assumed that current operators would want to maintain a presence in the region to operate franchised services. As such, it is expected that they will continue to deploy their assets on commercial services up until franchised services are introduced.</p> <p>If services are withdrawn, CPCA will invite other operators to introduce interim replacement services, or, where necessary, let short-term service contracts.</p>
<p>CA has insufficient resources or capability to successfully implement franchising.</p>	<p>CA is developing its internal resource and implementation plan and has commenced the expansion of its internal team to increase capacity and capability.</p> <p>The authority also has arrangements in place for specialist external support to assist.</p>
<p>Operators resist the proposed terms of franchising during the consultation.</p>	<p>Regular engagement with existing bus operators through the Bus Operator Forum has kept them informed on matters relating to potential franchising and offered opportunities for comment.</p> <p>Decisions and progress with franchising is compliant with requirements set out in the Bus Services Act 2017.</p>
<p>Reputational risk for the CA resulting from problems and delays in the franchising implementation or approach.</p>	<p>Ensure detailed implementation plans are in place and sufficient resource and capability is available to ensure delivery in line with programme.</p> <p>Ensure good communications in place throughout, so good awareness of what is happening and expectations are managed.</p>

Lack of market interest in the provision of franchised services.	<p>Continued engagement with market to understand interests, and design contracts accordingly.</p> <p>Design contracts so they are attractive to operators of all sizes, both existing and those not currently operating in the area.</p>
Risk that the CA fails to achieve a competitive market for franchising, leading to higher franchise bid prices from fewer operators, such that all contracts cannot be awarded.	<p>Design contracts so they are attractive to operators of all sizes, both existing and those not currently operating in the area.</p> <p>In the event of higher prices than expected, the CA will consider providing additional funding reducing services (in the same way as it does under current arrangements).</p>
Small and medium operators fail to show an interest in franchises.	<p>Engage with operators before the procurement, to understand the needs of small and medium operators and to highlight the opportunities for them.</p> <p>Design contracts so they are attractive to operators of all sizes, both existing and those not currently operating in the area.</p>

Assessment against commercial objectives - Franchising

4.162 Table 0-5 gives a summary assessment of bus arrangements under Franchising against CPCA's commercial objectives. Red indicates an unlikelihood of meeting the objective; amber indicates that the objective could be met, albeit with some challenges; and green indicates that the objective can be met.

Table 0-5: Assessment against commercial objectives of Franchising

Commercial objective	Description	Rating
Public sector influence	<p>CA can control the design of the overall Franchising Scheme to help deliver its intended outcomes.</p> <p>CA will be able to plan, design and implement a bus network that meets its policy objectives and reflects the needs and desires of residents, including service routes and timetables; service coordination and connections; fares and ticketing; and fleet requirements.</p> <p>CA will have greater influence over the outcomes of expenditure of public money on bus services, delivering improved quality of services.</p> <p>Franchise contracts will have sufficient flexibility to facilitate necessary service changes during the period of contract.</p>	
Best value	<p>CA will have the ability to manage profitable services and those requiring support together.</p> <p>Contract packages will achieve best value through effective cross-subsidisation of services, helping affordability.</p> <p>Proactive management of the market, rather than current reactive approach.</p> <p>CA will be able to invest in assets (such as depots) that have the potential to provide value for the public sector over the long term, rather than contributing towards commercial margin.</p>	

<p>Competition between bus operators</p>	<p>Competition will move from on-street (which is currently non-existent) to competing for contracts, which is more likely to attract interest from operators.</p> <p>Contracts designed to attract interest from operators of different sizes, and those already operating in the area and those that are not.</p>	
<p>Appropriate risk allocation</p>	<p>Franchising can allow responsibilities and risks to be better allocated to those who are best placed to manage them.</p> <p>Whilst the CA will take on more revenue risk through the likely award of more minimum cost contracts, other risks (provision of vehicles, equipment and depots) will remain with operators.</p> <p>The franchising approach will facilitate greater sharing of responsibilities and risks than in other franchised areas.</p> <p>Overall, the network will be more stable, providing the basis for growth and reducing some risks associated with instability and decline (as current).</p>	
<p>Ease of implementation</p>	<p>Significant resource and capability is required to prepare for and implement franchising, including procurement and contract management, preparing the market to ensure sufficient competition, and establishing in-house skills and resources to manage and maintain the network.</p> <p>Implementation and achievement of objectives is made easier by the ability to take a holistic and comprehensive approach.</p>	

Recovery and flexibility	<p>Franchise contracts can be established with suitable flexibility to facilitate service changes and network reshaping in the event of a shock to the market. The potential for change during the contract may result in higher contract prices.</p> <p>In the event of a shock to the market, the CA would have significant responsibility to coordinate and manage the response, liaising with operators and making the case for support from government.</p>	
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Conclusion - Franchising

- 4.163 The proposed Franchising Scheme meets the requirements of the DfT’s guidance for establishing such schemes. Particular attention has been given to how small and medium operators will be encouraged to participate in the provision of franchised services.
- 4.164 Compared to current arrangements, the proposed Franchising option would provide the CA with the ability to achieve greater control over the outcomes of the bus network and deliver its ambitions for a significantly enhanced, comprehensive and coordinated bus network.
- 4.165 It is clear that franchising will require significant commitment of resources to manage the commercial risks. However, this section has shown how the CA is committed to managing the commercial risks associated with franchising. Details of resourcing and mobilisation are given in the Management Case.

Proposed model for Enhanced Partnership

Introduction to Enhanced Partnership

- 4.166 Following the publication of the National Bus Strategy in March 2021, all local authority areas should either have an Enhanced Partnership (EP) or Bus Franchising in place. As CPCA had published a notice of intent to assess the case for franchising in

2019 and was actively pursuing this model, DfT acknowledged that there was no requirement to develop an EP Plan and Scheme, following the formulation of a BSIP.

4.167 Therefore, the CA has not taken steps to date to develop an EP Plan or Scheme and buses continue to operate within a purely deregulated environment, as set out earlier in this Commercial Case, as the current position.

4.168 Clearly, if Franchising was not introduced in the region, the CA would develop an EP Plan and Scheme with bus operators. The Plan would reflect the policy and ambition set out in the BSIP, whilst the Scheme would set out the commitments of local authorities to provide facilities and measures, together with the requirements on bus operators in terms of service provision. Given the level of ambition for the bus in Cambridgeshire and Peterborough, the EP would be ambitious.

4.169 This section therefore considers the commercial parameters of such an ambitious EP Scheme.

4.170 An EP is an agreement between a local transport authority (and other authorities where appropriate) and local bus operators to work together to improve local bus services. It includes a clear vision of the improvements that the EP aims to achieve (known as an EP Plan) and accompanying actions to achieve them (set out in one or more EP Schemes). It is a joint proposal between the authority and the local bus operators. Both the authority and a defined proportion of operators must agree to the EP for it to go ahead and come into force. As such, it is important that all parties are engaged throughout the development process to ensure that commitments contained within it are well supported and likely to be approved.

4.171 The CA has formal responsibility for establishing both the EP Plan and EP Scheme(s). However, at set points in the process the CA can only proceed with the proposals if they are supported by at least a defined proportion of local bus operators.

4.172 It is possible to have different EP Schemes covering different parts of a region or EP Schemes covering just particular aspects of provision. In each case, they would only affect those services operating within the area defined in each Scheme.

4.173 An EP is only achievable through market consultation and negotiation with operators. In the formation of an EP, local bus operators are able to provide their opinions and confirm whether or not they support any of the relevant proposals from CPCA or other bus operators.

4.174 Not all operators need to agree with an EP Scheme's content, for the EP Scheme to be made. Operators have a right to object and, if either of the two objection criteria set out in the table below are satisfied, the EP cannot be made. This is to ensure that

a dominant operator cannot force through requirements which could be detrimental to other smaller operators.

Table 0-6: Operator objection criteria

Operator objection criteria	
Criteria 1	Criteria 2
<p>The registered distance of all the qualifying local services provided by operators that object is at least 25% of the total registered distance in that area and:</p> <p>If there are 4 or more operators, at least three of them object; or</p> <p>If there are less than 4 operators, all object.</p>	<p>At least 50% of the total operators of qualifying local services object and the registered distance of those services operated by the objectors is at least 4% of the total registered distance in that area.</p>

4.175 If the objection criteria are not satisfied, then the relevant proposal can be adopted. Once agreed, an EP Scheme binds all operators of qualifying local services in the area of the scheme.

Scope of EP Scheme

4.176 The EP Scheme will support the improvement of all local qualifying bus services operating in the EP Plan Area, namely the administrative area of Cambridgeshire and Peterborough Combined Authority.

4.177 The EP Scheme commencement date will be 7 days after it has been made by CPCA.

4.178 The EP Scheme will have no specific end date and will remain in force until varied or revoked. It will be subject to a review by the authority, in conjunction with the EP Board, at least annually.

4.179 The Scheme applies to registered local bus services with one or more stopping places within the EP Plan Area, unless exempted under the Scheme. The following services are exempt from the requirements of the EP Scheme:

- Any schools or works registered local bus service not eligible for BSOG;
- Any cross-boundary registered local bus service with less than 10% of its registered mileage within the EP area;
- Any services operated under section 22 of the 1985 Act;
- Any registered local bus service which is an excursion or tour; or

- Any other registered local bus service that the operators and authority decide should be excluded from all or specific requirements of the EP Scheme.
- 4.180 For the avoidance of doubt, a list of qualifying bus services will be published at the start of each financial year.

EP Scheme Management

Governance

- 4.181 The EP Scheme will be overseen and developed by an EP Board. This will be formed from the existing Bus Operators' Forum, retaining the same membership:
- CPCA officers;
 - Highway authority officers (Cambridgeshire County Council and Peterborough City Council);
 - All bus operators providing qualifying local bus services;
 - Community transport representatives; and
 - Transport Focus.
- 4.182 Local authorities and bus operators will commit to specific measures and requirements and will have voting rights. Other representatives will attend to shape, inform and challenge, but will not be subject to the commitments and requirements (and will not have voting rights).
- 4.183 The EP Board will meet and transact its business in accordance with Terms of Reference, set out in a separate document.
- 4.184 The EP Board will have the ability to establish separate working groups to carry out specific tasks on its behalf.

Review of the EP Scheme

- 4.185 Once the EP Scheme is made, it will be reviewed by the EP Board annually, following the review of the BSIP. The CA will initiate each review and it will take no longer than 2 months to complete.
- 4.186 The review will include consideration of:
- The arrangements for consulting passenger representatives on the effectiveness of the EP.
 - The objectives set for improving the quality and effectiveness of bus services.

Variations to the EP Scheme

- 4.187 Consideration will be given to potential EP Scheme variations raised by one or more of the representatives on the EP Board. The proposer of a variation should demonstrate how this might contribute to achieving the objectives set out in the EP Plan and current local transport policies. Such requests should be set out in writing and submitted to the EP Board administrator by email.
- 4.188 On receipt of a valid request for a potential variation, the CA will reconvene the EP Board, giving at least 14 days' notice for the meeting, to consider the proposal. If, at the meeting, the proposed variation is agreed by all EP Board voting members present, the CA will make the EP Scheme variation, subject to its approval.
- 4.189 EP Board members not represented at the meeting will be deemed to be abstaining from the decision.
- 4.190 If there is not full agreement of all bus operator representatives present who are affected by the existing Scheme or the proposed variation to the existing Scheme, then the proposed variation will be put to the operator objection mechanism, but with a reduced objection period of 14 days, replacing Part 2 of the Transport Act 2000 section 138L (2) ©. The proposed variation will be advertised on CPCA's website and emailed to operators of qualifying local services in the EP Scheme Area. Objections will only be considered to be valid where they are made by or on behalf of an operator who is affected by the proposed variation. If the proposed variation passes the operator objection mechanism, CPCA will make the EP Scheme variation, subject to its approval.
- 4.191 In all cases, an EP Scheme or variation will only come into force if it is made by CPCA. If, for any reason, CPCA is not in agreement with the proposed EP Scheme or variation, it may exercise its right to not make the Scheme or variation, such that it does not come into force.

Revocation of EP Scheme

- 4.192 If, for some reason, it becomes necessary for the EP Scheme to be revoked, the EP Board will be reconvened and follow the same process as outlined in the section 'Variations to the Scheme' (noting that the agreement will be for revocation and not variation).
- 4.193 If, for some reason, the EP Plan is revoked at any time, the EP Scheme would automatically be revoked, as it cannot exist without an associated EP Plan in place.

Equally, if the EP Scheme is revoked (and no other EP Scheme is in place), then the EP Plan would automatically be revoked.

- 4.194 If, at any point in the future, the area covered by the EP Scheme is included as part of a bus Franchising Scheme, as defined in section 123A(3) of the 2000 Act, the relevant requirements set out in this EP Scheme document will cease to apply from the commencement date of the Franchising Scheme.

EP Scheme commitments and requirements

- 4.195 The EP will set out a series of obligations on the CA and highway authorities to implement a range of facilities and measures. There will also be requirements on qualifying bus services, whereby operators will be expected to fulfil various obligations too. These will include the following:

Table 0-7: Enhanced Partnership commitments and requirements

Network	
Enhancements	<p>Agree overall network plan/vision with operators and seek voluntary agreement from operators to plan and deliver services that align with that plan. Jointly determine and agree coordinated service identification and route numbering.</p> <p>New services would be secured through open tender, with contractual requirements concerning vehicle and service specifications, branding, fares and ticketing. Opportunities to tender packages of services to gain economies of scale and potentially attract new operators. Contract duration of up to 7 years maximum.</p> <p>Existing services will be enhanced through a mix of tendering and de minimis contracts, again with contractual requirements.</p> <p>Dates will be set by which buses should be Euro VI or better and fully zero emission.</p>
Stability	<p>Service change dates (variations / cancellations) restricted to 2 per year, apart from in exceptional circumstances or if in the interests of bus users. Each date would be agreed with operators at least 12 months prior. These dates would also be used for contract changeovers.</p> <p>New services could be introduced at any time if they provided new travel opportunities, or were to replace supported services on a commercial basis. Otherwise, they would be timed to coincide with the agreed change dates above.</p> <p>The notice period for registration variations and cancellations will be extended to 15 weeks, apart from in exceptional circumstances or if in the interests of bus users.</p>

Coordination	<p>Agree overall network plan/vision with operators and seek voluntary agreement from operators to plan and deliver services that align with that plan. Jointly determine and agree coordinated service identification and route numbering.</p> <p>Parallel services will be subject to coordination of headways and there will be negotiation with operators to encourage suitable amendments to commercial services, particularly to facilitate connections.</p> <p>In locations where bus stop capacity is under pressure, there will be the ability to introduce slot booking to manage the number of buses using a particular stop.</p>
Bus priority	<p>There will be a commitment to maintain all existing bus priority measures and introduce a programme considering the feasibility of new measures in response to hotspots highlighted by operators.</p> <p>Bus operators will be required to reinvest any operational efficiency savings back into the network.</p>
Roadworks	<p>Ensure processes in place to minimise the impact of roadworks (planned and emergency) on buses and to ensure good communication with operators over the planning of works and road closures.</p>
New development	<p>Processes will be put in place to ensure that bus operators are involved at an early stage in discussions around new development (housing and employment), ensuring that locations can be served by buses and site layouts can accommodate buses appropriately with minimal diversion or delay.</p>
Infrastructure	
Park & Ride	<p>Park & Ride sites will continue to be maintained and charges levied for their use. Operator(s) will agree to meet certain service and vehicle standards.</p>
Busway	<p>Busway will continue to be maintained and charges levied for its use. Operator(s) will agree to meet certain service and vehicle standards.</p>
Bus stations	<p>Bus stations will continue to be provided and maintained.</p>
Bus stops and shelters	<p>Existing bus stops and shelters will be maintained and a bus stop improvement programme introduced, including the introduction of branded bus stop flags.</p>
Fares and ticketing	
Multi-operator ticketing	<p>Range of multi-operator ticket products will be introduced, as part of a streamlining of overall tickets available, preferably with no premium over single operator tickets. All operators will have ticket machines that can issue, scan and record all tickets.</p> <p>Availability of all ticket products to be advertised on-bus (and clearly seen by passengers before they board).</p>

Tap-on tap-off	Tap on / tap off equipment will be introduced across all operators.
Young people	Consistent child/young persons' fares to apply across all operators.
Information and marketing	
Network branding	A network brand identity will be developed and introduced for use on all buses, infrastructure, ticketing products and information. Operators will be required to indicate this prominently on all vehicles and promotional materials.
Website, App, network map, printed timetable booklet and bus stop information displays.	Coordinated approach to all forms of information provision. Operators will be required to contribute to the cost/delivery of information provision, with contributions based on scale/size of operation or service mileage.
Real time information	Existing real time displays at bus stops to be maintained. Programme of additional real time provision at bus stops, including QR codes at all stops, enabling access to stop-specific information. Operators will be required to maintain relevant data feeds to facilitate real time information provision.
Customer experience	
Passenger charter	Single consistent charter covering whole network and all operators, highlighting what passengers should expect when using buses.

4.196 As part of the adoption of the EP, the CA would look to take over bus service registration powers from the Office of the Traffic Commissioner.

Implementation timescales

4.197 As set out in guidance from the DfT in establishing an EP, there are a number of stages required to propose, negotiate, agree and implement an EP Scheme. The existing Bus Operator Forum provides the basis for transition to an EP Board and so discussions on the formulation of an EP could get underway quickly. Whilst it would be straightforward to produce the Scheme document, significant negotiation will be needed with operators individually and collectively to agree all the requirements and requirements, both in terms of actual content and then the timescales for delivering each.

- 4.198 With the significant ambitions for bus in Cambridgeshire and Peterborough, it is unlikely that all aspirations will be incorporated in the first Scheme, otherwise agreement will not be reached. Therefore, it is likely that compromise will be needed. This will therefore extend timescales for delivery of the Scheme components. As such, delivery of some of the proposed improvements and enhancements could take a similar length of time as under Franchising, whilst some could take longer and others may never be achieved because agreement cannot be reached.

Procurement strategy

- 4.199 As the ownership, management and operation of bus services, and related assets, are retained by private sector operators, no additional procurement is envisaged as part of the EP Scheme, over and above what is already necessary to procure supported bus services. At this point, it is not known whether this will continue to be undertaken on a service-by-service basis, or whether some packaging of services might be undertaken to reduce the number of contracts managed and to potentially achieve some efficiency savings through economies of scale.

Pensions and TUPE arrangements

- 4.200 As the ownership, management and operation of bus services and employment of staff are retained by private sector operators, no pensions/TUPE arrangements are envisaged as part of the proposed EP Scheme, apart from those that apply now that are associated with the transfer of contracts for the operation of supported services.

Responsibility and risk

- 4.201 It is intended that the EP will engender a collaborative or partnership approach between the CA, operators and other stakeholders, whereby the strengths of each are recognised and built upon. All requirements and commitments under the EP Scheme would need to be negotiated and agreed by all parties. A summary of proposed responsibilities is shown in Table 0-8.
- 4.202 Operators will retain responsibility for planning and providing commercial services, deploying vehicles and drivers as appropriate, albeit in line with any overall agreed standards and specifications. They will operate supported services under contracts awarded to them as a result of a procurement exercise.
- 4.203 Operators will retain the ability to amend services as and when they wish, subject to meeting the requirements agreed on service stability.

- 4.204 Operators will still be able to set their own fares and offer their own individual products alongside an agreed package of multi-operator products.
- 4.205 As part of the procurement process, operators will have the ability to provide costs for running the service on both a minimum cost (where the CA assumes responsibility for all fares revenue) and/or minimum subsidy (where the operator keeps the fares revenue) basis. To enable operators to judge likely revenue, existing patronage and revenue data will be provided to prospective tenderers.
- 4.206 With the desire for system uniformity and visibility, with consistent standards of service, the CA will be responsible for the provision and maintenance of bus stops and other passenger waiting infrastructure.
- 4.207 A collaborative approach between the CA and operators will be adopted for information provision, with the intention of having one source of all information. It is the intention that costs of that will be shared.

Table 0-8: Summary of proposed responsibilities under an EP

Summary of responsibilities	
CPCA	Operators
Coordination of overall network strategy and framework.	Planning and provision of commercial bus services.
Specify service requirements, timetables and quality standards for supported bus services and undertake procurement of these.	Tender for the provision of supported services and operate them in line with contract requirements.
Coordinate discussions on service identities and numbering to seek agreement.	Agree service numbering and apply as agreed.
Agree and manage the provision of multi-operator ticketing products. On cost-based contracts, responsible for fares revenue and revenue protection. No responsibility for revenue on subsidy-based contracts.	On subsidy-based contracts, responsible for collecting fares and keeping revenue. On cost-based contracts, responsible for collecting fares and transferring that revenue to CPCA.
Provide and maintain bus stations, bus stops and passenger waiting infrastructure.	Use infrastructure in accordance with any requirements.
Oversee network-wide identity, branding, and promotion.	Implement branding in accordance with any agreements.

Collaborate on the provision and maintenance of comprehensive information (web, paper, at-stop, real time). Market and promote use of the network with operators.	Share responsibility (and cost) for the provision of information and marketing of the network.
Collate data to measure overall performance against BSIP KPIs and targets. Monitor the performance of supported services.	Monitor and report on service performance.
Review and develop services in partnership.	Review and develop services in partnership.

Assessment of commercial risk – Enhanced Partnership

4.208 Table 0-9 below assesses the commercial risks associated with an EP and the steps that CPCA might take to mitigate these. As the EP continues to operate within a deregulated environment, where operators continue to control services, the risks associated with the current position also apply here, in addition to those set out below.

Table 0-9: Assessment of the commercial risk of Enhanced Partnership

Risk	Mitigation
CPCA unable to negotiate and agree sufficient commitments from operators within the EP to deliver its ambitions to transform the bus network.	CPCA’s ambitions have been discussed extensively with operators, with opportunity for feedback, and to understand their ability and capacity to meet the aspirations.
Commitments may have to be curtailed or compromised to get agreement with operators, which may in turn mean slower or less progress on the delivery of the ambition.	Regular discussions with operators both individually and as a Partnership group will help to explain ambitions and proposals and the level of commitment required from operators in meeting these.
Risk that small and medium operators do not engage, due to feeling they have little influence.	All operators will be invited to EP meetings and will have the ability to attend in their own right. Regardless of attendance all operators of qualifying services will receive agendas, papers and minutes of meetings. CA will engage with operators individually outside of EP meetings, as well as collectively at meetings.

<p>Reputational risk for the CA resulting from problems and delays in the delivery of the ambition due to EP processes.</p>	<p>Ensure detailed implementation plans are in place and sufficient resource and capability is available to ensure delivery in line with programme.</p> <p>Active engagement with operators to ensure proactive negotiation over commitments.</p>
<p>Insufficient resources or capabilities to successfully manage the EP and delivery through it.</p>	<p>Ensure detailed implementation plans are in place and sufficient resource and capability is available to ensure delivery in line with programme.</p>

Assessment against commercial objectives – Enhanced Partnership

4.209 Table 0-10 below gives a summary assessment of bus arrangements under an EP against CPCA’s commercial objectives. Red indicates an unlikelihood of meeting the objective; amber indicates that the objective could be met, albeit with some challenges; and green indicates that the objective can be met.

Table 0-10: Assessment against commercial objectives for the EP

Commercial objective	Description	Rating
Public sector influence	<p>CA may achieve greater control over the behaviour of bus operators and outcomes of the bus network, which may deliver some service improvements, consistency and stability.</p> <p>CA may exercise a more strategic and proactive approach to the design and management of the network, including more coordination (e.g. regulating headways).</p> <p>Will achieve stronger, binding commitments from operators to make improvements.</p> <p>However, given that the EP is subject to negotiation, it is unlikely that operators will agree to more than they currently provide without additional funding from the CA, limiting the influence over the network.</p> <p>EP puts defined processes in place, which may help in terms of timely delivery of commitments and more considered management of the network.</p> <p>Operators retain freedom to introduce, vary or withdraw services, which could lead to increased calls on budgets for supported bus services.</p> <p>Some ambitions will be constrained by the inability to control certain aspects, such as fares, vehicle livery and comprehensive branding, unless through entirely voluntary agreement by operators.</p>	
Best value	<p>Operators continue to compete commercially for passengers on the street, based on the quality of service and fares charged. However, given the lack of competition, the extent to which competition drives value is unclear.</p> <p>Barriers to entry in the deregulated market will continue to exist under an EP and, because of any agreed minimum thresholds for services introduced, those barriers to entry may be higher than under the current situation.</p> <p>CA will need to balance the requirements and influence of an EP Scheme with the need to support operator participation and competition.</p>	

<p>Competition between bus operators</p>	<p>Allocation of risks and responsibilities in an EP continues much the same as under current arrangements. Operators are free to stop running services when they are no longer commercially viable.</p> <p>As a result, it is unlikely that the EP will further enhance competition and the CA will continue to be at risk of increasing supported services costs.</p> <p>The ambitious EP will however provide more formality and certainty around the delivery of certain improvements than under current arrangements; these will extend to the whole network.</p> <p>Particular allowance will be given to the needs of small and medium operators in respect of meeting EP commitments, perhaps being given longer to meet some obligations than large operators.</p> <p>Operators may have concerns about competitors pushing through commitments that others can't meet as easily and therefore providing them with some advantage.</p>	
<p>Appropriate risk allocation</p>	<p>Risk allocation will remain as it is under current deregulated market arrangements.</p> <p>More risk is retained by the private sector. However, in light of reduced demand following the COVID-19 pandemic, it can be seen that ultimately more risk actually lies with the public sector, otherwise network reductions would occur.</p> <p>Less flexibility for the CA to adjust the network to provide relevant support or revised services.</p>	
<p>Ease of implementation</p>	<p>Significant time and resource needed to negotiate and agree commitments, liaise with all interested parties and to administer the EP.</p> <p>Takes time to go through required processes, including consultation and operator objection mechanism.</p> <p>Whilst there is flexibility to vary an EP, again this requires time and effort to satisfy the steps of the process.</p>	

Recovery and flexibility	<p>The CA might achieve greater control over the behaviour of bus operators and outcomes of the bus network, which may deliver some service improvements, consistency and stability.</p> <p>Whilst there is flexibility to vary an EP, again this requires time and effort to satisfy the steps of the process.</p> <p>Operators retain freedom to introduce, vary or withdraw services, which could lead to increased calls on budgets for supported bus services.</p> <p>Ultimately, any shock in the market is likely to result in more responsibility on the CA, given its role in managing and administering the EP.</p>	
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Conclusion – Enhanced Partnership

- 4.210 Compared with current arrangements, an EP would provide a more formal framework to achieve improvements across the network, providing the CA with greater influence over the network. Greater influence is more likely if the CA is able to pay operators to incentivise delivery of some of the ambitions.
- 4.211 Whilst an EP would facilitate improvements, it falls short of being able to fully coordinate and manage the network. Operators are still free to introduce, amend and withdraw services, albeit within a framework of coordinated service change dates and potentially longer notice periods. However, all commitments would have to be negotiated with operators, which may mean it takes longer to achieve some of the ambitions or some have to be compromised to get agreement. There may be a chance of agreement not being reached on some elements.
- 4.212 Some ambitions could not be achieved through an EP, as they may be seen as anti-competitive, such as requirements on vehicle livery and the setting of fares. Whilst some could be achieved through voluntary agreement, it would still be possible for operators to withdraw from the agreement.
- 4.213 There is no doubt that an EP would facilitate some of the desired improvements. However, even an ambitious EP would not provide the CA with the level of control that Franchising would provide. In many ways, an EP still involves many of the challenges that currently exist.

Conclusion of Commercial Case

- 4.214 This section has undertaken a commercial assessment of the current situation and compared that to commercial arrangements that would apply under Franchising or an EP.
- 4.215 The National Bus Strategy requires all local transport authorities to commit to an EP for their entire area, or to pursue Franchising. As such, CPCA must move away from the current position. An EP would be the easiest to move to, given that it does not change many of the parameters for operating buses and operators retain much control over the planning and operation of services. However, it is questionable whether the ambitions for transforming bus services in Cambridgeshire and Peterborough could be achieved at all under an EP and certainly not within the desired timescales. Hence, why Franchising provides an attractive option to facilitate the level of change required, despite the significant impact it would have during transition and implementation.
- 4.216 Because of the level of change involved in Franchising, it is appropriate for the CA to assume greater responsibility and to be prepared to pay operators to deliver the significant enhancements in service that it wishes to see.
- 4.217 Therefore, whilst the Commercial Case demonstrates that Franchising would give the CA significant control and influence to achieve its objectives, it would come with both cost and risk. Delivering Franchising would require a significant financial commitment and expertise from the CA for its implementation. In terms of risk, delivering Franchising would present the CA with a range of financial and non-financial risks that will require careful management, all of which should be considered in detail prior to entering into Franchising.
- 4.218 However, the greater control over all aspects of the bus network would also afford the CA the flexibility to proactively manage levels of resources deployed to ensure continued commercial viability and affordability. Furthermore, the comprehensive monitoring and data collation concerning operational performance would inform any necessary adaptations and changes to achieve this.
- 4.219 Whilst the Franchising proposition provides for a competitive market in which the CA would have much greater control and influence than the current position, it would come with a range of risks and delivery requirements. However, it would also afford the flexibility to amend the network in response to changing circumstances. In contrast, an EP would have different risks and challenges, particularly as to whether various actions and commitments could be negotiated with the operators.

- 4.220 Under an EP, the delivery of policy objectives is dependent on successful negotiations with operators, to agree an EP Plan and Scheme(s), and as a result may retain many of the challenges experienced with the current situation. These areas for agreement may include cross-operator issues, such as ticketing, concerns around the EP impacting on operators' market shares, and concerns over the overhead (in terms of costs and resource) of negotiating changes to the EP.
- 4.221 Overall, the EP would not provide the same level of control for the CA as would be achieved under Franchising. Therefore, in conclusion, CPCA must consider the extent to which it wishes to bear the financial and delivery requirements and risks of Franchising, in order to maximise its control and influence over policy and desired outcomes of its Bus Strategy, compared to the lower risk, and lower level of control, of an EP.

5. Financial Case

Introduction

5.1 This chapter sets out the Financial Case for the proposed bus service re-organisation in the CA area. It considers the capital and revenue costs of implementing and operating each intervention option. In line with the UK Government's business case development guidance, this document sets out:

- The current situation in terms of bus service funding across the CA area.
- Forecasts of how bus service fare income will be influenced by the different options.
- The scale of funding required to deliver the options presented.
- Estimates of the additional operating costs that will result from the changes to bus services.
- An assessment of the financial case for Franchising and Enhanced Partnership options.
- Identification and evaluation of potential funding options for the CA.

Guidance

5.2 Specifically in relation to the Bus Franchising Guidance the Financial Case sets out:

- a year-by-year cost analysis, broken down by capital and resource expenditure, for the authority or authorities, in paragraph 5.23 onwards;
- the budget available to the authority in each of the relevant years;
- a year-by-year income forecast for the authority if relevant (for example if a gross cost franchise is proposed), in paragraph 5.43 onwards;
- whether the option requires additional borrowing by the authority and if so what interest assumptions and repayment arrangements have been used, in paragraph 5.71 onwards;
- a summary of the key financial risks, particularly to any forecast income to the authority and including any quantified impacts and high-level mitigation plans; and a sensitivity analysis, reflecting the range of financial risks, in paragraph 5.80 onwards.

Current position

- 5.3 As discussed in the Strategic Case, most bus services in the CA area are currently operated on a commercial basis. However, substantial short term public support has been provided to ensure local bus services continue to run during the COVID-19 constraints and subsequently. A significant number of socially valuable services are provided under contract to the relevant transport authority, supported from local authority budgets.
- 5.4 In building up the Reference Case, an assessment has been made of the current financial position. This was based upon patronage and fares data supplied by operators in the CA area. Current operating costs were estimated based upon the factors and average cost rates set out in the section below in vehicle operating cost. These calculations show a significant deficit between fare revenue and operating costs.
- 5.5 This deficit is in part currently being met by a number of payments, including BSOG. In addition, financial support is being provided to bus operators in the form of emergency support to ensure the maintenance of bus services post-COVID (formerly Bus Recovery Grant and now BSIP+). Using information from DfT¹¹⁷ an estimation of this support (referred to in this report as Bus Recovery Grant) at £2.6 million per annum has been made. Bus operators also receive fuel tax rebates through BSOG, reported at around £4.8 million.
- 5.6 However, by far the largest amount of financing going into the bus sector is from fare revenue, either direct to operators on commercial services, or via local transport authorities for supported services.
- 5.7 The amounts of these incomes are shown in Table 5-1 below. Total income to the bus sector has been estimated at £49.4 million. It should be noted that these figures include an estimate of the exceptional support provided by the UK Government during the COVID and post-COVID period, such as the Bus Recovery Grant and Bus Fare Cap funding. Funding for zero emission vehicles, under the ZEBRA scheme, has been excluded from this Assessment.

¹¹⁷ DfT BUS05i tables

Table 5-1: CPCA Bus Sector Income¹¹⁸

Source	Mechanism	Amount
Fares revenue (estimated 2022) ¹¹⁹	Direct to operators	£ 26.3 million
Transport Levy income (2023-24 levy) ¹²⁰	From Highways LA budgets	£ 13.5 million
Council tax income (2023-24) ¹²¹	From CPCA budget – Mayoral precept	£ 3.0 million
Bus Service Operators Grant (2021/22)	UKG via LAs ¹²²	£ 4.0 million
BRG Funding ¹²³ (2023)	Estimated from DfT reporting	£ 2.6 million
Total		£ 49.4million

Estimation of BRG and Fare Cap Funding

5.8 Table 5-2 below summarises DfT statistics for the number of bus vehicle km operated. These allow the estimation of the proportion of bus vehicle km that are attributable to the CA area. In 2023 total bus vehicle km in the CA area were reported as 20.09 million. This compares with the total for England outside London of 1,190 million, meaning that CA area represents 1.7% of the total.

Table 5-2: Vehicle km operated 2023¹²⁴

Area	Million km
Cambridgeshire commercial	13.67
Cambridgeshire supported	2.38
Peterborough commercial	3.78
Peterborough supported	0.26
Total	20.09
England outside London (EoL)	1,190

¹¹⁸ Data provided by CPCA, unless otherwise noted

¹¹⁹ Estimate based upon operator returns for November 2022

¹²⁰ [Link to paper](#)

¹²¹ [Link to paper](#)

¹²² Bus Service Operators Grant payments to English operators from 2010 onwards, DfT, Last updated 29 July 2022

¹²³ Estimate derived from published sources as part of this OBC. These can be found in section 3.4 onwards.

¹²⁴ <https://www.gov.uk/government/statistical-data-sets/bus-statistics-data-tables> (Table BUS02c_mi)

CPCA as proportion of EoL	1.7%
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5.9 Whilst the amounts of these latter two payments are unknown, the analysis below has estimated the level of funding currently provided to the CA area operators.

Bus Recovery Grant

5.10 HMG has published that BRG funding for 2022/23 was £153 million, for England outside London. DfT reporting shows the total vehicle kms for each local authority area. These figures can be used to estimate the proportion of total funding that should accrue to CA area operators. Based upon CPCA being 1.7% of the total for England outside London, this would give a total for BRG funding in the CPCA area of £2.6 million in 2023.

5.11 Given the continuing uncertainty regarding these payments, in all scenarios it is assumed that they will reduce by 30% per annum, until the point at which they become insignificant.

Funding options available to the CA

5.12 As can be seen from the figures above, substantial additional financial support will be needed to set up and maintain the proposed enhanced bus service network. This includes capital funding for infrastructure and related investment, revenue funding for additional management functions and bus service financial support. Several options exist to cover these costs, as set out below. It should be noted that some of these funding sources have significant limitations in terms of certainty, deliverability, scale, and spending constraints. The Mayoral precept for example may not be available for certain aspects.

Table 5-3: CPCA Financing Options

Funding options for Bus Franchising	Estimate of value	Certainty of amount	Deliverability	Decision-maker	Examples
Fare box supplement (e.g. charge 20p above planned ticket price)	£4m p.a.	Low	High	The CA	Would be contrary to CPCA objectives
Mayoral precept increase	£325k p.a. per £1 increase	High	High	The CA	CPCA, GMCA, Liverpool City Region
Business Rates Supplement	£6m p.a.	Medium	Medium	The CA, but subject to referendum	Crossrail

Workplace Parking Levy	TBC	Low	Medium	CCC/PCC	Nottingham
City Deal – Early bus investment	£50m one off Grant	Low	Low	GCP	
Cambridge City Access Charge	£20-40m p.a.	Low	Low	CCC	TfL, GMCA
Stamp duty retention	£224m over 25 years	Medium	Low	HMG	Welsh National Assembly
VAT/income tax/corporation tax retention	Unknown		Low	HMG	None in the UK
Statutory tourist tax (e.g. £2 per room-night)	Unknown	Medium	Low	HMG	Edinburgh looking to do this, through powers devolved to Scotland
Voluntary tourist tax (e.g. £1 per room-night, led by their Business Improvement District not politically)	<£3m p.a.	Medium	Medium	Local hotels/businesses	Link to Manchester Evening News article
Central government support	Subject to negotiation	Medium	Medium	HMG	Government already subsidises some area's networks specifically (TfL, TfGM) but usually where the network is not 'just' buses
Borrowing	£84.61m ¹²⁵	High	High	The CA	Local Authority borrowing is standard practice

Sifting of options

- 5.13 Each of the options set out above has been considered carefully to assess policy alignment, deliverability, availability of necessary powers and the amount of funding that could be available. The conclusions of these deliberations are shown below.

¹²⁵ CPCA's Statutory Borrowing Limit

Table 5-4: Summary of Assessment of Options

Discounted options	<ul style="list-style-type: none"> • Workplace Parking Levy on account of the time required to establish the scheme, and the likely contention involved in determining appropriate levy zones (expected to focus on the urban areas of Cambridge and Peterborough, based on similar schemes elsewhere). • Cambridge City Access Charge given proposals were recently withdrawn due to cost-of-living concerns and local public opposition. • Stamp duty retention has been afforded to devolved administrations in Wales and Scotland, but not to Combined Authorities. • VAT/income/Corporation tax retention is not devolved, so unlikely to become a viable source of funding for local bus services. • Voluntary or Statutory tourist taxes are unlikely to generate the levels of funding needed for transformational bus services across the CA area, and are better suited to other applications (e.g. street cleaning, pop-up visitor attractions, marketing) in key visitor locations.
Options worthy of further consideration	<ul style="list-style-type: none"> • Options within the CA control: Fare box uplift and Business Rate Supplements. • Options requiring partner authority support: Parking charge income, City Deal funding, central government Support.
Options with greatest potential for consideration	<ul style="list-style-type: none"> • Mayoral precept increase. • Transport Levy (increase up to RPI). • Borrowing.

Section 106 and Community Infrastructure Levy receipts

- 5.14 In addition to the amounts set out in Table 5-1 above, the Councils within the CA area are able to raise additional amounts of funding, as a result of the land use developments across the area. Each development that is above a published threshold is liable to pay both Section 106 and Community Infrastructure Levy payments to the relevant planning authority (District or City Councils). These payments are designed to support the costs of mitigating the impacts of development, but can also be used to fund infrastructure improvements, or to support new bus services. Whilst the

amounts raised and the proposed uses of this money will vary from year to year, it would be expected that a significant proportion would be available for public transport related uses. It should also be noted that there is often little correlation between the year in which money is collected and when it is spent.

- 5.15 By far the largest amount is received by Cambridgeshire County Council, as the main transport authority. In 2021/22 CCC received almost £41 million as a result of Section 106 agreements¹²⁶. Of this around £4,960,000 was expected to be spent on Highways and Public Transport related investments.
- 5.16 Other examples of the amounts that can be raised include Peterborough City Council, which in 2021/22 raised £1.6 million for the Community Infrastructure Levy and £2.9 million from Section 106 payments¹²⁷. These sums are replicated across the CPCA area. For example, Huntingdonshire District Council received almost £9 million in 2021/22¹²⁸. In the same period, Cambridge City Council received £1.8 million¹²⁹. The potential uses of these monies include both transport infrastructure and services. Examples of investments funded from these sources include improvements to bus stops and shelters, and upgrading real time information provision, as well as supporting new or improved bus services.
- 5.17 Whilst the funding strategy set out in this Assessment does not rely on this income stream, through a process of entering into formal agreements with the planning authorities in the area, it may be possible for the CA to establish an income stream from these sources that could be utilised to cover some of the costs of local the infrastructure investments set out here. This would provide additional funding for improvements to bus stops and other passenger related infrastructure.

Use of borrowing, in the event grant funding is unavailable

- 5.18 In the event grant funding is unavailable, the remaining capital expenditure (£31.0m on new depot facilities, plus £10.04m of bus network improvement investments – both already increased by 46% for Optimism Bias uplift) would be funded through capital borrowing (likely via Public Works and Loans Board) to be repaid in line with Minimum Revenue Provision requirements from increased Transport Levy. Details of these capital costs are contained within Table 5-6.

¹²⁶ <https://www.cambridgeshire.gov.uk/asset-library/Infrastructure-Funding-Statement-Report-2021-22.pdf>

¹²⁷ <https://www.peterborough.gov.uk/asset-library/peterborough-city-council-infrastructure-funding-statement-2021-22.pdf>

¹²⁸ <https://www.huntingdonshire.gov.uk/media/6807/infrastructure-funding-statement-2021-22.pdf>

¹²⁹ <https://www.cambridge.gov.uk/media/11697/infrastructure-funding-statement-2021-22.pdf>

- 5.19 The CA can only borrow to fund capital expenditure. It cannot borrow to cover operational deficits including those of the network under either Franchising or Enhanced Partnership. As such the borrowing is limited to the £41.0m.
- 5.20 This is well within the borrowing cap set out in Table 5-3 so there would be no issue accessing this level of borrowing from the Public Works Loan Board (PWLB).
- 5.21 Using recent PWLB rates for a 20-year loan on an annuity basis (the assumption set out in the CA's current Minimum Revenue Provision policy) would result in an annual revenue charge of £3.2m p.a. for a £41.0m loan. The total cost of borrowing this amount would be £22.2m over 20 years. This offers the flexibility to smooth the up-front investment cost across 20 years, although the revenue costs of this would then need to be met from within the overarching funding model.

Grant Funding

- 5.22 The CA has received a £4m grant from the Department of Levelling Up, Housing and Communities to part fund a new depot in the Peterborough area. The CA has their own Levelling Up fund which will also be contributing £5m to the Peterborough depot cost. This has the opportunity to reduce the borrowing requirements by £9m to £32m. The reduction in borrowing brings down the annual revenue charge from £3.2m to £2.5m and the total cost of borrowing down from £22.2m to £17.4m.

Capital and revenue cost requirements

- 5.23 The costs of setting up a new bus service operating model fall into three main categories – capital, institutional and operating costs. The assumptions and values used in the model for each of these is discussed in the Economic Case.

The majority of the expenditure is related to running the bus services, with revenue spending for additional staff, professional and procurement support. As part of the Franchising model the CA is not proposing to invest significantly in capital assets, although some spending on IT systems and bus service infrastructure (such as depots) may be required. The assumed investments and other costs that need to be covered are shown in

5.24 Table 5-5.

Table 5-5: Operating and capital cost summary*

Year	Franchising			Enhanced Partnership		
	Total Capital Costs (£)	Total Revenue Costs (£)	Total scheme costs (Cap + Rev) (£)	Total Capital Costs (£)	Total Revenue Costs (£)	Total scheme costs (Cap + Rev) (£)
2024	0	17,188,447	17,188,447	0	16,831,762	16,831,762
2025	18,706,726	19,413,059	38,119,785	2,706,726	17,817,357	20,524,084
2026	19,558,115	19,443,869	39,001,984	4,558,115	18,186,684	22,744,798
2027	2,778,890	64,161,025	66,939,916	2,778,890	62,947,079	65,725,970
2028	0	66,501,011	66,501,011	0	65,220,830	65,220,830
2029	0	69,796,794	69,796,794	0	68,271,456	68,271,456
2030	0	72,513,838	72,513,838	0	70,732,884	70,732,884
2031	0	75,279,882	75,279,882	0	73,445,594	73,445,594
2032	0	80,183,455	80,183,455	0	78,269,336	78,269,336
2033	0	83,244,137	83,244,137	0	81,272,220	81,272,220
2034	0	86,422,233	86,422,233	0	84,390,638	84,390,638
2035	0	90,306,449	90,306,449	0	88,206,105	88,206,105
2036	0	93,755,650	93,755,650	0	91,591,391	91,591,391
2037	0	97,337,214	97,337,214	0	95,106,948	95,106,948
2038	0	99,563,088	99,563,088	0	97,282,856	97,282,856
2039	0	103,367,221	103,367,221	0	101,017,274	101,017,274
2040	0	107,317,368	107,317,368	0	104,895,414	104,895,414
2041	0	110,099,180	110,099,180	0	107,618,942	107,618,942
2042	0	114,307,477	114,307,477	0	111,751,024	111,751,024
2043	0	118,677,335	118,677,335	0	116,042,151	116,042,151
2044	0	121,781,677	121,781,677	0	119,082,633	119,082,633
2045	0	126,438,225	126,438,225	0	123,655,822	123,655,822
2046	0	131,273,579	131,273,579	0	128,405,053	128,405,053
2047	0	134,035,513	134,035,513	0	131,105,550	131,105,550
2048	0	139,162,190	139,162,190	0	136,141,343	136,141,343
2049	0	144,485,759	144,485,759	0	141,371,004	141,371,004
2050	0	146,766,001	146,766,001	0	143,593,812	143,593,812
2051	0	152,381,019	152,381,019	0	149,110,077	149,110,077
2052	0	158,211,714	158,211,714	0	154,838,724	154,838,724
2053	0	161,451,912	161,451,912	0	158,007,783	158,007,783
2054	0	167,630,550	167,630,550	0	164,078,754	164,078,754

*excludes borrowing costs

Capital and institutional costs

5.25 By implementing Franchising, the CA will incur a range of additional costs. Some of these are costs moved from the private sector, but most are the costs of implementing stronger or expanded management systems. The reasoning for these additional costs is set out below, with the amounts summarised in Table 5-10. The assumptions used to generate these cost estimates are set out in the Economic case, a summary of the allowances used for the capital and institutional cost elements is set out below.

Capital costs

5.26 As discussed earlier, CPCA intends to invest in a number of complementary measures to provide additional benefits. These include a programme of bus priority measures and additional bus depot infrastructure. In total, the value of these investments has been assessed as £41.0 million. The bus priority measures are included in both the Enhanced Partnership and Franchising scenarios, while the depots are only included in the Franchising scenario. The £41.0 million is broken down as follows:

Table 5-6: Capital Costs

Year	Estimated Cost (£m)	46% Optimism Bias (£m)	Total Modelled Cost (£m)
Bus Priority Measures	6.9	3.1	10.0
Cambridge Depot	11.2	5.2	16.4
Peterborough Depot	10.0	4.6	14.6
Total	28.1	12.9	41.0

5.27 Cost estimates for the depots have been estimated using land value estimates published by the Department for Housing, Community and Local Government and estimates from completed or active projects. A breakdown of the estimate is shown in the tables below.

Table 5-7: Depot Costs Breakdown

Item	Source	Cost
Land Acquisition Cost	Peterborough Depot Project	£0.2m
Feasibility Study Cost	Peterborough Depot Project	£0.2m
Land Cost	Peterborough Depot Project	£3.2m
Total Depot Cost	Warrington Bus Depot Project	£10m*

*Warrington depot used as a recently completed comparator of a similar size

Table 5-8: Land Value Estimates

Local Authority	Industrial Land Value Estimate per Hectare
Warrington	£800,000
Peterborough	£800,000
Cambridge	£1,100,000

5.28 Utilising the figures above it is assumed that the land purchase of the Warrington depot was approximately £3.2m based on the land value estimate and the knowledge from the Peterborough depot scheme, resulting in the build and fitment costs of £6.8m. A similar sized depot in Cambridge would result in land purchase costs of £4.4m. The following total costs have therefore been estimated for the two depots.

Table 5-9: Estimated Depot Costs

Depot	Land Cost (£m)	Build Cost (£m)	Total Cost (£m)	Cost with Optimism Bias (£m)
Cambridge	4.4	6.8	11.2	16.4
Peterborough	3.2	6.8	10.0	14.6
Total	7.6	13.6	21.2	31.0

5.29 As discussed in paragraph 5.64, this capital investment will be funded through borrowing and grants. The costs of this borrowing are set out in paragraph 5.265.71.

Administration costs

5.30 The costs of setting up a new administration and control system for buses will include both one-off costs and ongoing costs. Under Franchising, the CA will take on some of the responsibilities of operators in terms of bus service registration, but CPCA will also need to develop a strong contract management function, together with service monitoring, complaints handling and data collection functions. This will require the development of an expanded team within the CA, as described in the Management Case.

5.31 Alongside these ongoing costs, the CA will also incur a range of one-off costs during the development phase of Franchising. These will include legal, technical and audit costs, as well as the costs of setting up a new procurement system.

Table 5-10: Capital and institutional cost summary

Cost elements (2023 prices)	Time period	Franchising	EP
		Complementary investments (<i>bus priority measures and depots for franchising including GDP inflation and optimism bias as per TAG</i>)	<i>Capital spend spread over period 2025 – 2027</i>
Professional fees (<i>including GDP inflation as per TAG</i>)	<i>Spend spread over period 2024 – 2026</i>	£1.4m	-
Procurement costs (<i>including GDP inflation as per TAG</i>)	<i>Spend spread over period 2026 – 2027</i>	£0.3m	-
CA staff costs (<i>repeat cost every year, +4% pa wage inflation for four years, followed by +2% pa</i>)	<i>Annual cost over 30 years of £885,000 / £600,000 / respectively (2023 prices)</i>	£40.3m	£27.3m
CA System Costs (<i>repeat cost every year +GDP inflation as per TAG</i>)	<i>Annual cost of £500,000 over 30 years (2023 prices)</i>	£21.5m	-

Transfer of operator staff (TUPE)

5.32 As discussed in paragraph 4.143 4.134, it is likely that some staff will need to transfer between operators, under a TUPE process. However, it is important to recognise that the CA's approach to Franchising is not to create a situation of significant change. The Strategic Case (paragraph 2.204) states that Franchising is about securing the ability to plan and deliver a comprehensive integrated network. It is not about wholesale change, but to form a more balanced approach with operators (also paragraphs 4.48 and 4.56 in the Commercial Case). It is envisaged that there will be plenty of opportunities for operators – indeed, it is the desire to maintain all existing operators (paragraph 4.55). Contract packaging will be designed to achieve this. Therefore, the preferred outcome is for all current operators to continue playing a part and to retain their current bus depots, such that there will be little need for staff transferring under TUPE arrangements. As such, the CA considers that TUPE and costs of TUPE are not likely to be significant. The costs associated with these transfers have been discussed with operators particularly with respect to the protection of pension rights, with relevant information being provided in response to a formal request in October 2023. These discussions have concluded that these costs, where they occur, will be limited and therefore no further allowance is necessary within this OBC.

Quantified risk

5.33 At this stage, no quantified risk analysis has been undertaken, as it is not required at this stage of the process. Where uncertainty exists in any of the items set out in Table 5-10 (such as around the infrastructure capital costs of complementary investments),

a degree of additional allowance has been added to the available information from similar schemes to reflect the limited information available at this stage. An appropriate level of optimism bias (+46%¹³⁰) has also been applied to the cost estimates for the physical measures included in each scenario, reflecting the uncertainty related to future capital cost elements.

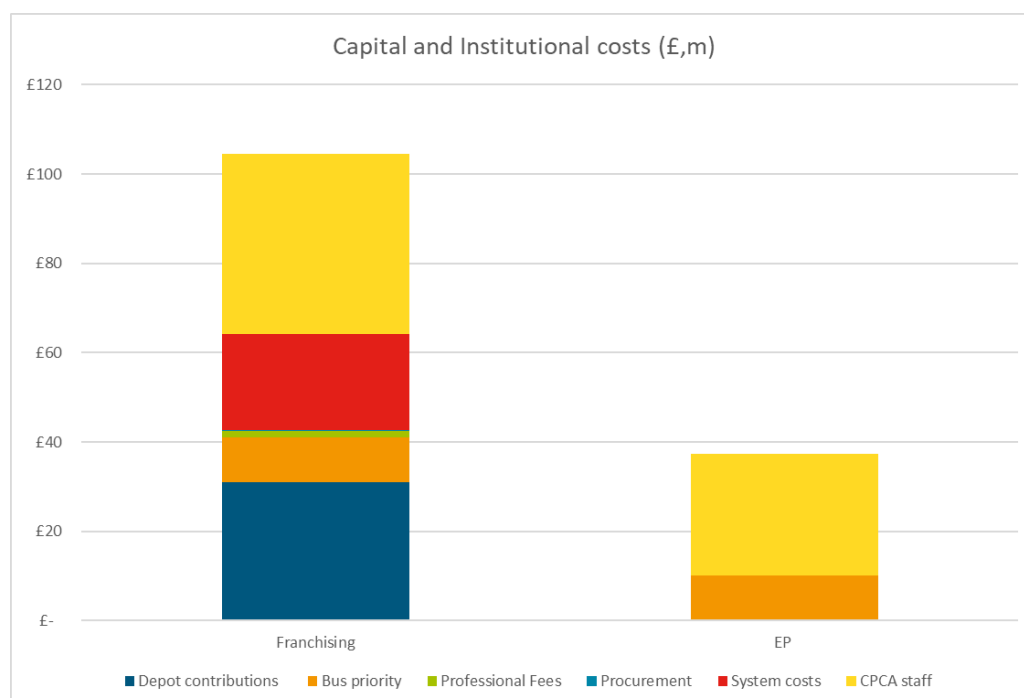
- 5.34 As part of the risk analysis set out in the Economic Case, risks that would potentially carry a revenue impact were identified. However, at this stage it is not possible to quantify the likely impact or likelihood of these risks, without further information and analysis.
- 5.35 The numbers presented in this section are assessed in nominal terms. They reflect the values presented in the 'Treatment of Costs' section of the Economic Case and repeated above. After 2027, once the initial Franchising set up costs would be incurred and the capital investment is assumed to have been spent, the costs are assumed to stabilise and follow a straight-line trajectory for the remainder of the appraisal period.

Cumulative financial position

- 5.36 Figure 5-1 sets out the capital and institutional costs associated with each option. It reflects the totals over 30 years and therefore on-going annual costs (such as staffing costs) make up a large proportion of the spend.

¹³⁰ As per TAG Unit A1.2 scheme costs – Table 8, Stage 1 Roads

Figure 5-1: Total capital and institutional costs (£, millions)



Vehicle operating costs

- 5.37 The bulk of the annual costs are the vehicle operating costs. An average cost per mile of operating a bus service is applied to the estimated annual mileage of all services as set out in the Economic Case (with a summary below).
- 5.38 The service mileage estimates are based upon notional timetables, according to run time, route length and peak vehicle requirement. Costs per mile for running bus services have been taken from the DfT Bus Statistics for metropolitan and non-metropolitan areas (Table BUS04gi), adjusted for local cost comparisons and applied to the route distances¹³¹.
- 5.39 An additional 7.5% allowance was added to account for operator profit margins¹³². It is assumed that the profit margin in the Reference Case and the Franchising/EP case are constant. This profit margin is estimated as no local data is available. In the event of the profit margin being higher than 7.5% in the Reference Case, it will mean income is also higher than expected. It is not considered likely that profit margins will increase in the Franchising scenario as care has been taken to ensure meaningful competition,

¹³¹ DfT published bus statistics (January 2023)

¹³² Informed from market indications and benchmarked against the allowance in the LCRCA and WYCA franchising assessment

through the depot strategy and design of the contractual framework that Franchising will operate under.

5.40 A reduction in operating costs has been assumed as the fleet transitions away from fully diesel engines to low emission vehicles as low emission vehicles are assumed to have lower operating and maintenance costs. An overall reduction of 5% for operating low emission vehicles has been applied as a general rounded estimate, with an understanding of the existence of uncertainty around how such costs and change might be observed in future as the market for zero emission vehicles and technology develop. This was estimated as the relative difference to diesel operating costs and derived from:

- the Liverpool City Region Combined Authority (LCRCA) Franchising assessment, which provided a proportional breakdown of vehicle operating costs;¹³³
- the operating costs in the Greener Buses Model¹³⁴, which indicated electric buses cost 50% less to operate than their equivalent diesel vehicle (applied to fuel and engineering costs);
- total capital asset cost (reflected as depreciation value) is around 60% higher for electric vehicles compared to equivalent diesels;¹³⁵
- all other costs (including driver cost, overheads etc.) are fixed.

5.41 As set out in the Economic Case, there is an additional bonus cost of quality incentives aimed to encourage improvements in bus operation reliability. This has been added to the operating cost at a rate of 2.5% in the Franchising scenario (half this in the EP) and phased in from 2027.

Total costs

5.42 A summary of the total spend for each scenario, including the vehicle operating costs, is set out in Figure 5-2 with Table 5-11 illustrating the values.

¹³³ Figure 2.5 in LCRCA Economic Case (25 April 2023) summarising data provided by operators in the region

¹³⁴ Developed by the DfT for the economic assessment of applications to the ZEBRA fund (round 1). A similar assumption is applied in the LCRCA assessment (page 155).

¹³⁵ Comparative cost derived from available information in published ZEBRA bids (such as [CPCA](#)) and industry knowledge

Figure 5-2: Forecast annual costs (£)

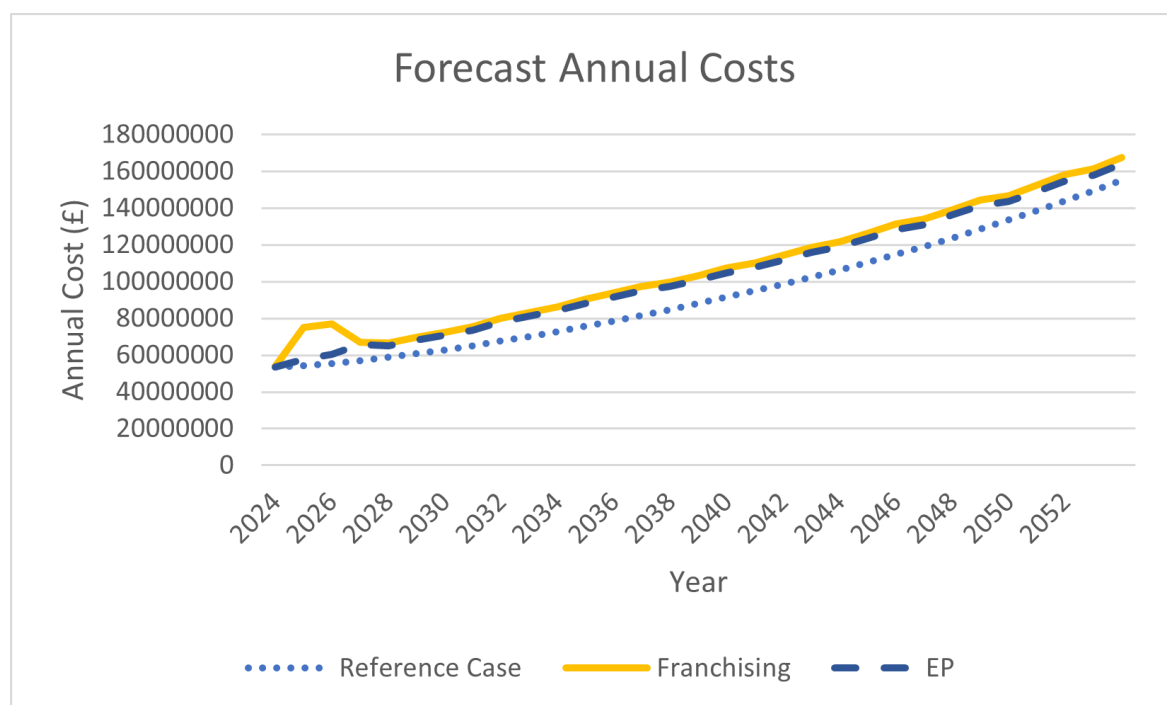


Table 5-11: Forecast total annual costs (£ millions)

Year	Franchising				Enhanced Partnership			
	Borrowing	CPCA staff and institutional costs	Bus Contract costs	TOTAL	Borrowing	CPCA staff and institutional costs	Bus Contract costs	TOTAL
2024	-	0.4	-	0.4	-	-	-	0.0
2025	-	2.2	-	2.2	-	0.6	-	0.6
2026	1.1	1.9	-	3.1	0.2	0.7	-	0.9
2027	2.3	1.7	62.4	66.4	0.6	0.7	19.5	20.8
2028	2.5	1.6	64.9	69.0	0.8	0.7	20.4	21.9
2029	2.5	1.6	68.2	72.3	0.8	0.7	21.3	22.8
2030	2.5	1.7	70.8	75.0	0.8	0.7	22.1	23.6
2031	2.5	1.7	73.6	77.8	0.8	0.8	23.2	24.7
2032	2.5	1.7	78.4	82.7	0.8	0.8	24.1	25.7
2033	2.5	1.8	81.5	85.7	0.8	0.8	25.1	26.6
2034	2.5	1.8	84.6	88.9	0.8	0.8	26.0	27.6
2035	2.5	1.8	88.5	92.8	0.8	0.8	27.0	28.6
2036	2.5	1.9	91.9	96.2	0.8	0.8	28.0	29.6
2037	2.5	1.9	95.4	99.8	0.8	0.9	28.9	30.5
2038	2.5	2.0	97.6	102.0	0.8	0.9	29.9	31.6
2039	2.5	2.0	101.4	105.8	0.8	0.9	30.9	32.6

2040	2.5	2.0	105.3	109.8	0.8	0.9	32.0	33.7
2041	2.5	2.1	108.0	112.6	0.8	0.9	33.2	34.9
2042	2.5	2.1	112.2	116.8	0.8	0.9	34.5	36.2
2043	2.5	2.2	116.5	121.1	0.8	1.0	35.8	37.6
2044	2.5	2.2	119.6	124.3	0.8	1.0	37.2	39.0
2045	2.5	2.3	124.2	128.9	0.8	1.0	38.8	40.6
2046	1.3	2.3	129.0	132.6	0.6	1.0	40.4	42.0
2047	0.2	2.4	131.7	134.2	0.2	1.0	42.2	43.5
2048	-	2.4	136.7	139.2	-	1.1	44.1	45.2
2049	-	2.5	142.0	144.5	-	1.1	46.1	47.2
2050	-	2.5	144.2	146.8	-	1.1	48.2	49.3
2051	-	2.6	149.8	152.4	-	1.1	50.4	51.5
2052	-	2.6	155.6	158.2	-	1.2	52.7	53.8
2053	-	2.7	158.8	161.5	-	1.2	55.0	56.2
2054	-	2.7	164.9	167.6	-	1.2	57.5	58.7
TOTAL	49.4	63.5	3057.5	3170.4	15.5	27.3	974.7	1017.5

Note: due to rounding issues, column headings do not add up

Forecast revenue

Fares revenue

- 5.43 Changes to passenger numbers and usage were forecast, as discussed in the Economic Case. Based upon the possible changes forecast from the spreadsheet model, future revenues were forecast. An average fare revenue per trip was applied based on route type within these forecasts (derived from available operator data for both pre and post the introduction of the government fare cap scheme).
- 5.44 Fares were assumed to increase at the rate of inflation, according to the GDP forecasts in the TAG databook plus 1.58% in all scenarios and the Reference Case¹³⁶.
- 5.45 The modelled forecasts assume Franchising or EP scenarios would commence in 2027.

¹³⁶ Derived from BUS04dii in BUS04ii (which replaced bus0405b) local bus fares index, straight line increase from 2004/05 to 2021/22 for metropolitan areas in England

Treatment of BSOG

- 5.46 Under a Franchising Scheme in Cambridgeshire and Peterborough, it is assumed that BSOG for all franchised services would be devolved to the CA, in accordance with paragraph 1.51 of the DfT's guidance on Bus Franchising. These monies would be part of a wider funding package, used to help fund the provision of services under contract.
- 5.47 Whilst 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.
- 5.48 Within this OBC, the most up to date BSOG payment rates have been adopted, including the recently introduced BSOG rate for low and zero emission vehicles and applied for live mileage. While it is noted that there is a degree of uncertainty around the rate of increase of this subsidy in future, it is assumed that these will increase at +1.56% p.a.

Other income

- 5.49 Recognising the current funding allocated by CPCA towards the bus network, an allowance of £16m revenue¹³⁷ has been included in all scenarios in the financial assessment to account for:
- Supported services support;
 - Community transport revenue.
- 5.50 This amount is expected to increase at a rate in line with TAG inflation forecasts¹³⁸ for all scenarios.

Total income

- 5.51 Income accruing to the bus sector in the CA area was forecast, based upon an analysis of total income as shown above. The forecasts of future income for the appraisal period are summarised in Table 5-12 below. This includes forecast fare revenue (BSOG income and other revenue as outlined above).
- 5.52 Bus service patronage has been forecast, as discussed in the Economic Case, based upon a series of assumptions that make up the core scenario.

¹³⁷ taken from the values presented in Table 5-1 (£17.1 less out of scope elements: 411k, 292k, 325k)

¹³⁸ TAG databook May 2023

5.53 As would be expected over the appraisal period, all options would result in significantly higher total income to the bus sector than the current situation. For Franchising this is a result of higher patronage generating higher levels of revenue. Higher patronage also influences EP revenue.

Table 5-12: Franchising Forecast annual income (£ millions)

Year	Fare revenue	Government grant (inc BSOG)	Existing £12 precept	Existing Transport Levy	Revenue Reserve	Additional Mayoral precept	Additional Transport Levy	TOTAL
2024	-	-	-	-	1.3	-	-	1.3
2025	-	-	-	-	0.8	1.6	0.3	2.6
2026	-	-	-	-	0.4	1.6	0.6	2.6
2027	32	5.8	3.3	14.6	0.2	12.1	0.6	68.5
2028	33.9	5.5	3.3	14.9	-	12.3	0.6	70.5
2029	35.8	5.3	3.4	15.2	-	12.6	0.6	72.9
2030	37.8	5.2	3.5	15.5	-	12.8	0.6	75.4
2031	39.3	5.1	3.5	15.8	-	13.1	0.6	77.5
2032	41.4	5.2	3.6	16.1	-	17.3	0.6	84.3
2033	43.2	5.2	3.7	16.4	-	17.7	0.7	86.9
2034	45.2	5.3	3.7	16.8	-	18.0	0.7	89.7
2035	47.4	5.4	3.8	17.1	-	18.4	0.7	92.7
2036	49.5	5.4	3.9	17.5	-	18.8	0.7	95.7
2037	51.6	5.5	4.0	17.8	-	21.1	0.7	100.7
2038	53.6	5.5	4.0	18.2	-	21.5	0.7	103.6
2039	55.9	5.6	4.1	18.5	-	22.0	0.7	106.8
2040	58.3	5.6	4.2	18.9	-	22.4	0.7	110.2
2041	60.5	5.7	4.3	19.3	-	22.9	0.8	113.4
2042	62.9	5.7	4.4	19.7	-	24.6	0.8	118.1
2043	65.4	5.8	4.5	20.1	-	25.1	0.8	121.7
2044	67.8	5.9	4.6	20.5	-	25.6	0.8	125.1
2045	70.4	5.9	4.6	20.9	-	26.1	0.8	128.8
2046	73.0	6.0	4.7	21.3	-	26.7	0.8	132.6
2047	75.5	6.0	4.8	21.7	-	27.7	0.9	136.6
2048	78.2	6.1	4.9	22.1	-	28.2	0.9	140.5
2049	81.0	6.2	5.0	22.6	-	28.8	0.9	144.6
2050	83.6	6.2	5.1	23.0	-	29.4	0.9	148.3
2051	86.6	6.3	5.2	23.5	-	30.0	0.9	152.5
2052	89.7	6.4	5.3	24.0	-	32.2	0.9	158.5
2053	92.7	6.4	5.4	24.4	-	32.8	1.0	162.7
2054	96.0	6.5	5.6	24.9	-	33.5	1.0	167.4
TOTAL	1708.3	167.7	120.6	541.2	2.6	637.0	22.3	3193.0

Note: due to rounding issues, column totals do not add up

Comparison between costs and income

5.54 The two scenarios considered in this OBC are compared, in terms of their financial performance below. The results in terms of annual financial support requirements are shown in the table below. The purpose of this comparison isn't to provide a clear recommendation as to which option to pursue, but is rather shown to indicate the likely performance of Franchising across a range of financing scenarios.

Table 5-13: - Forecast Annual Net Financial Position (£m, CPCA income and expenditure only)

Year	Franchising			Enhanced Partnership		
	Income	Expenditure	Net Financial Position	Income	Expenditure	Net Financial Position
2024	1.3	0.4	0.9	0.9	0.0	0.9
2025	2.6	2.2	0.4	1.8	0.6	1.2
2026	2.6	3.1	-0.5	2.2	0.9	1.3
2027	68.5	66.4	2.1	28.6	20.8	7.8
2028	70.5	69.0	1.5	29.1	21.9	7.2
2029	72.9	72.3	0.6	29.7	22.8	6.9
2030	75.4	75.0	0.4	30.3	23.6	6.7
2031	77.5	77.8	-0.3	30.9	24.7	6.2
2032	84.3	82.7	1.6	35.5	25.7	9.8
2033	86.9	85.7	1.2	36.2	26.6	9.6
2034	89.7	88.9	0.8	37.0	27.6	9.4
2035	92.7	92.8	-0.1	37.7	28.6	9.1
2036	95.7	96.2	-0.5	38.4	29.6	8.9
2037	100.7	99.8	0.9	41.6	30.5	11.1
2038	103.6	102.0	1.6	42.4	31.6	10.9
2039	106.8	105.8	1.0	43.3	32.6	10.7
2040	110.2	109.8	0.4	44.2	33.7	10.5
2041	113.4	112.6	0.8	45.0	34.9	10.1
2042	118.1	116.8	1.3	47.7	36.2	11.5
2043	121.7	121.1	0.6	48.7	37.6	11.1
2044	125.1	124.3	0.8	49.6	39.0	10.6
2045	128.8	128.9	-0.1	50.6	40.6	10.1
2046	132.6	132.6	0.0	51.6	42.0	9.6
2047	136.6	134.2	2.4	54.1	43.5	10.6

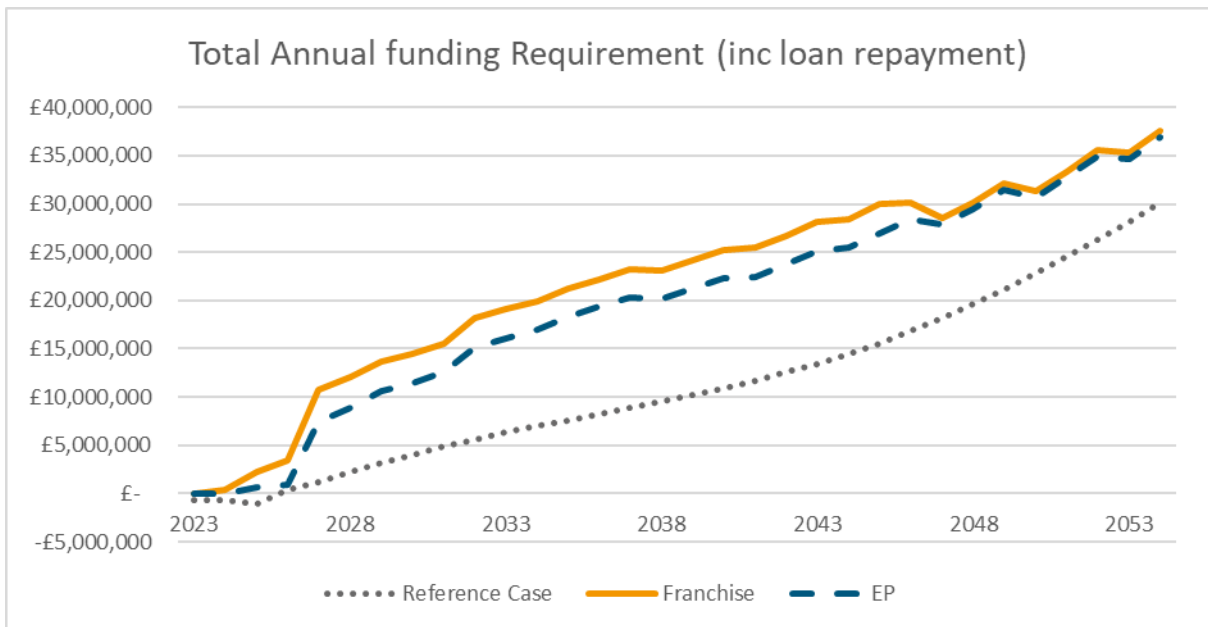
2048	140.5	139.2	1.3	55.2	45.2	10.0
2049	144.6	144.5	0.1	56.3	47.2	9.1
2050	148.3	146.8	1.5	57.4	49.3	8.1
2051	152.5	152.4	0.1	58.6	51.5	7.1
2052	158.5	158.2	0.3	61.9	53.8	8.1
2053	162.7	161.5	1.2	63.1	56.2	6.9
2054	167.4	167.6	-0.2	64.4	58.7	5.7
TOTAL	3193.0	3170.4	22.6	1274.3	1017.5	256.8

5.55 The results suggest that both of the scenarios are affordable and make an annual positive financial position for the CA within the 30-year appraisal period. To achieve this net positive position, subsidy is required in the form of increasing precept values to cover the shortfall between fare revenue and operational cost.

Cumulative position

5.56 The cumulative financial position from each of the three scenarios is presented in this section. In terms of financial performance, when subtracting income from costs, none of the scenarios break even, with all scenarios requiring continued financial support throughout the appraisal period.

Figure 5-3: Cumulative annual funding requirement



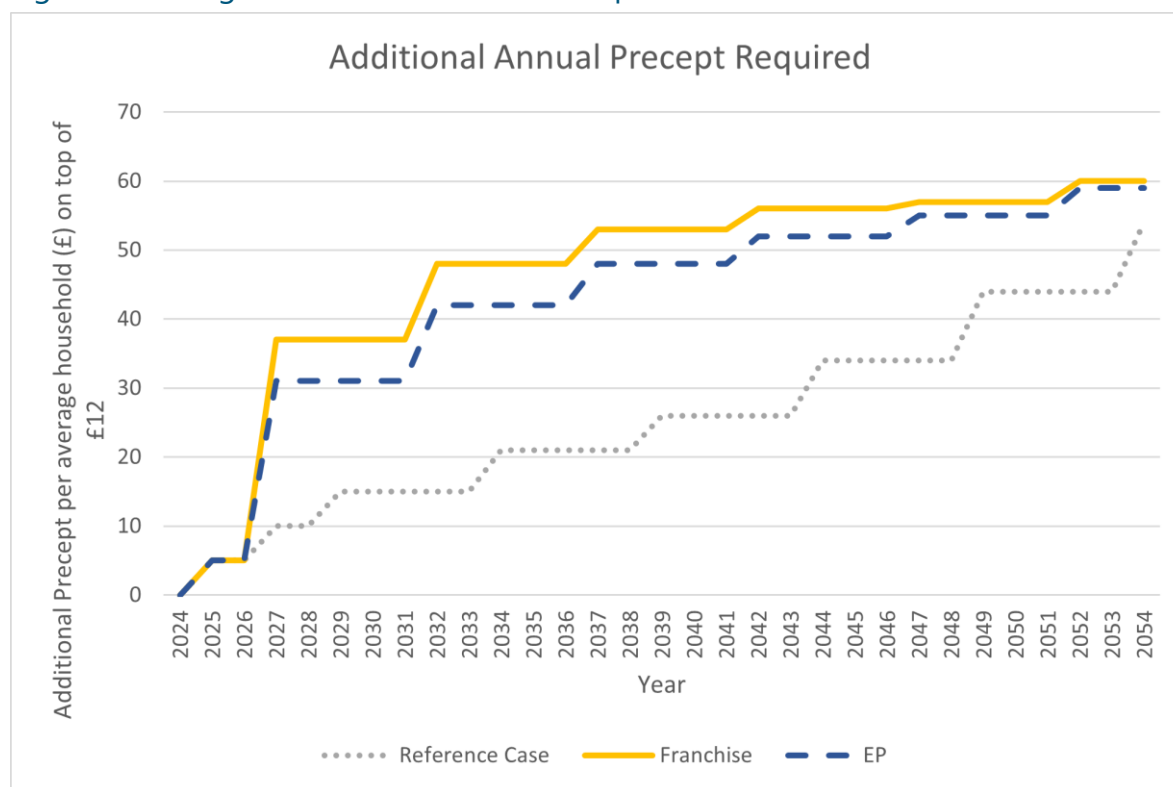
Funding and financing assessment

5.57 Each of the options available to CPCA has been appraised against criteria relating to how deliverable, implementable, and acceptable they are. Based upon these

assessments, the CA has identified that the most appropriate funding strategy for bus reform would involve a combination of borrowing, Mayoral precept and transport levy. This option is described below in relation to the Reference Case scenario and each of the EP and Franchising scenarios.

- 5.58 The Reference Case scenario or the counter-factual has been developed based upon the current situation, but with a number of important amendments. Most important amongst these is that, if the Reference Case scenario were implemented, this would involve the instigation of a limited EP, between CPCA and bus operators. This would involve small complementary investments based on existing budgets.
- 5.59 The expectation under this scenario is that recent trends in terms of patronage, costs and the sustainability of commercial services would remain i.e. that patronage and fare revenue would remain stable, whilst costs continue to increase, leading to continuing reductions in service levels and requests for further financial support. CPCA has confirmed that, in line with recent policy, where such requests are received, the CA would provide additional financial support, in order to retain current service levels. Implementation of this support would be via the provision of specific subsidies for services, with the supported services in question being procured via competitive tender.
- 5.60 This is forecast to place an increasing call on the CA resources, which would need to be met from external sources. Again, in line with recent policy, the financial resources required would be sourced from increases in the Mayoral precept. At this time, no upper limit on the amount of additional precept that could be requested has been identified.
- 5.61 Further modelling has been undertaken to estimate the likely amount of funding that would be needed to support current service levels and the resulting precept that would be required under this scenario. The results of this modelling are shown in Figure 5-4 below.

Figure 5-4: Progression of Additional Precept Under Various Scenarios



5.62 As there are no major capital costs assumed in the Reference Case scenario, the need for capital funding does not exist in this option. Under this scenario, the following funding structure would be required:

- Continuation of the Transport Levy from local Councils (increasing at 2% per annum based upon expected growth in the council tax base), with an additional +2% uplift for two years initially;
- Phased uplifts in the average value of the Council Tax Mayoral precept (forecast to continue increasing at 2% per annum year-on-year, based on anticipated household growth across the CA area), which represents a supplementary source of revenue in addition to the current charge. Over the 30-year period considered by the OBC Assessment Report, the precept is forecast to need to average around £66 per household in total (the existing average £12 per household precept payment, plus an uplift £54 per household on average across the 30-year period), to fund net operating revenue requirements

Franchising

5.63 In the specific context of supporting the Franchising scenario considered in this OBC Assessment Report for bus service delivery reform:

- Improving the bus network was a key manifesto pledge of the current elected Mayor. Continued commitment to this by the CA Board, as a whole, is evident through the initiation of the Mayoral Council Tax precept in 2023-24, and recent consultation to increase the precept for 2024-25 in order to maintain and enhance existing bus services through the current de-regulated bus service operating regime.
- The CA's finance team and S73 Officer have been involved in developing this funding and financing option appraisal for bus franchising, in close consultation with the CA Mayor and Deputy Mayor.
- Analysis in this report assumes the CA will wish to retain direct control of income generation, given the revenue risks associated with bus franchising, and focus on rapidly deliverable mechanisms that secure the flow of revenue needed to enable the franchised operation of bus services and accompanying investment in depots and bus route infrastructure.
- As such, using the existing Mayoral Council Tax precept and Transport Levy emerge as primary options for achieving this.
- Balance sheet modelling by the CA's finance team, undertaken separately (Appendix D), demonstrates an ability to buffer modest revenue gaps on a year-to-year basis in order to smooth potential uplifts in current Mayoral Council Tax precept and Transport Levy revenues.
- The CA's ability to avail of government or locally held grant funding to pay for the investment aids the associated capital investment requirements, and the overall cost of bus network improvements, but is not considered critical to overall affordability, based on the financial modelling summarised.

5.64 Based on all the points above, the CA's emerging preferred option for funding the proposed franchised operation of the area's bus network currently involves a combination of:

- Prudential borrowing of a portion of forecast capital spend (£32.0m, inclusive of a 46% Optimism Bias uplift), via the Public Loans and Works Board and/or release of non-ringfenced capital from the CA budgets (up to £12m per annum).
- Grant funding of £9.0m made up of £4.0m from central government and £5.0m of the CAs own levelling up fund.

- Residual monies from the CA's unallocated treasury management income to fund the one-off setup costs associated with Franchising (up to £1.7m in years 1-3 of franchising system set-up and operation, plus £0.9m already allocated for franchising system professional fees and procurement in the CA's Medium Term Financial Strategy).
- Continuation of the Transport Levy from local Councils (increasing at 2% per annum), with an additional +2% uplift for an initial two years.
- Phased uplifts in the average value of the Council Tax Mayoral precept (forecast to continue increasing at 2% per annum year-on-year, based on anticipated household growth across the CA area)¹³⁹, which represents a supplementary source of revenue in addition to the current charge. Over the 30-year period considered by the OBC Assessment Report, the precept is forecast to need to average around £72 per household in total (the existing average £12 per household precept payment, plus an uplift of £60 per household on average across the 30-year period), to meet the forecast net operating revenue requirements associated with delivery franchised bus services across the area, coupled with the capital investments.

5.65 Table 5-14 Table 5-14 sets out a summary of the total forecast income streams that the CA can draw upon to cover the total forecast costs of the Franchising scenario. Figure 5-5 provides a further breakdown of how these streams could be made up over the appraisal period. The balance sheet impact of this scenario can be found in Appendix D.

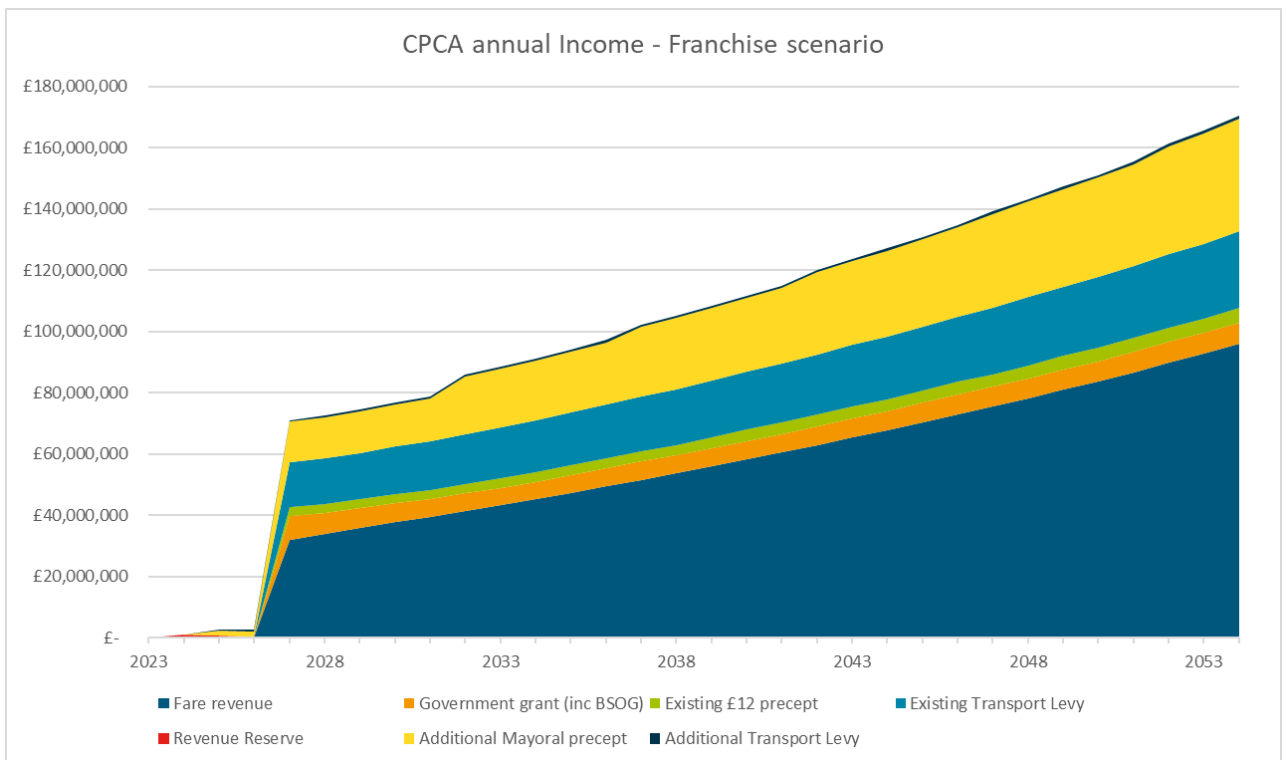
Table 5-14: Summary of preferred option funding/financing sources

Income stream	Scale (over the appraisal period)
Fare revenue	£ 1,708,255,916
Government grant (inc BSOG)	£ 167,715,862
Existing £12 precept	£ 129,989,187
Existing Transport Levy	£ 583,331,474

¹³⁹ The 2% per annum growth is based upon expectations regarding completion of new housing in the area. It should be noted that there is inherent uncertainty regarding forecasts of future housing growth, which may affect the amount that can be raised from this source. If housing completions are slower than predicted, then it may be necessary to further increase the additional precept to cover the costs of bus franchising.

Revenue Reserve	£ 2,600,000
Capital loan	£ 32,000,000
Grant	£ 9,000,000
Additional Mayoral precept	£ 636,982,520
Additional Transport Levy	£ 22,274,252
Total generated	£ 3,292,149,211
Total costs (including borrowing)	£ 3,221,901,141

Figure 5-5: Chart of forecast income sources (Franchising)



EP

5.66 The affordability assessment for the EP medium investment scenario uses a similar mix of options for funding to the Franchising option. However, there are a number of significant differences in terms of the options available. This Assessment has been completed under the assumption that the CA will wish to retain the whole of the proposed bus service network, but that to do this, it will need to raise funding to cover the additional costs of bus service support, where this will be increasingly necessary.

5.67 At the same time, a number of financial sources will be less available to the CA, particularly the business rates supplement, which can only be used for a specific investment project, over a clearly defined period of time. Under this scenario the following funding structure would be required.

- Prudential borrowing up to the full value of forecast capital spend (£10.0m, inclusive of a 46% Optimism Bias uplift), via the Public Loans and Works Board and/or release of non-ringfenced capital from the CA budgets (up to £12m per annum).
- Continuation of the Transport Levy from local Councils (increasing at 2% per annum), with an additional +2% uplift for two years initially
- Phased uplifts in the average value of the Council Tax Mayoral precept (forecast to continue increasing at 2% per annum year-on-year, based on anticipated household growth across the CA area), which represents a supplementary source of revenue in addition to the current charge. Over the 30-year period considered by the OBC Assessment Report, the precept is forecast to need to average around £71 per household in total (the existing average £12 per household precept payment, plus an uplift of £59 per household on average across the 30-year period) for CPCA to meet the forecast net operating revenue requirements associated with delivery of the proposed EP bus services across the area, coupled with the medium capital investment scenario.

Table 5-15: - Summary of EP option funding/financing sources

Income stream	Scale (over the appraisal period)
Fare revenue	£ 1,655,895,353
Government grant (inc BSOG)	£ 170,295,862
Existing £12 precept	£ 132,996,314
Existing Transport Levy	£ 596,826,074
Revenue Reserve	£ 895,969
Capital loan	£ 10,043,732
Additional Mayoral precept	£ 589,280,596
Additional Transport Levy	£ 22,274,252
Total generated	£ 3,178,508,152
Total costs (including borrowing)	£ 3,132,275,417

Funding the preferred option

- 5.68 Improving the bus network was a key manifesto pledge of the current elected Mayor. Commitment to this by the Combined Authority's Board, as a whole, is evident through the initiation of the Mayoral Council Tax precept in 2023-24, and ongoing consultation to increase the precept for 2024-25 to further support existing bus services. Building on other aspects of this OBC Assessment Report for bus service delivery reform (including franchising options), the CA's finance team and S73 Officer have guided work to explore potential options for funding/financing the forecast capital and revenue requirements of bus franchising, in consultation with the CA Mayor and Deputy Mayor.
- 5.69 In view of the revenue risks associated with franchising, and necessary focus on rapidly deliverable mechanisms that secure the requisite flow of revenue to facilitate franchised operation of bus services, plus accompanying investment in operator's depots and bus route infrastructure; the CA wishes to retain direct control of income generation. Consequently, the existing Mayoral Council Tax precept and Transport Levy have emerged as primary funding options, with balance sheet modelling demonstrating the authority's ability to buffer modest revenue gaps on a year-to-year basis in order to smooth potential uplifts in these existing funding mechanisms. To cover the capital expenditure on depots and bus priority measures it is assumed that the CA will use £9m of grant funding and will borrow £32m. The cost of borrowing has been captured in the affordability assessment.
- 5.70 The CA's finance team will continue to scope and consult on funding options, liaising with the CA Mayor and Deputy Mayor and CA Board accordingly. If affordability becomes a concern for this group, the CA may explore the incremental scaling-up of bus franchising, thereby balancing revenue funding requirements (and associated risk) in first ten years of operation, and particularly in years 3-6 – potentially by limiting the geographic scope of franchised routes. The aim of this would be to provide a better match between capacity provided and patronage. In the early years of franchising, patronage will still be growing, as the impact of additional services, other improvements and the major development sites grows. However, in these early years the full implementation of the franchising bus network would mean that costs rise more quickly, creating a greater imbalance than in later years. Years 3 to 6 are during this early period. After year 6 the main development-led growth occurs, reducing the imbalance. The potential impact of this approach, were it necessary,

would be to reduce total operating costs in the initial franchise years, with these increasing over time.

Costs of borrowing for the preferred option

- 5.71 The core funding scenario set out in this OBC requires some borrowing to cover the capital costs assumed prior to franchising beginning. This borrowing will have costs associated with it that need to be taken into account in the financial assessment. The CA can borrow from either the Public Works Loan Board (PWLB) or UK Infrastructure Bank (UKIB) to fund capital infrastructure expenditure. The total borrowing requirement of £32.0m (£41.0m total investment minus £9.0m grant funding) for the Franchising scenario considered in the OBC Assessment Report is spread across years 2, 3 and 4 of the proposed bus services delivery reform programme, and sits within the total debt cap (currently £84.6m) available to the CA as a public sector borrower.
- 5.72 Based on [published December 2023 PWLB rates](#) (currently above recent trends, as a function of high UK Gilt Rates), a twenty-year PWLB loan for the £32.0m of capital investment would incur a fixed interest rate of 4.68%. Repayment on an Equal Instalments of Principal repayment (monthly capital repayment + interest) would load:
- A total additional +£17.4m of lending costs on top of the capital borrowed, equating to a total of £49.4m capital investment cost;
 - Year one repayments totalling £2.25m;
 - Annual interest costs on outstanding debt reducing in line with repayments over the life of the loan.

Impact on CPCA Balance Sheet

- 5.73 The CA's current unaudited financial position is set out in the Draft [Statement of Accounts, 2022-23](#). A summary Balance Sheet, in the event of franchising being implemented, is shown in Appendix D.
- 5.74 As the models of franchising being explored in this OBC do not assume that the capital assets involved in the operation of the network (bus depots, buses, etc.), that are currently within the private sector, will be taken into public ownership, the impact on the CA's balance sheet will be solely related to any borrowing which it undertakes in relation to franchising, along with any accumulated deficits or surpluses generated.
- 5.75 Where the capital investment relates to network upgrades, then the assets in question (signals and bus lanes) would be owned by the relevant local highway

authority - Peterborough City Council or Cambridgeshire County Council depending on geographic location.

- 5.76 As such, the impact on the CA's balance sheet is simply the payment to whomever is undertaking the works (likely to be the highways authority themselves) and the use of borrowing to fund that expenditure. The highways authority which is undertaking the works themselves would then account for them within their balance sheet.
- 5.77 Where the capital investment relates to depots, then this would also not sit on the CA's balance sheet, as the intention is that the CA will not acquire and operate depots as part of the Franchising model. The treatment here would be the same as for signals and highways upgrades, in that the organisation which would benefit from the increase in asset value would be the depot owner.

Impact on CPCA Income and Expenditure Account

- 5.78 The CA has limited non-ringfenced revenue sources outside those already considered above, it is therefore important to ensure that under any proposed Franchising or Enhanced Partnership model, it is possible to demonstrate that any operational losses were materially covered by identified funding sources so that there is no significant detrimental impact on the Combined Authority's wider income and expenditure.
- 5.79 As discussed in paragraph 5.64, adequate, available sources of funding have been identified to ensure that this is the case. The implications of franchising in terms of income and expenditure for CPCA are shown in Appendix D.

Financial sensitivity analysis

- 5.80 In order to test the robustness of the above analysis, a series of sensitivity tests were completed, in common with the Economic Case. These tests assess the financial implications of alternative assumptions regarding key variables determined by identified financial risks.
- 5.81 The results of these tests, individually, show that franchising remains affordable in a situation where a reasonable worst case for each variable is realised provided that the CA is comfortable increasing funding levels to maintain service levels. Alternatively, the CA could take a mix of actions, either increasing the amount of available funding or reducing service levels (and hence costs) to reach a point where available funding from all sources was sufficient to cover costs. Whilst this would affect the robustness of the economic appraisal in this OBC, it is sufficiently robust for the franchising proposals to remain viable.

- 5.82 However, any situation where service levels were reduced would potentially affect the ability of franchising to deliver the CA's strategic objectives for bus services. However, these risks are present in all scenarios. The strategic advantages of the franchising scenario remain throughout these sensitivity tests, namely that the CA can decide where to target its support in a much more flexible way than it can under the current system.
- 5.83 It should be noted that for many of the risks set out below, a positive outcome is also possible, and therefore it is possible that the outturns for these risks in aggregate could have a lesser impact.
- 5.84 In the unlikely event where all the risks set out below were to occur, it is clear that franchised bus services would become unaffordable as they would be under any governance model. In this situation the CA would act to protect a minimum level of service, seeking additional sources of funds. At the same time, the CA would endeavour to increase its own income within its control and would draw on any available reserves. It is also likely that service levels would be quickly reduced to limit costs, as far as practicable. When drafting the franchising contracts, the CA will ensure that this flexibility is available, so that the financial risk to the CA is limited.
- 5.85 The tests completed and discussed below include:
- 1) Housing growth
 - a. Removal of location specific development trips
 - b. Slower population growth
 - 2) Increased costs (5%) (Zero Emission Vehicles (ZEV) no impact on operating cost)
 - 3) Lower patronage (fares) (5%)
 - 4) Combination of (3&4) above
 - 5) Lower level of government grant - Impact of -10% grant (government sources – just BRG & BFC)
 - 6) Borrowing and loan amount
 - 7) Journey time worsening
 - 8) Combined Additional Cost, Reduced Revenue and Slower Journey Time
 - 9) Increased Profit Margins

Slower housing growth

5.86 There is a risk that housing growth does not come forward as quickly as predicted. This has two potential impacts within the model:

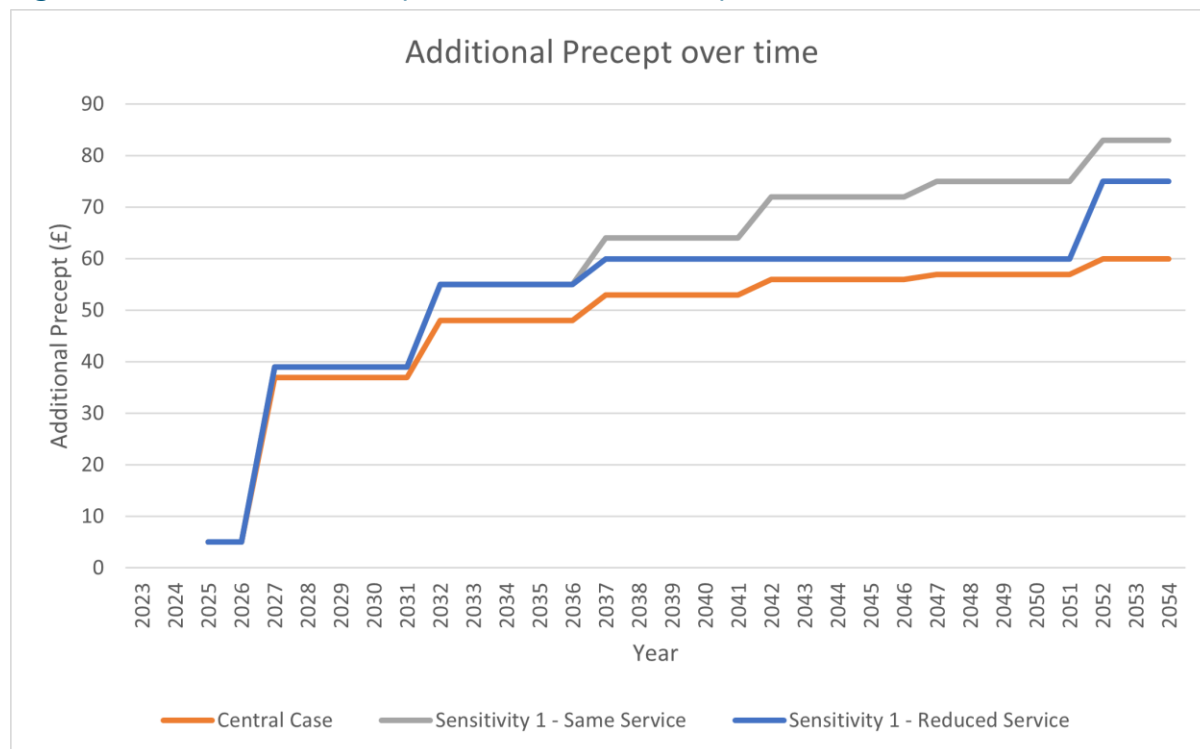
- Forecast precept income;
- Patronage forecasts and associated fare revenue.

Reduced development growth

5.87 This test considers the removal of location specific development trips within the model, instead including a slight uplift in general population growth applied across the network.

5.88 This results in a significant reduction in fare revenue of around £22m per annum by the end of the assessment period. This is as a result of applying the same population growth over the whole area, including areas with no bus services, and areas with very poor bus services, which means that additional population is not served by the bus network. To account for this, the precept would need to increase to £95 from £72 by the end of the franchise period. (£83 and £60 additional on top of the existing £12 precept.)

Figure 5-6: Additional Precept for Reduced Development Growth Test



5.89 The alternative to raising the precept is to reduce service levels back towards the existing level. In this sensitivity test, that alone is not enough to make the network affordable and with the network reduced, the additional precept would still need to rise to £75 by the end of the franchise period.

Delayed growth

5.90 This tests the impact of delayed development delivery of location specific large sites (assigned to specific bus routes) and a reduction in long term background population growth, including reducing rates beyond 2032 to 0.04% rather than 0.62%).

5.91 Note, no change to 'council tax base' for precept income calculations have been made for this test. A reduction to the number of households would further the requirement for additional income (or network management) until the population growth enabled higher patronage and precept income to be generated.

5.92 This results in the precept needing to rise to £110 by the end of the franchise period (additional £98 on top of the existing £12 precept.)

Figure 5-7: Additional Precept Delayed Growth Test

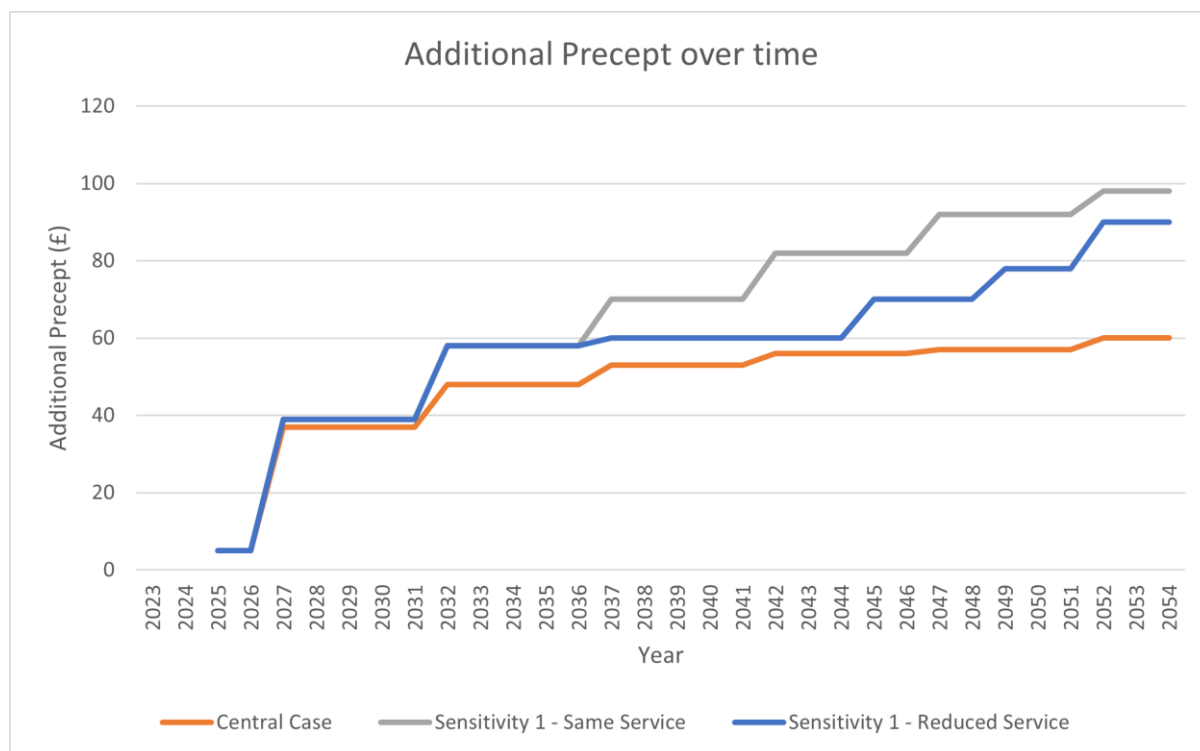


Figure 5-8: Profile of New Housing Development Under Sensitivity Test

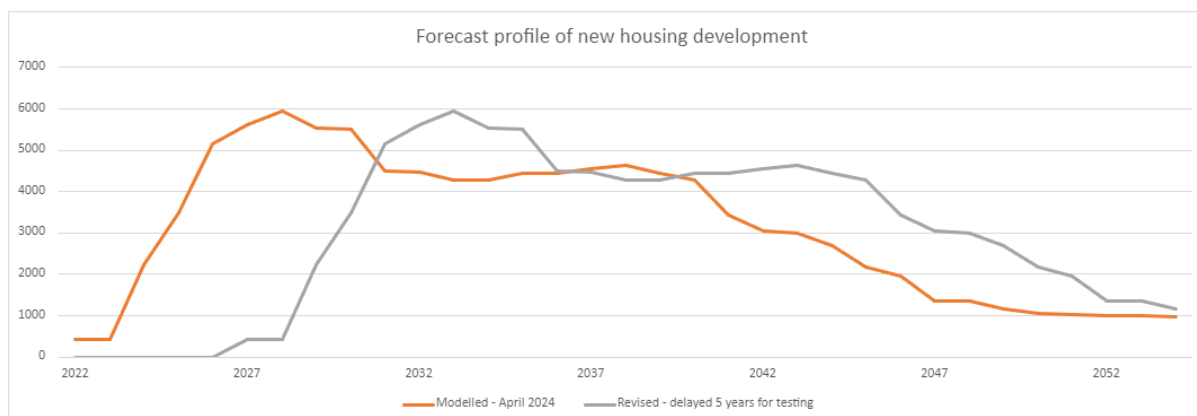


Table 5-16: Population Forecasts Under Sensitivity Test

Modelled – April 2024	2022-2026	2027-2031	2032-2036
Population forecasts ¹⁴⁰	1,012,290	1,045,040	1,065,840
Development allocated population	23,510	54,199	43,820
Population change (with allocated development allowance removed)	988,780	990,841	1,022,020
Population growth straight line multiplier	1.008	1.000	1.006
Year-on-year population growth - Development Uplift Adjustment	0.84%	0.04%	0.62%
Revised – delayed 5 years for testing	2022-2026	2027-2031	2032-2036
Population forecasts ¹⁴¹	948,400	1,012,290	1,045,040
Development allocated population	-	23,510	54,199
Population change (with allocated development allowance removed)	948,400	988,780	990,841
Population growth straight line multiplier	1.000	1.008	1.000
Year-on-year population growth - Development Uplift Adjustment	0.00%	0.84%	0.04%

5.93 The alternative to raising the precept is to reduce service levels back towards the existing level. In this sensitivity test that alone is not enough to make the network

¹⁴⁰ <https://cambridgeshireinsight.org.uk/wp-content/uploads/2022/04/2020-Based-Population-Forecasts.xlsx>

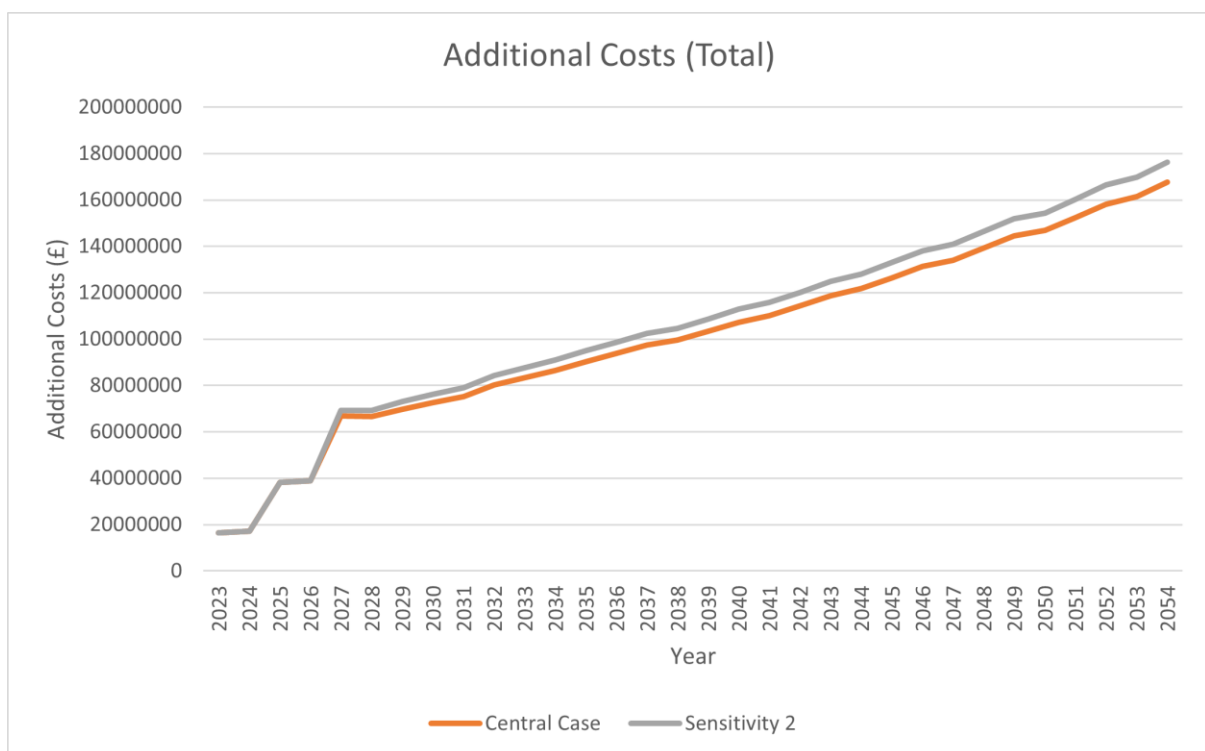
¹⁴¹ <https://cambridgeshireinsight.org.uk/wp-content/uploads/2022/04/2020-Based-Population-Forecasts.xlsx>

affordable and with the network reduced, the additional precept would still need to rise to £90 by the end of the franchise period.

Operating cost increases

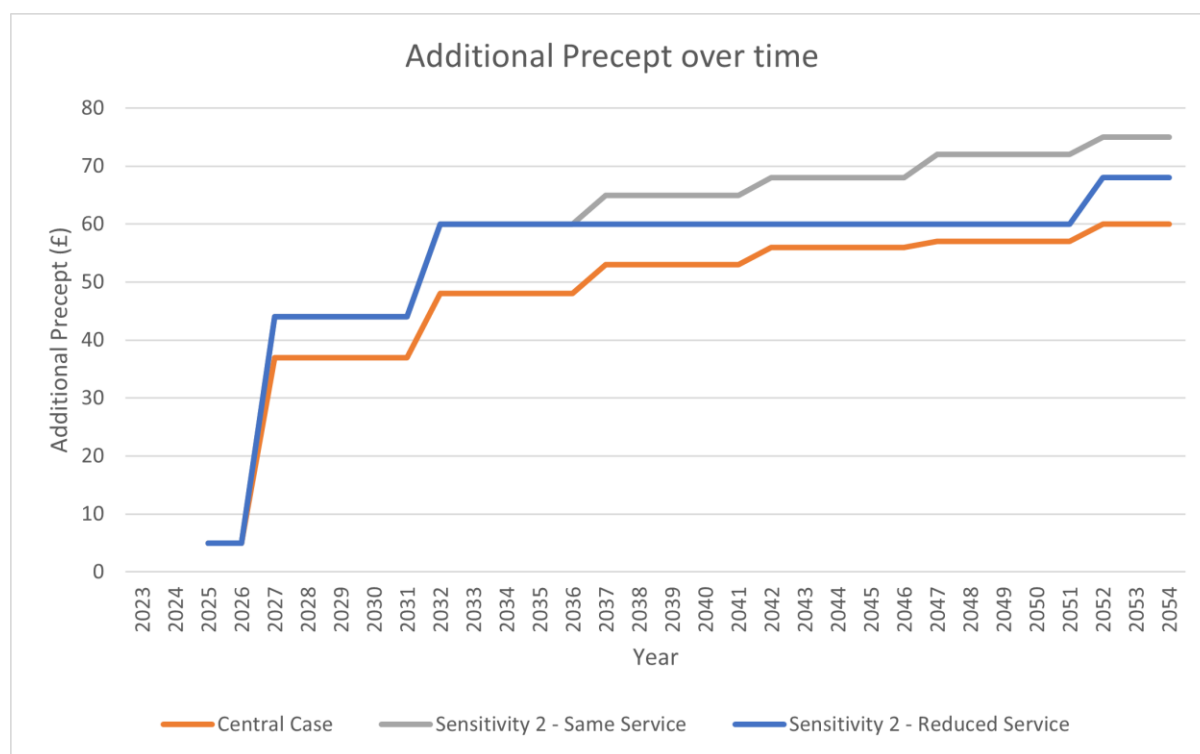
5.94 There is some remaining uncertainty regarding bus operating costs in the area, including the impact of electric vehicles. This test assesses the impact of an effective 5% increase in vehicle operating costs (through removal of the assumed saving from the transition to EVs).

Figure 5-9: Annual Operating Costs Under Increased Costs Sensitivity Test



5.95 The result of this is that the total annual cost of running the network increases, with the largest impact felt in the final year of the model (2054) with an £8.7m increase in costs. To meet this increased cost pressure the precept will need to rise to £87 from £72 by the end of the franchise period, in the central case. (£75 and £60 in addition to the existing £12 precept.)

Figure 5-10: Additional Precept with Increased Costs Sensitivity Test



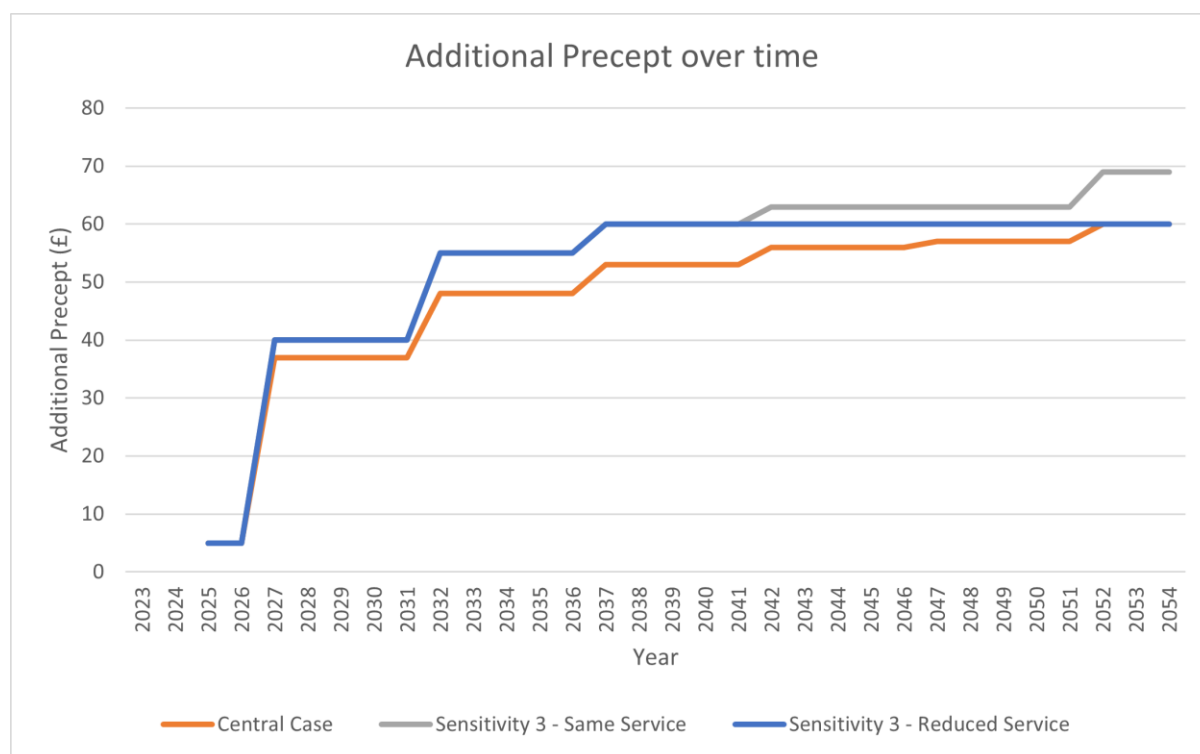
5.96 The alternative to raising the precept is to reduce service levels back towards the existing level. In this sensitivity test that alone is not enough to make the network affordable and with the network reduced the additional precept would still need to rise to £68 by the end of the franchise period.

Lower patronage/fare revenue

5.97 As with any forecasting exercise, there is a risk that patronage growth forecasts don't materialise to the extent predicted. Therefore, fare revenue would be lower than forecast. This tests a 5% reduction in fare revenue forecasts in the Do Something scenario compared to the central case.

5.98 This results in fare revenue which is c. £4.8m a year lower than in the central case by 2054. To fund this loss of revenue the precept would need to increase to £81 from £72 by the end of the franchise period. (£69 and £60 in addition to the existing £12 precept.)

Figure 5-11: Additional Precept with Lower Patronage Sensitivity Test



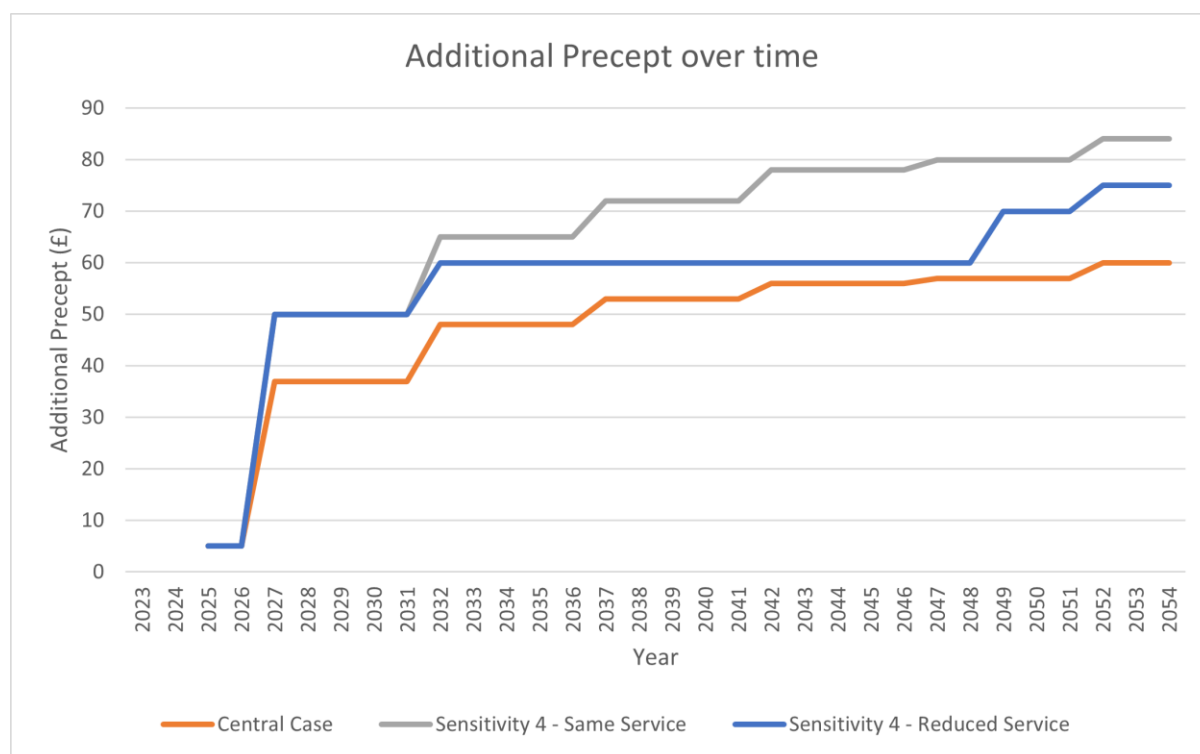
5.99 The alternative to raising the precept is to reduce service levels back towards the existing level. In this sensitivity test the additional precept can be held at £60 by the end of the franchise period. However, the service would need to be reduced compared to the central case.

Cost increases (2) & revenue reductions (3)

5.100 There is a risk that both cost increases and fare income reductions occur in combination. This test involves modelling the impact of a 5% increase in vehicle operating costs and a 5% shortfall in fare revenue.

5.101 This would result in a steeper rise in the additional precept at the start of the Do Something operation (2027), rising to £84 at the end of the appraisal period.

Figure 5-12: Effect of Sensitivity Test on Additional Precept



5.102 The alternative to raising the precept is to reduce service levels back towards the existing level. In this sensitivity test that alone is not enough to make the network affordable and with the network reduced the additional precept would still need to rise to £75 by the end of the franchise period.

Lower government grants

5.103 There is uncertainty around the levels of government support (through BRG).

Therefore this test reviews the impact of a 10% reduction in the assumed forecast level of this funding post Do Something implementation (2027).

5.104 Given the low level of the central assumption on this funding, it is possible that this could be absorbed within the central additional precept levels.

5.105 Should these assumed levels of government support be removed altogether from 2027 onwards, this could also be funded through the central precept assumption. This would result in a few years of annual deficits (below £1m p.a.) and a cumulative surplus of around £18m by the end of the appraisal period compared with £22m in the central case.

Cost of borrowing

5.106 The central assumption for rates of borrowing include:

- Annual Interest Rate of 4.68%
- £9m capital grant – reducing the total borrowing to £32m

Higher interest rates (Sensitivity 6a)

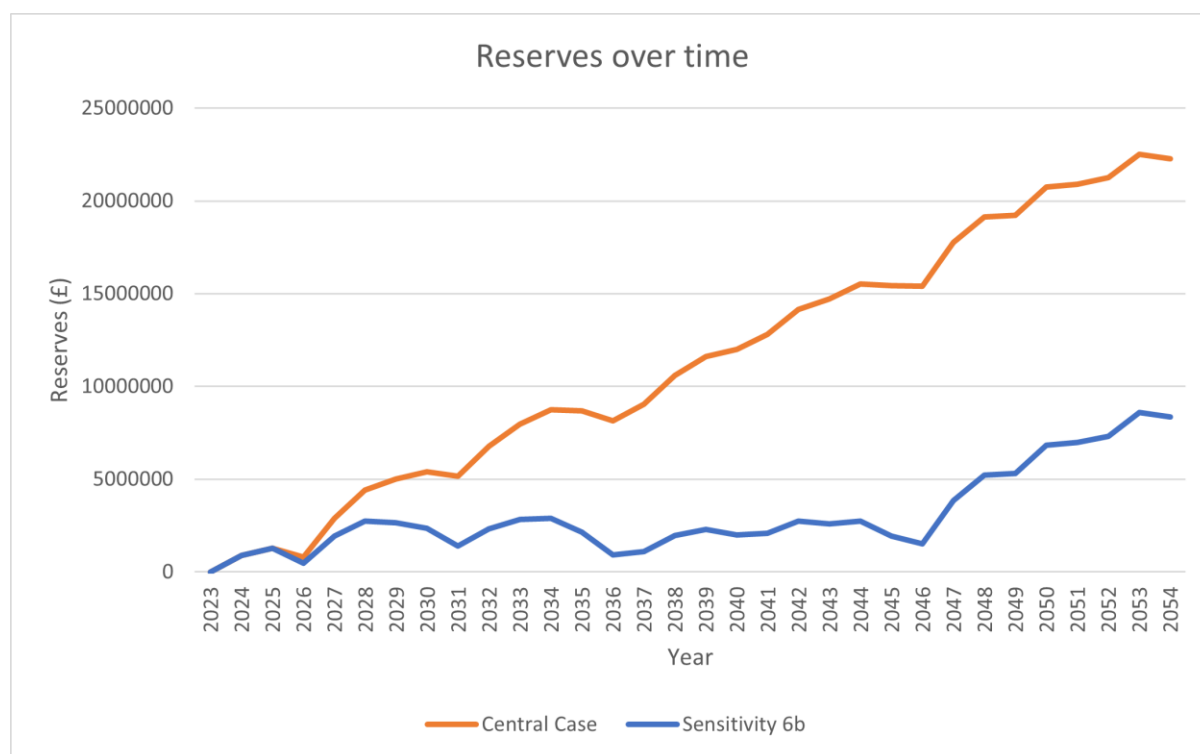
5.107 This tests an alternative rate of twice the central rate (9.36%). While this test does not impact the figure the additional precept needs to rise to (£60) it does require the additional precept to rise at a faster rate, the additional precept is £2 per annum higher than the central case until 2047 when the loan is repaid.

Higher capital requirement (Sensitivity 6b)

5.108 There is a risk that a higher amount of capital is needed. This could be due to higher capital costs (of depot contributions or bus priority infrastructure) or lower levels of grant coming forward for the project.

5.109 This tests the impact of a 22% increase in cost, with no change in grant. This effectively tests the impact of an additional £9m loan requirement. This could be absorbed by the central level of precept, but resulting in a reduction in reserves from £22m to £8m.

Figure 5-13: Effect of Capital Borrowing Sensitivity Tests on Reserves



Journey time

- 5.110 In line with tests conducted on the Economic Case, a worsening of road journey time has been applied to bus users for both the Reference Case and Do Something scenarios. This results in a reduction of patronage on the network over time, despite the understanding that this worsening would also likely apply to all general traffic on the road network so the comparative car journey would also be slower.
- 5.111 This results in fare revenue being approximately £13.5m a year lower by the end of the assessment period than the central case. To mitigate against this loss of revenue the precept would need to increase to £96 from £72 by the end of the franchise period.

Figure 5-14: Effect of Journey Time Tests on Fare Revenue

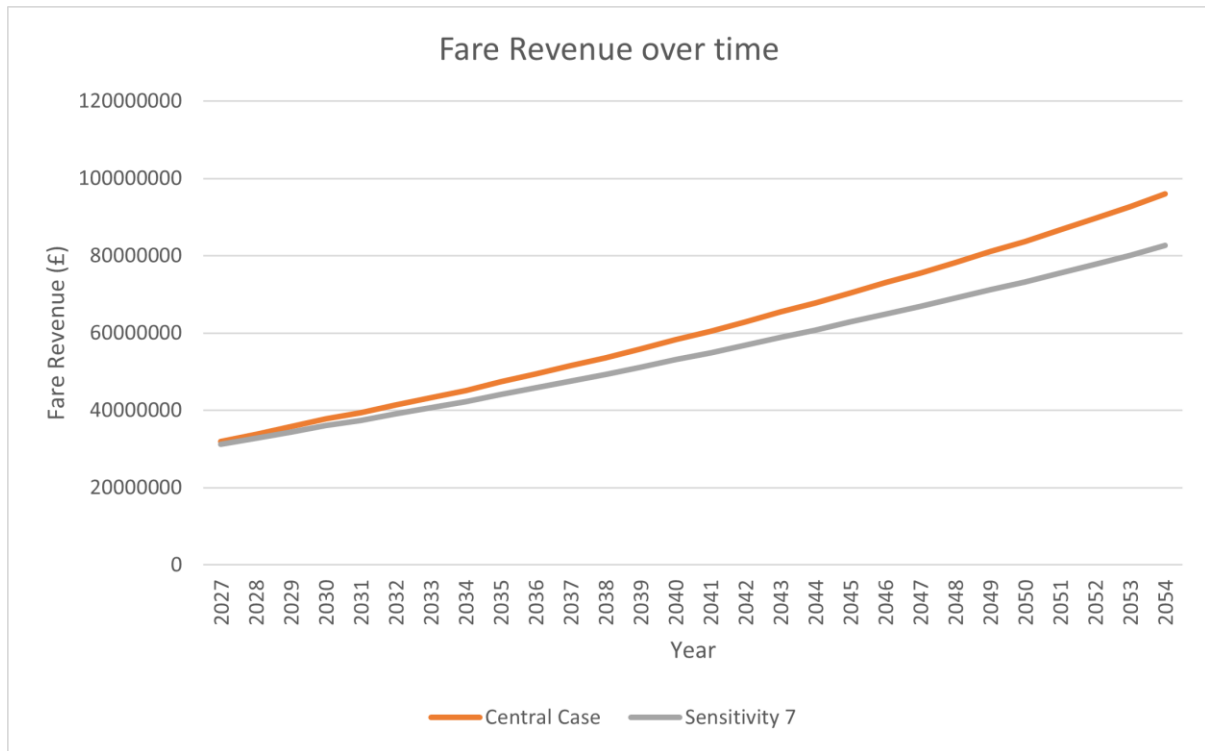
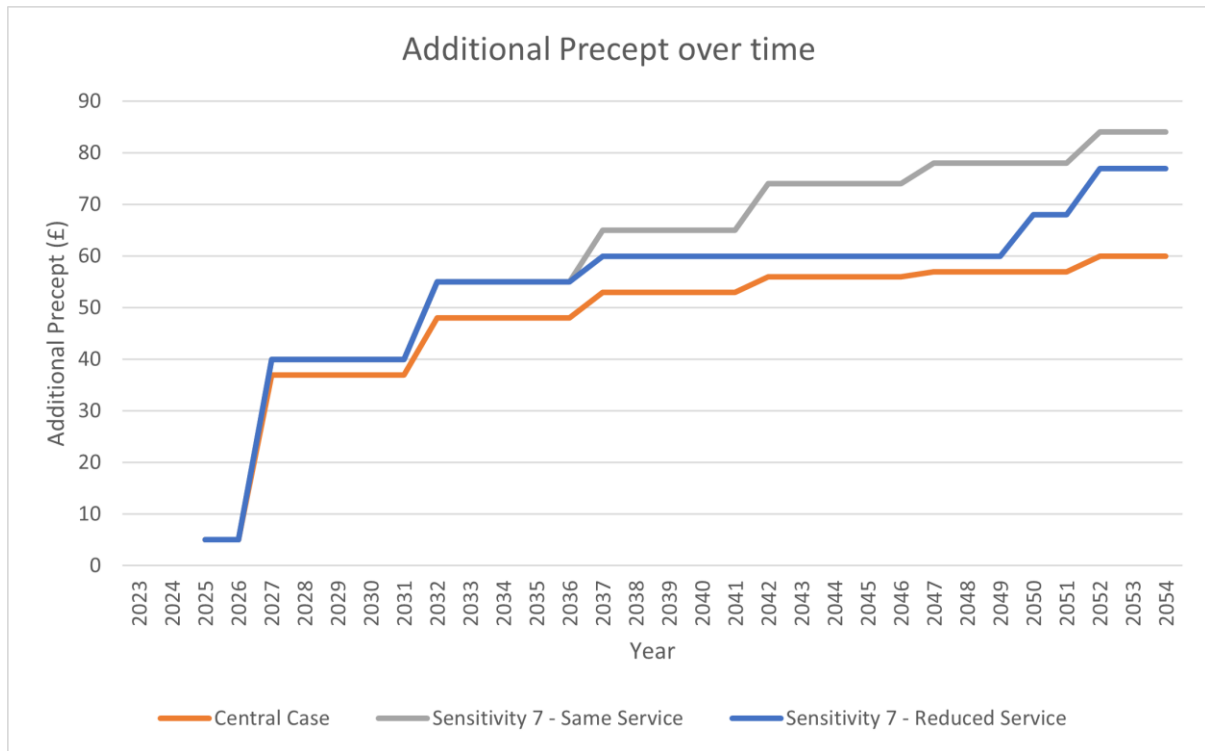


Figure 5-15: Effect of Journey Time Tests on Additional Precept



- 5.112 The alternative to raising the precept is to reduce service levels back towards the existing level. In this sensitivity test that alone is not enough to make the network affordable and with the network reduced the additional precept would still need to rise to £77 by the end of the franchise period. This is in comparison to £70 if the same journey time degradation were to happen in the reference case.

Combined additional cost, reduced revenue and slower journey time

- 5.113 It is also important to consider the impact of multiple instances of these sensitivities occurring at the same time. Examining the impact of a 15% increase in costs, a 15% reduction in revenue and a 1% worsening of journey time results in an additional precept rising to £149 by the end of the appraisal period. However, the same circumstances would result in an additional precept of £132 in the Reference Case. The advantage of the Franchising option is that the CA would have control in the services that would be cut to prevent the precept rising this high, however in the Reference Case they would not.

Increased profit margins

- 5.114 While a 7.5% profit margin for operators is assumed. It is prudent to test an increase in this profit margin to 12.5% in the event that robust competition cannot be delivered. This has a minor impact on the precept with the additional precept having to rise to £78 compared to £60 in the central case. This can be mitigated by reducing the service level back to the current service level resulting in the additional precept rising to £67.

Funding and Affordability Assessment

Conclusion

- 5.115 Based upon the figures included above, it would be expected that any of the options pursued will require substantial financial support through the whole of the appraisal period. The Franchising option, as currently envisaged, would be advantageous in this respect, as it opens up additional sources of financial support, meaning that less reliance is placed upon the farebox and Mayoral precept.
- 5.116 It should be noted that all these results would be significantly affected by a number of potential downside risks (as set out in the risk matrix in Appendix B), which need to be considered. However, it has been shown that each of the risks individually is

insufficient to cause franchising to become unaffordable providing there is the political ability to raise the precept and/or reduce services if required.

6. Management Case

Introduction

- 6.1 The purpose of the Management Case is to consider the factors which influence the deliverability and robustness of arrangements within the CA to deliver, monitor and evaluate the delivery options – either Franchising or EP.
- 6.2 In developing this Management Case, consideration has been given to the requirements of the Franchising Guidance and relevant sections of the Green Book in order to set out:
- How the CA would successfully deliver and manage Franchising or an EP and the arrangements it would make to manage and mitigate risk in each case.
 - How the transition process from the current system to the introduction of Franchising or an EP would be managed.
 - Contingency plans for providing replacement bus services, in the event that operators withdrew all or some of their services in the lead up to the introduction of Franchising or an EP.
 - The programme management structure that the CA will use for each of the delivery options, including:
 - Staff resources and systems
 - Procurement and management processes
 - Risk management and mitigation arrangements, particularly to manage the transition to Franchising or EP.

Operating model

Introduction

- 6.3 The extent of organisational and resourcing change in the CA will differ depending on the chosen delivery option. This section considers the management structure that the CA would employ in each of the options to achieve successful management and delivery against the ambitions of the Cambridgeshire and Peterborough Bus Strategy and Bus Service Improvement Plan.

Existing responsibilities under the current position

- 6.4 The CA has various existing responsibilities in respect of public transport provision, including:
- Day to day liaison with bus operators regarding overall bus service provision and coordination of monthly Bus Operators' Forum.
 - Engagement with other interested parties regarding bus services and related matters, including constituent authorities.
 - Establishing and maintaining policy context for local bus service provision, including Bus Strategy and Bus Service Improvement Plan (BSIP).
 - Provision of supported bus services, including evaluating the need for services, procurement of services and managing the delivery of services by contracted bus operators.
 - Management of concessionary travel arrangements and reimbursement to bus operators.
 - Research and development and trialling of new services, such as demand responsive transport, and investigations to consider opportunities for efficiencies through integration of different types of transport arrangements, such as those for home to school transport.
 - Bus stop provision and maintenance.
 - Funding bids and projects, such as for the introduction of electric buses under the government's ZEBRA scheme.

Extending responsibilities under Franchising

- 6.5 The CA would assume some new responsibilities under Franchising, such as developing pricing and ticketing strategies, along with increasing its capability in existing competencies. As a result, the CA's current organisation and operating framework would need to change significantly to ensure the effective delivery of the Bus Strategy ambitions.
- 6.6 Responsibilities that would differ under Franchising include:
- **Bus network design** – CPCA would plan and procure the entire network of bus services, including the specification of routes, timetables and requirements regarding buses, equipment, fares and ticketing.

- **Bus depots** – if necessary to encourage more interest from external operators, CPCA may need to have some responsibility for the provision and managing of depots.
- **Transition arrangements** – it would be necessary for the CA to manage the transition to franchised operations, ensuring continuity of services if operators sought to withdraw services before the franchised services commenced.
- **Network operation** – CPCA would specify and manage all bus services operated under the contracts, and put in place arrangements for performance monitoring.
- **Revenue risk** – Contracts would be operated on a mix of minimum subsidy and minimum cost, the latter resulting in CPCA taking the revenue risk. Regardless of the balance of the two types of contracts awarded, it is likely that CPCA would have a greater exposure to this risk than at present, due to being responsible for the whole network.
- **Fares and ticketing** – Regardless of the type of contract, the CA would set fares across the network, ensuring consistency and interoperability, as well as determining the product range. It will be important to enhance its capabilities in respect of the management of revenue protection.
- **Marketing and brand management** – The CA would own, develop and implement branding and marketing initiatives.
- **Performance monitoring** – It would be important for the CA to monitor service performance against both contract requirements (in terms of quality of services) as well as progress towards targets set in the BSIP.
- **Customer relations** – 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.

Extending responsibilities under an EP

6.7 Under an EP, the CA's responsibilities would extend to cover:

- **Bus network design** – CPCA would establish and administer an EP Board (which would probably evolve from the current Bus Operator Forum) and manage discussions and negotiations with operators over the shape and design of the network in line with EP Scheme commitments (such as regulation of headways).
- **Negotiation with operators** – it would be necessary to set out, negotiate and agree commitments and requirements with operators.

- **Transition arrangements** – It would be necessary for the CA to manage the transition to arrangements under an EP, although these are likely to be phased in with agreement of operators avoiding any significant concerns or actions to disrupt the network.
- **Network operation** – CA would monitor services to ensure they operate in line with EP Scheme commitments.
- **Fares and ticketing** – CA would ensure that a range of multi-operator tickets were in place through agreement with bus operators.
- **Marketing and brand management** – CA would own, develop and implement branding and marketing initiatives in line with EP Scheme commitments agreed with operators.
- **Performance monitoring** – CA would monitor performance against BSIP ambitions and targets and EP commitments and requirements to inform any changes to the EP.
- **Customer relations** – CA and bus operators would share responsibility for managing the relationship with customers, receiving feedback and engaging with them to improve the customer experience.

6.8 Revenue risk on commercial services would remain with bus operators. However, requirements within the EP Scheme could impact on revenue both positively and negatively. Where positive, the CA would seek to identify this and have mechanisms in place to ensure a certain amount of this was reinvested into service improvements.

Capability to implement change

Introduction

6.9 A move to a franchised bus network model would create the need for significant change in the way bus services are planned and supported across Cambridgeshire and Peterborough, away from the current deregulated environment. Under a Franchising Scheme, the CA would assume greater control over the bus network, taking more responsibility for the design and delivery of all bus services, rather than merely those that supplement the commercial network at present. This would have significant implications for the CA and its staffing and organisation, although dependent on how much of the risk also transferred from operators to the authority. However, it would create the need to enhance current capabilities. This is discussed further in this section.

- 6.10 The level of ambition for the bus network in Cambridgeshire and Peterborough is huge. This reflects the importance attached to the provision of an excellent and comprehensive bus service in helping to achieve so many other local objectives and initiatives. The bus has never been so high on the agenda. This level of interest and support will help secure the delivery of the transformation that is desired.

Track record

- 6.11 Over the years, a range of positive initiatives and schemes have been introduced, including:
- **St Ives – Cambridge guided busway**, along with the busway south of Cambridge to the Biomedical Campus and Trumpington. Recognising the passenger growth on busway services pre-pandemic, Stagecoach invested in a new 18-vehicle fleet, including high-capacity double deck buses.
 - **Park & Ride** services from 5 sites surrounding Cambridge, which are operated commercially by Stagecoach.
 - **East Cambridgeshire Connect** – a pilot integrated demand responsive demonstration project as part of the DfT-funded Total Transport initiative.
 - New **DRT service (Ting)** was launched in West Huntingdonshire as a trial in 2022, becoming a permanent feature in 2023.
 - Trial of two **zero-emission electric double deck buses** in Cambridge, followed by ZEBRA funding for a further 30 battery-electric double deck buses introduced to the Cambridge Park & Ride services and one further city service.
 - CPCA has taken on responsibility for **supporting more bus services**, to help maintain the network. In October 2022, notice was given of the intention to withdraw a significant number of commercial services. CPCA procured replacement services and introduced a Mayoral precept in April 2023 specifically to raise the funds locally to maintain these services.
- 6.12 The CA has a long commitment to pursuing and resourcing bus reform to help deliver its ambitions. Following a Strategic Bus Review in 2018, it published a notice of its intention to investigate bus franchising in 2019. Later that year, extensive market research was carried out to understand what bus users and non-users wanted from bus services. Following the uncertainties of the impact of the pandemic on the bus network, this assessment was recommenced in 2022, along with the formulation of an ambitious new Bus Strategy that responded to the changing operating environment, new policy objectives of the Local Transport and Connectivity Plan and

other local opportunities, including the Making Connections proposals of the Greater Cambridge Partnership.

Partnership

- 6.13 The CA recognises the importance of engaging with other interested parties to help deliver the ambitious plans for bus. It hosts monthly meetings of the Cambridgeshire and Peterborough Bus Forum, which brings bus operators together to discuss common issues, develop ideas and proposals and engage on matters relating to the bus reform agenda.
- 6.14 Operators are keen to engage on considering new ways of doing things. In early 2023, Stagecoach arranged a Rural Bus Summit, bringing together many different organisations to consider the case for cross-sector integration across education, social care, health, community, and public transport. A 'Total Transport' approach for achieving efficient use of overall passenger transport funding and resources to enhance service provision is now a key objective. The CA 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.
- 6.15 As part of its City Access programme, Greater Cambridge Partnership (GCP) is delivering a number of significant infrastructure projects in four corridors into Cambridge, which will improve bus journey times and reliability. GCP supports plans for bus reform to help transform bus travel as part of its Making Connections project. It has consulted on the introduction of a road user charging scheme for Cambridge – if this is pursued, it will generate additional dedicated revenue for bus network investment and supporting measures to further boost public transport use.
- 6.16 The CA and Peterborough City Council are developing proposals for a new bus depot in the city that would be capable of supporting the operation of an electric bus fleet.

Evidence and research

- 6.17 Wherever possible, progress in Cambridgeshire and Peterborough is informed by best practice and experience elsewhere. Moves on bus reform have been closely followed in other combined authority areas, with lessons learned from officers in those authorities. Equally, the progress made by other authorities under Enhanced Partnership arrangements has been of interest, such as with the Bus Fares Pilot and Transport for Cornwall (TfC) 'one network' branding and marketing in Cornwall.

- 6.18 Whilst DRT is already playing a role in the area, it is clear that such services can take a range of forms and operate in different ways. The CA has therefore undertaken research into different models of DRT provision and practice elsewhere (along with data and market research from its own Ting service) to understand potential success factors and to identify the future potential for DRT across Cambridgeshire and Peterborough, as part of the wider ambitions for bus network enhancements.

Competencies for managing a Franchising Scheme or EP

- 6.19 The CA has experience in successfully managing various schemes and initiatives, both transport and other, including the procurement of an increasing number of contracts for supported bus services.
- 6.20 It therefore has experience in procuring commercial contracts and their ongoing management, which would be important to effective delivery of either operational model.
- 6.21 The CA would utilise and develop these existing competencies, together with acquiring the additional skill sets required to deliver the objectives of the chosen delivery option. In some cases, these would be provided through the CA itself and, in other cases, through the recruitment of additional appropriately skilled staff. The CA would use its experience of procuring relevant support and external skills to assist its delivery where it considers that specific short-term assistance was required. This would ensure that it was able to manage and deliver the chosen option in a cost-effective and efficient manner.
- 6.22 The CA has the necessary powers to develop, support and fund bus services effectively, including the formulation of appropriate policies and provision of supporting infrastructure and other supportive measures. It has the ability to work collaboratively with constituent local authorities regarding the provision and maintenance of bus priority and other measures that might influence the success of bus services.
- 6.23 Table 6-1 and Table 6-2 set out the competencies required by the CA to deliver Franchising or an EP respectively, highlighting any areas where these would need to be enhanced.

Table 6-1: Required competencies for Franchising

Function	Competency	Extent currently available	Additional capacity or competency required
Strategy and programme management	<ul style="list-style-type: none"> • Programme and risk management • Bus Strategy development and management • Continuous innovation • Forecasting future requirements • Overseeing strategic programmes 	Some capability already in place.	Bus Transformation Lead Officer currently being appointed. Additional capacity will be required to achieve significant enhancement of the bus network.
Commercial management	<ul style="list-style-type: none"> • Pricing and ticketing strategy and setting fares • Implementing commercial objectives • Increasing demand and revenue receipts • Pricing and fees for service permits 	Minimal skills currently available.	Additional team members to be appointed to oversee pricing, fares and ticketing and provide commercial insights.
Bus planning and development	<ul style="list-style-type: none"> • Network planning and design, including routes, timetabling and scheduling • Service specifications • Issuing service permits • Liaison with operators • Stakeholder engagement regarding service changes 	Exists but need for more capacity.	Additional posts to be appointed to bolster capacity.
Procurement and contracts management	<ul style="list-style-type: none"> • Contract specifications and documentation • Overseeing contract award and tender evaluation • Monitoring compliance and service delivery • Contract payments • Contract variations 	Exists, but more capacity needed to deal with number and scope of contracts.	Additional capacity and capability required.
Bus operations and monitoring	<ul style="list-style-type: none"> • Liaison with operators regarding day-to-day management of services and disruption due to roadworks or major events • Real time customer messaging • Monitoring and measurement of KPIs and network standards 	Exists but limited capacity.	Additional capacity and capability required.

Infrastructure	<ul style="list-style-type: none"> • Maintaining a register of assets • Management and development of bus stops, shelters and equipment • Liaison with owners of bus stations • Liaison with owners of Busway and Park & Ride sites • Development and management of depot provision 	Exists but limited capacity.	Additional capacity and capability required.
Customer experience, promotion, marketing and communications	<ul style="list-style-type: none"> • Customer and stakeholder engagement and feedback • Customer complaints and queries • Branding • Information provision • Marketing 	Some central communications, but not specific to public transport.	Additional capacity and capability required.
Human relations	<ul style="list-style-type: none"> • Managing CPCA staffing requirements in public transport team • TUPE/transfer arrangements between operators • Setting minimum standards for operator staff • Training requirements 	Exists but limited capacity.	Additional capacity required.
Finance	<ul style="list-style-type: none"> • Financial control and statutory accounting • Revenue collection and payment processing 	Exists but limited capacity.	Additional capacity required.
Legal	<ul style="list-style-type: none"> • Legal advice and support 	Exists but limited capacity.	Outsourced additional capacity.

Table 6-2: Required competencies for an EP

Function	Competency	Extent currently available	Additional capacity or competency required
Strategy and programme management	<ul style="list-style-type: none"> • Bus Strategy development and management • Managing EP Board and responsibility for EP Plan and Scheme variations • Continuous innovation • Forecasting future requirements • Overseeing strategic programmes 	Some capability already in place.	Bus Transformation Lead Officer currently being appointed.
Commercial management	<ul style="list-style-type: none"> • Ticketing and fares strategy, including multi-operator ticketing products 	Minimal skills currently available.	Outsourced assistance to assist with set up and new role to oversee/manage.
Bus planning and development	<ul style="list-style-type: none"> • Managing bus service registrations • Planning network and developing tenders • Liaising with operators 	Exists currently, but need for more capacity to implement bus network enhancements.	Additional role administering bus service registrations.
Procurement and contracts management	<ul style="list-style-type: none"> • Contract specifications and documentation • Overseeing contract award and tender evaluation • Monitoring compliance and service delivery • Contract payments • Contract variations 	Exists currently, but need for more capacity to implement bus network enhancements.	Additional capacity required to implement significantly enhanced network.
Bus operations and monitoring	<ul style="list-style-type: none"> • Liaison with operators regarding day-to-day management of services and disruption due to roadworks or major events • Real time customer messaging • Monitoring and measurement of KPIs and network standards 	Exists but limited capacity.	Additional capacity and capability required.

Infrastructure	<ul style="list-style-type: none"> • Maintaining a register of assets • Management and development of bus stops, shelters and equipment • Liaison with owners of bus stations • Liaison with owners of Busway and Park & Ride sites 	Exists but limited capacity.	Additional capacity and capability required.
Customer experience, promotion, marketing and communications	<ul style="list-style-type: none"> • Customer and stakeholder engagement and feedback • Customer complaints and queries • Branding • Information provision • Marketing 	Some central communications, but not specific to public transport.	Additional capacity and capability required.
Human relations	<ul style="list-style-type: none"> • Managing CPCA staffing requirements in public transport team • Setting minimum standards for operator staff • Training requirements 	Exists with limited need to develop.	No additional requirements.
Finance	<ul style="list-style-type: none"> • Financial control and statutory accounting 	Exists with limited need to develop.	No additional requirements.
Legal	<ul style="list-style-type: none"> • Legal advice and support 	Exists but limited capacity.	Outsourced additional capacity.

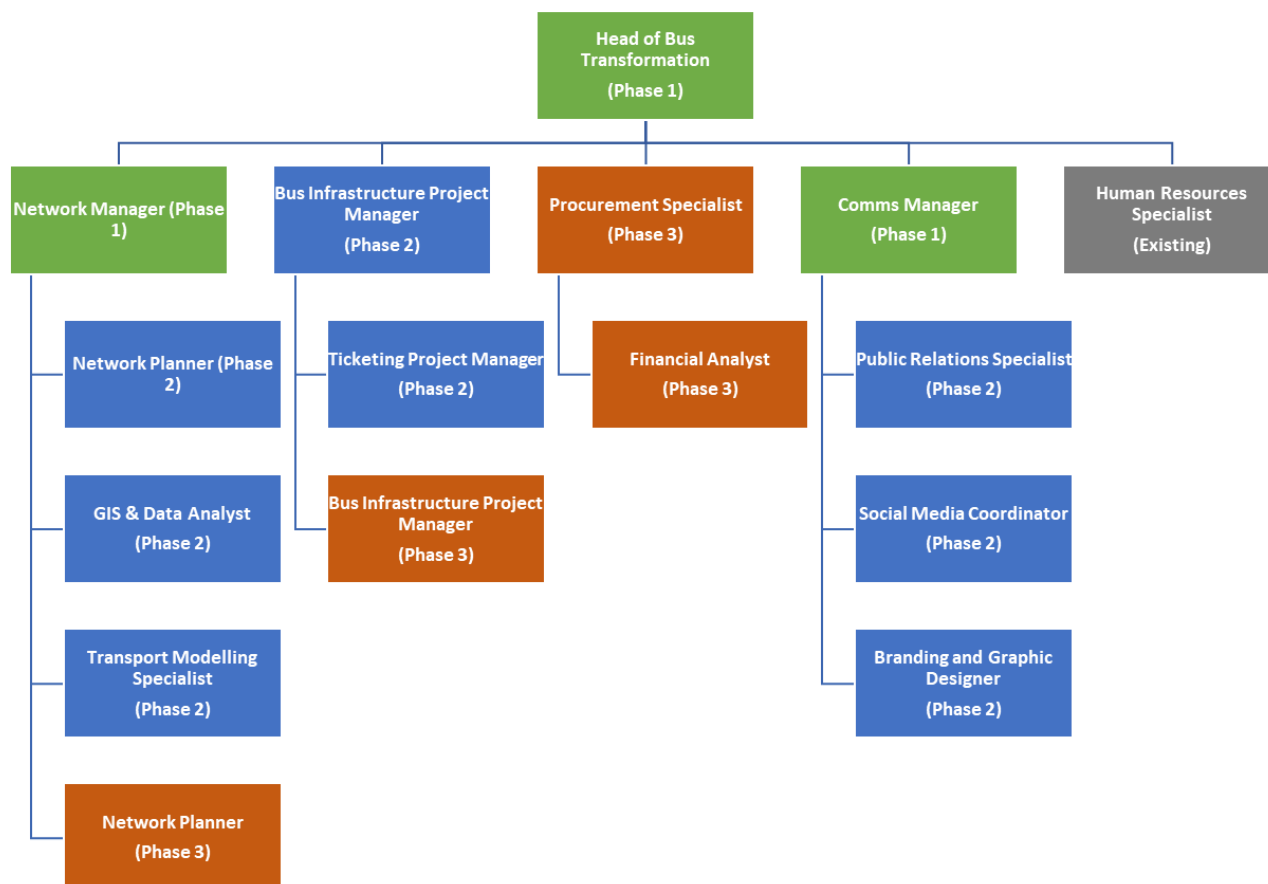
Existing team structure and resources

- 6.24 The CA 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. The 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.
- 6.25 The extent of organisational and resourcing change required in the CA will be determined by which delivery option is chosen. However, regardless of option, a significant uplift in resourcing will be necessary if the ambitions of a step change improvement in overall bus network (mid or high-level investment scenarios) are to be realised.
- 6.26 The following sections consider the organisational structures that would be employed for each delivery option.

Team structure for Franchising

- 6.27 The CA would require a significant enhancement to its current organisational structure to provide the capacity and the breadth of competencies necessary to manage Franchising. Equally, new governance mechanisms would be needed to oversee, manage and administer the operation of a Franchising Scheme.
- 6.28 The CA's current public transport team and supporting services provide the basis on which to build. The proposed team structure is shown in Figure 6-1. It has been devised with reference to other large County Council teams and industry specialists, taking account of the breadth and extent of the ambition to deliver an improved bus network across all aspects of provision – more routes; increased levels of service; better infrastructure; improved information; multi-operator and capped ticketing. The range of the ambition provide insights into the skills and competencies that would be required. The scale of the ambition highlighted the capacity needed in each aspect. For example, the volume of contracted services would see a six-fold increase.
- 6.29 The proposed organisational chart provides a starting point to deliver the ambition. Already the Assistant Director lead for the team has been appointed, following which further posts will be recruited. As proposals for bus reform develop and it becomes clear which delivery option will be used, the structure may evolve and require amendments to reflect priorities and the detailed nature of the approach being taken.

Figure 6-1: Proposed Organisational Chart – Franchising



6.30 As the case for change has been developed, the CA has supplemented its own team with external consultancy resource. During the transition to a new delivery option, it will continue to use external consultancy assistance, which will reduce as the CA 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 consultants on a part-time or ad-hoc basis to provide on-going support and capacity, or to address particular challenges as they arise.

6.31 It is intended that the proposed team structure will be put in place in three phases.

Phase 1: Immediate activity

6.32 This includes putting in place 3 key posts:

- Head of Bus Transformation;
- Bus Network Manager;
- Communications Manager.

- 6.33 These are seen as necessary roles regardless of delivery option, hence why the first one has already been recruited. These posts will significantly enhance the ability to manage change and to start to push network improvements forward. Already work has commenced on improving the multi-operator ticketing offer and a review of all on-street bus infrastructure.
- 6.34 The Head of Bus Transformation will oversee the entire transformation project and oversee the development and implementation of the strategic vision for the bus network, coordinating with all interested parties.
- 6.35 The Bus Network Manager will be key to liaising with operators and overseeing network development and design of services.
- 6.36 The Communications Manager will provide new focus in terms of network identity, information provision and engagement with stakeholders and customers.

Phase 2: Early scale-up

- 6.37 This would start following a decision to proceed with Franchising, with significant scaling up of activity. Further capacity would be added in terms of network planning and overseeing the establishment of the Service Permit Scheme, accompanied by new manager roles overseeing bus infrastructure and ticketing. It would also see the introduction of additional roles for marketing, communications, branding and information.
- 6.38 Key projects in this phase would include the introduction of more zero emission buses, formulation of bus depot strategy, integrated information strategy and network branding. It would also see commencement of a bus stop infrastructure improvement programme and introduction of more integrated ticketing systems and products.
- 6.39 If it was decided to implement an EP instead of Franchising, then less network planning capacity would be needed and some of the project work would be able to be managed within the phase 1 resources.

Phase 3: Bus reform and high-level investment package

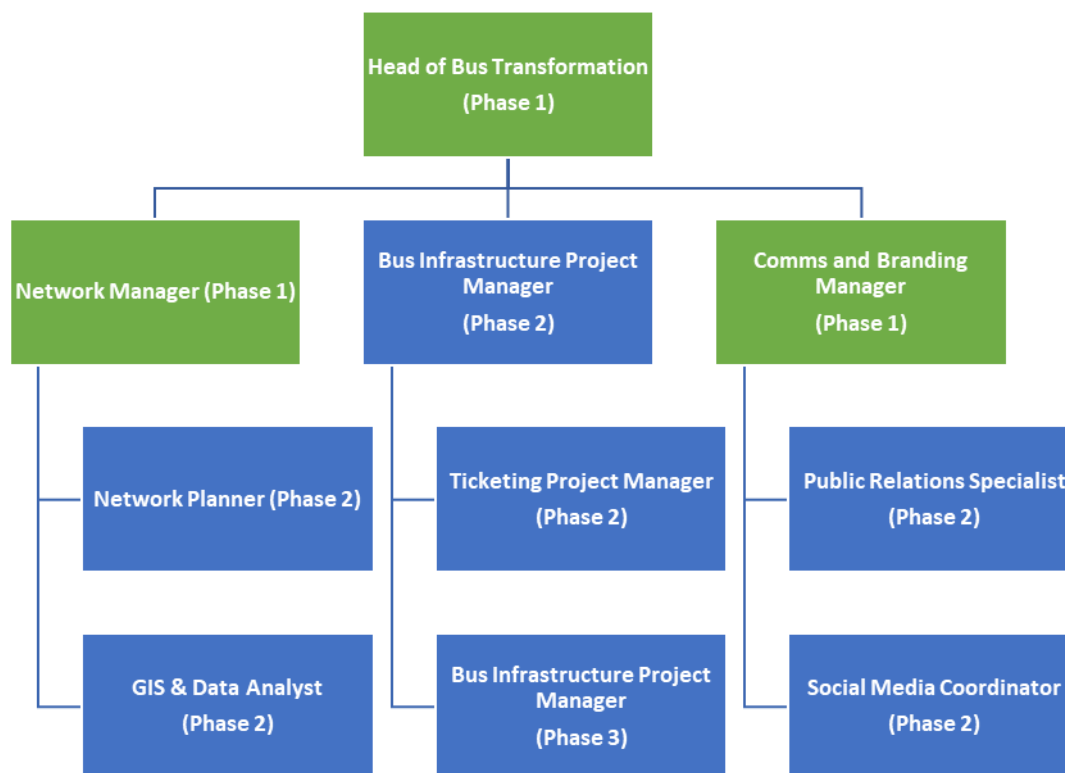
- 6.40 If sufficient funding becomes available to implement the high-level investment package, further additional staff resources would be required. These would include a further Network Planner and another Infrastructure team member. Additional capacity would be needed to support procurement and financial analysis.

- 6.41 This phase may not be introduced if there was a decision to proceed with an EP, rather than Franchising, and investment levels were less than those envisaged in the high-level investment scenario.

Team structure for an EP

- 6.42 The CA would require some enhancement to its current organisational structure to provide the capacity and the breadth of competencies necessary to manage an EP.
- 6.43 Existing governance mechanisms would be adapted to oversee, manage and administer an EP Scheme.
- 6.44 The CA's current public transport team and supporting services provide the basis on which to build. The proposed team structure is shown in Figure 6-2. It has been devised with reference to the experience of other large local authorities in introducing EPs in the last two years. Again, the precise size and shape of the team will depend on the scale of investment likely to be seen under the EP.
- 6.45 The proposed organisational chart provides a starting point to deliver the ambition. Already the Assistant Director lead for the team has been appointed, following which further posts will be recruited. As proposals for bus reform develop and it becomes clear which delivery option will be used, the structure may evolve and require amendments to reflect priorities and the detailed nature of the approach being taken.

Figure 6-2: Proposed Organisational Chart - EP



6.46 As the case for change has been developed, the CA has supplemented its own team with external consultancy resource. During the transition to a new delivery option, it will continue to use external consultancy assistance, which will reduce as the CA 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 consultants on a part-time or ad-hoc basis to provide on-going support and capacity, or to address particular challenges as they arise.

6.47 It is intended that the proposed team structure will be put in place in two phases.

Phase 1: Immediate activity

6.48 This includes putting in place 3 key posts:

- Head of Bus Transformation;
- Bus Network Manager;
- Communications Manager.

6.49 These are seen as necessary roles regardless of delivery option, hence why the first one has already been recruited. These posts will significantly enhance the ability to manage change and to start to push network improvements forward. Already work

has commenced on improving the multi-operator ticketing offer and a review of all on-street bus infrastructure.

- 6.50 The Head of Bus Transformation will oversee the entire transformation project and oversee the development and implementation of the strategic vision for the bus network, coordinating with all interested parties. Already, a monthly Bus operators' Forum is established, which would form the basis for the EP Board.
- 6.51 The Bus Network Manager will be key to liaising with operators and overseeing network development.
- 6.52 The Communications Manager will provide new focus in terms of network identity, information provision and engagement with stakeholders and customers.

Phase 2: Early scale-up

- 6.53 This would start following a decision to proceed with an EP, with some scaling up to enable the delivery of commitments and requirements agreed in the EP Scheme. In particular this will require more capacity in terms of infrastructure and information provision.
- 6.54 Key projects in this phase would include the introduction of more zero emission buses, integrated information strategy and network branding. It would also see commencement of a bus stop infrastructure improvement programme and introduction of more integrated ticketing systems and products.

Additional resource requirements and costs

- 6.55 A move to Franchising or EP will create a need to increase team capacity and widen the range of competencies. The likely additional roles required for both are summarised in Table 6-3 below, along with an indication of cost over the years 2024 to 2026.

Table 6-3: Additional resource requirements

Functions	Franchising – staff numbers	EP – staff numbers
Strategic lead	1	1
Network planning and service development	5	3
Infrastructure and ticketing	3	3
Contracts and procurement	2	0

Communications, information and branding	4	3
Total additional posts	15	10
Estimated cost of additional posts	£2.76m	£0.9m
Estimated cost of other internal support functions and outsourced support	£2.3m	n/a
Total additional costs	£5.06m	£0.9m

Transition and mobilisation

Additional staffing resources and establishing new schemes

- 6.56 To facilitate the transition from the current situation to either Franchising or EP, additional resources will be needed by the CA. As the recruitment of additional staff has already started, there should be increasing in-house ability to manage the transition.
- 6.57 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, such as arranging replacement services in the event of an operator deciding to withdraw a commercial service prior to the start of the Franchising or EP Scheme.

Transition – Franchising

- 6.58 The CA intends to undertake the procurement of franchise contracts in two phases over a period of about 2 years. Once the first phase of contracts has been awarded there will be an 8 or 9-month mobilisation period. During this period, there will be time to put in place other arrangements, such as issuing Service Permits for those services outside of franchising.
- 6.59 During the period that this assessment is subjected to audit assurance and consultation, a detailed transition and mobilisation plan will be devised. This will include:
- Implementation process;
 - Ensuring continuity of service during the period where there is a mix of franchised and deregulated services;

- Ensuring that operators (including new entrants) have suitable mobilisation arrangements to deliver an effective service;
 - Arrangements within the CA to achieve a smooth transition to the franchised network.
- 6.60 The CA will increase its staff team to manage the transition, in line with resourcing arrangements summarised elsewhere in this section.

Cross-boundary services and Service Permits

- 6.61 The CA will implement the Franchising Scheme across its whole area on commencement of the first franchised services. As such, all non-franchised services, including those still to be franchised at a later stage, will need to operate under Service Permits.
- 6.62 The CA will introduce a Service Permit system that will allow different requirements to be set for different types of service. These may include specifications regarding acceptance of other operators' tickets and other vehicle and/or service requirements.
- 6.63 The length of specific types of Service Permit must be clear before operators apply for them. The duration of any Service Permit applied to services still to be franchised will be until the date that those services become franchised, ensuring continuity of service and smooth transition.
- 6.64 Before a Service Permit process is established it will be subject to consultation. This will need to occur prior to the Franchising Scheme coming into force, such that operators can apply for Service Permits and have appropriate services in place.
- 6.65 The exact scope of the Service Permit arrangements will be subject to consultation with operators and other interested parties (including neighbouring authorities), including potential conditions, such as:
- Enabling tickets to be purchased or fares paid in a particular way.
 - Requirement for operators to accept or issue specified tickets and comply with pricing of those tickets.
 - Requirement of vehicles to comply with specific standards (such as age and emissions).
 - Setting customer service standards.
 - Setting operational standards.
 - Requirement to offer discounted travel for specified groups.

- Requirement to publish information about the services (including fares), as well as other services in the franchised area.
- 6.66 The intention will be, as much as possible, to design the Service Permit requirements with those in the Franchising Scheme to ensure consistency of service over the area.
- 6.67 To establish the Service Permit arrangements, the CA will need to consult on the conditions it wishes to include. This consultation will be separate to the Franchising Scheme consultation and will need to be completed before the commencement of the first franchised services, allowing time for operators to submit applications for Service Permits, for them to be considered and Service Permits to be issued.
- 6.68 The CA will coordinate publication of Service Permit policy statement, so that it follows the publication of the Franchising Scheme. The policy statement will differentiate between different types of Service Permit. Those Service Permits for services operating until franchises are introduced are likely to have different requirement to those for long-term cross-boundary services.
- 6.69 As part of any application for a Service Permit to operate non-franchised services, the CA will be able to consider the service and its effect on any franchised services. The CA will have the right to reject services which fulfil the Service Permit requirements, but, in the CA's view, will abstract revenue for franchised services or other services operating under Service Permits.

Services operating with financial support

- 6.70 The CA will continue to manage the provision of services which only operate with its financial support (i.e. under existing local bus service contracts). The number of such services will gradually reduce as they are taken over by franchised services.
- 6.71 The CA will ensure that the timing of the termination of these contracts matches the start date of the franchised contracts that replace them.
- 6.72 The CA will engage with neighbouring authorities regarding cross-boundary services that operate with financial support, ensuring that these move to operate under Service Permits, in the same way as commercial services.

Transition – EP

- 6.73 Under an EP Scheme, and in preparation for it, the CA will expand its Public Transport Team. This will provide the capacity to deal with a smooth transition to an EP Scheme and the meeting of any commitments contained within it. Furthermore, the EP Scheme will provide the ability to set different deadlines for the introduction of

different facilities, measures and requirements. This phasing will help spread the workload.

- 6.74 The level of resources required will depend on the ambitions within the EP. Equally, the extent of influence sought by the CA will determine the extent of influence sought by the CA will 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.

Implementation programme

- 6.75 An EP clearly requires less capacity in respect of network planning and service procurement than Franchising. As such, the implementation of an EP may involve a less complex implementation programme. Again, this will be dependent on the complexity of the intended measures.

Implementing Franchising

- 6.76 An effective transition plan would be required to prevent disruption to bus services for passengers. It is not intended that any significant reduction in bus service would occur during mobilisation. However, the CA would manage the risk of this happening and have some contingency funding in place to procure additional supported services during transition.
- 6.77 The main elements of the implementation programme would include:
- Expansion of the Public Transport Team to support the move to franchise contracts;
 - Management of risk of any withdrawal of bus services prior to franchising;
 - Establishment of franchise operating model and appropriate design of contract packages to be attractive to different sized operators;
 - Establishment of procurement process and planned phasing of contract procurement;
 - Establishment of Service Permit arrangements and management of applications;
 - Mobilisation of franchises.
- 6.78 In order to achieve effective management and governance of the franchising of bus services and issuing of Service Permits, the CA would need to allocate suitable staff and resources from an early point. This would include managing consultations on Franchising and the Service Permit arrangements. The implementation programme

will ensure that all necessary processes and resources (staff and consultancy) are in place to achieve this, such that by commencement of the Franchising Scheme all bus services are either franchised or operated under a Service Permit. Sufficient resources would be deployed early on to deal with the large number of applications for Service Permits for those services to be franchised in later franchise contract rounds.

- 6.79 The implementation plan would detail the planned tender rounds, ensuring sufficient time for the resources to be in place to deal with the first and successive rounds of procurement, as well as Service Permit applications and the necessary liaison with operators in preparation for service introduction. The phased approach would allow the CA to refine procurement processes based on the experience from the initial tendering round. The CA would also draw on the experience of other franchising authorities.
- 6.80 The outline timescales for Franchising are shown in Table 6-4 below. It should be noted that these are indicative at this stage and will be subject to more detailed planning, particularly to ensure that neither CPCA staff nor operators are overwhelmed with the scale of the necessary work.

Table 6-4: Franchising – Outline Timetable

Element	Description	Timescale
Decision to submit Franchising Assessment to independent audit		September 2023
Independent audit		October 2023 – June 2024
Decision to go to public consultation	Project board approval	July 2024
Public consultation and stakeholder engagement	Online and paper survey options, supported with roadshow events	September–November 2024
Analysis of responses to consultation and production of consultation report	Measuring sentiment and responding to specific feedback where required	November 2024 – December 2024
Decision whether to franchise	Review of proposal, consider any potential variations arising from consultation or market conditions	January 2025

Franchise procurement preparation	Development of contract specifications, tender documentation and agreement on evaluation methods	March 2025 – May 2025
Procurement	Opportunity for future operators to become franchisees	May – November 2025
Award of first franchise contracts	Awards and standstill periods	March - April 2026
Mobilisation for contract and Service Permit Scheme introduction	Operators develop people plans for TUPE and training, build of any depots and associated infrastructure, ordering of any vehicles	May 2026 – August 2027
Franchised network introduced with introduction of first franchised services and services operating Service Permits	First tranche of services commence operation early September prior to new academic year	September 2027

- 6.81 Careful project management would be needed to ensure franchising 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. It would be important to maintain some flexibility to deal with any arising matters, such as the need to step in to replace services that operators withdraw prior to the introduction of franchised services.
- 6.82 As previously highlighted, the CA would need to significantly increase its staff to be able to implement franchising. These would be phased in line with likely workload. A recruitment strategy would be developed detailing the timescales for employment of the various roles, along with detailed role descriptions and person specifications. Consideration would also be given to training requirements.
- 6.83 In parallel, consideration would be given to systems and IT and their ability to support franchising. Additional specialist software may be considered to assist with certain tasks, such as bus scheduling.

Implementing an EP

- 6.84 An effective transition plan would be required to facilitate the move to a network operating within an EP Scheme.

- 6.85 The main elements of the EP implementation programme would include:
- Establishment of an EP Board, based on the current Bus Operators’ Forum.
 - Engagement with bus operators to identify and negotiate the detail of any operational requirements of the EP Plan and Scheme.
 - Engagement with other stakeholders regarding commitments and requirements they would like to see included in the EP Plan and Scheme.
 - Operator objection process and consultation on the EP Plan and Scheme.
 - Mobilisation of the EP.
- 6.86 In order to achieve effective management and governance of the EP, the CA would need to allocate suitable staff and resources from an early point. As well as formulating the EP Scheme, there would be a requirement to consult with statutory consultees and monitor progress of the delivery of the EP commitments.
- 6.87 The outline project plan for implementing the EP is shown in Table 6-5.

Table 6-5: EP – Outline timetable

Element	Description	Timescale
Publish notice of intention to form an EP		July 2024
Informal discussions with bus operators about likely elements to be included in an EP	Round table discussions with operators and representatives	August – September 2024
Transition of Bus Operator Forum into formal EP Board, with Terms of Reference	Governance, organisation and invitees agreed	September 2024
Formal group/individual discussions with operators about elements to be included and commitments/requirements	Combination of group sessions and one to one meetings with current operators including Community Transport	October – November 2024
Formulate EP Plan based on Bus Strategy and agreed BSIP	Plan to include timeline, vision and objectives	December 2024 – January 2025
Formulate EP Scheme to include likely commitments and requirements on CPCA, other authorities and operators.	Incorporating feedback from stakeholders and targets for mode shift, carbon reduction etc	December 2024 – January 2025
Agree to submit EP Plan and Scheme to operator objection mechanism	Project board approval	January 2025
Operator objection mechanism		February 2025
Statutory consultation		March 2025

Response to consultation	Review of feedback and consider any variations to scheme	April 2025
EP Plan and Scheme made and notice to this effect published		May 2025
Requirements within EP Plan and Scheme come into effect		June 2025

- 6.88 The timescales shown in the plan are indicative at this stage, as it is not yet known the extent of the measures and commitments and therefore how long they would take to deliver, or what deadlines would be achievable for those commitments to be met.
- 6.89 The existing CA Public Transport Team, with some additional staff, would manage the day-to-day operation of the EP Scheme, including overseeing the current supported network.
- 6.90 There would be no barriers to operators withdrawing services (although it may be possible to get agreement to set and limit service change dates and/or require longer notice periods of changes or withdrawals). Therefore, there may be reductions in commercial bus services during the transition period. If that occurred, the CA would consider whether to support additional services, in line with the Assessment Framework that is currently being developed to help decision-making around those services that would only be provided with financial support from the CA. This will help to manage and prioritise services in line with available budget and policy objectives.
- 6.91 The Public Transport Team would be responsible for overseeing the EP Scheme, indicating operational requirements relating to vehicles, information, fares and ticketing, along with dates on which services may change. An important element would be the settlement of fares revenue between operators relating to multi-operator ticketing schemes. This would be a new responsibility for the team.
- 6.92 As previously highlighted, the CA would need to expand its team to support the delivery of improvements under an EP. New staff would be phased in line with likely workload. A recruitment strategy would be developed detailing the timescales for employment of the various roles, along with detailed role descriptions and person specifications. Consideration would also be given to training requirements.

Mobilisation

Mobilisation – Franchising

- 6.93 It will be important to ensure that the move from the current operating model to franchising is smooth and avoids any negative impact on customer experience that might undermine the ambition to improve the attractiveness of the bus network.
- 6.94 Within the franchise contract procurement process, operators would be required to set out detailed mobilisation plans for how they would work with the CA to achieve an effective transition.
- 6.95 The CA's role during the mobilisation would be to:
- Oversee adherence to the agreed mobilisation plan.
 - Assist with any TUPE arrangements and related information to the incoming operator.
 - Determine the fares and ticketing strategy and its delivery.
 - Review and agree any changes required to the bus network, prior to and during the operation of the Franchising Scheme.
- 6.96 During the transition period there would be risks of incumbent operators either reducing commercial services or reducing the quality of those services. It would be important, therefore, for the CA to manage an effective and efficient transfer, retaining both the levels and quality of service. An operational continuity plan would be devised to address these risks.
- 6.97 The CA has experience of procuring replacement services to ensure continuity of service. In October 2022, Stagecoach gave notice to withdraw a number of key services. The CA was able to arrange replacement services with a number of other operators – some taken on commercially and others becoming supported services, either through contract procurement or de minimis arrangement.
- 6.98 From the commencement of franchising, the CA would set a uniform set of fares and product range for franchised services. In parallel, operators' own tickets would be withdrawn. The multi-operator tickets would also be applied to those services operating under Service Permits. Consideration would need to be given to how these changes would be achieved seamlessly, so as not to confuse customers. Key to this part of the mobilisation will be the provision of good, clear information by the CA, raising awareness of the changes that would take place.

- 6.99 A key part of the mobilisation phase will be the management of Service Permit applications for cross-boundary and other designated services (such as the Universal service funded by Cambridge University), along with those services that will become franchised in later phases of procurement. Applications will be submitted to the CA, which would assess this and determine whether it would be granted, granted with conditions, or rejected. As part of making the decision, the CA would record the reasoning for its decision. For those services that would be franchised in future, a Service Permit would be issued to a specific end date, coinciding with the introduction of the franchised service.
- 6.100 Again, key to achieving a smooth transition would be the setting of conditions attached to Service Permits that align with arrangements for franchised services.

Mobilisation – EP

- 6.101 The move to an EP would look to achieve ambitious improvements and enhancements to the network, requiring significant changes to the existing operating framework. It would be necessary for the CA to work jointly with operators to achieve an efficient transition.
- 6.102 The CA's role during the mobilisation would be to:
- Oversee adherence to the agreed mobilisation plan.
 - Determine the fares and ticketing strategy and its delivery.
 - Review and agree any changes required to the bus network, prior to and during the operation of the EP scheme(s).
 - In taking over service registration arrangements from the Office of the Traffic Commissioner, it will need to set up suitable systems and processes to administer the function. Experience of this in other authorities can be drawn upon.
- 6.103 During the transition period there would be risks of incumbent operators either reducing commercial services or reducing the quality of those services. It would be important, therefore, for the CA to manage an effective and efficient transfer, retaining both the levels and quality of service. An operational continuity plan would be devised to address these risks.
- 6.104 Under an EP Scheme there would be a requirement for multi-operator ticketing. Details of this would need to be agreed and put into place during the mobilisation period. Consideration would need to be given to how these changes would be achieved seamlessly, so as not to confuse customers. Key to this part of the

mobilisation will be the provision of good, clear information by the CA, raising awareness of the changes that would take place.

Benefits and performance management

Franchising

- 6.105 Franchising would have the potential to contribute towards the delivery of the Bus Strategy and BSIP ambitions and objectives by creating a number of benefits to passengers and the wider area. These are summarised below, as well as being detailed further within the Economic Case.
- 6.106 In addition, there are Scheme objectives, as set out in the Strategic Case.
- 6.107 The potential benefits of franchising are set out in the following table.

Table 6-6: Benefits of Franchising

Benefits	Beneficiaries	Further details
Direct transport benefits , including service enhancements; extended hours of operation; improved journey quality; new routes; integrated fares and ticketing; improved infrastructure; improved access to travel opportunities; more affordable services.	Existing and new users	Paragraph 3.140
Environmental benefits , including reduced emissions; reduction in noise; improved air quality.	Residents and wider society	Paragraph 3.172
Economic benefits , including access to employment; increased labour supply from increased catchment; regeneration; agglomeration.	Businesses and employees	Paragraph 3.165
Wider social benefits , including reduced time in traffic (decongestion); increased physical activity; reduction in accidents; improved infrastructure.	Residents and visitors; businesses	Paragraph 3.170

Objectives

- 6.108 The Strategic Case sets out the Scheme objectives in paragraph 2.131 onwards.

- 6.109 In order for the CA to measure the extent to which an implemented Franchising Scheme meets the Scheme objectives, some benchmarks would need to be established and actively monitored and reviewed regularly. Data would also be collected on a regular basis covering operational and service performance, customer service, contract data and policies and procedures.
- 6.110 Operator performance meetings would be held quarterly to monitor performance and discuss plans to improve and maintain performance. Where operators are under-performing, action would be taken in accordance with details to be devised and set out in the franchise specification and contract documents.

Ongoing engagement

- 6.111 As required, the CA would consult with bodies that represent users of local bus services throughout the life of the Franchising Scheme, seeking their views on how well the scheme is working. The results of the consultations would be used to shape subsequent definition, packaging and provision of franchised services.
- 6.112 More detail of the consultation process and bodies to be chosen would be developed during the mobilisation phase. However, consultations would focus on the same benchmarks as mentioned above, along with views from the perspective of users in respect of:
- View of franchised service provision and the benefits achieved by it; and
 - Whether the scheme is providing value for money.
- 6.113 The results of the consultations would be published and used to help determine how improvements might be made to the Franchising Scheme.

Enhanced Partnership

- 6.114 The EP would have the potential to contribute towards the delivery of the Bus Strategy and BSIP ambitions and objectives by creating a number of benefits to passengers and the wider area. These are summarised below, as well as being detailed further within the Economic Case.
- 6.115 In addition, there are Scheme objectives, as set out in the Strategic Case.
- 6.116 The potential benefits of an EP are set out in the following table.

Table 6-7: Benefits from EP

Benefits	Beneficiaries	Further details
Direct transport benefits , including service enhancements; extended hours of operation; improved journey quality; new routes; interoperable fares and ticketing; improved infrastructure; improved access to travel opportunities; more affordable services.	Existing and new users	Paragraph 3.140
Environmental benefits , including reduced emissions; reduction in noise; improved air quality.	Residents and wider society	Paragraph 3.172
Economic benefits , including access to employment; increased labour supply from increased catchment	Businesses and employees	Paragraph 3.165
Wider social benefits , including reduced time in traffic (decongestion); increased physical activity; reduction in accidents	Residents and visitors; businesses	Paragraph 3.170

Objectives

- 6.117 The Strategic Case sets out the Scheme objectives in paragraph 2.131 onwards.
- 6.118 In order for CPCA to measure the extent to which an EP Scheme meets the Scheme objectives, some benchmarks would need to be established and actively monitored and reviewed regularly. Data would also be collected on a regular basis covering operational and service performance, customer service, contract data and policies and procedures.
- 6.119 Operator performance meetings would be held quarterly to monitor performance and discuss plans to improve and maintain performance. Where operators are under-performing, action would be taken in accordance with details to be devised and set out in the EP Scheme.

Ongoing engagement

- 6.120 Whilst there is no requirement for on-going consultation with bodies that represent users of local bus services under an EP, it would be CPCA's intention to do that, in a similar way as would occur under franchising. The results of the consultations would be used to help develop the EP Scheme and future variations.

- 6.121 More detail of the consultation process and bodies to be chosen would be developed during the mobilisation phase. However, consultations would focus on the same benchmarks as mentioned above, along with views from the perspective of users in respect of:
- View of service provision under an EP and the benefits achieved by it; and
 - Whether the EP Scheme is driving sufficient improvements.
- 6.122 The results of the consultations would be published and used to help determine how improvements might be made to the EP Scheme.

Performance management

- 6.123 Given the ambition for buses to become the mode of choice across Cambridgeshire and Peterborough, the CA is keen to see services operate to a high standard in all respects of reliability and service quality. Performance management will therefore play an important role in achieving and maintaining such standards.

Performance management – Franchising

- 6.124 Services operated under franchise agreements will be subject to a performance regime with regular reporting of KPIs. Where standards of service are consistently met or exceeded, contracts may be extended for a given period.
- 6.125 Contracts may be awarded on either a minimum subsidy or cost basis, depending on which is the most advantageous approach for the CA. The intention is that by providing operators the opportunity to keep revenue in a minimum subsidy scenario, they would be incentivised to voluntarily develop and improve services to increase usage and revenue.
- 6.126 CPCA would be responsible for monitoring service delivery. Where performance drops below agreed levels, actions would be taken as set out in the contract terms. Continued poor performance could ultimately lead to a decision to terminate the contract early.

Performance management – EP

- 6.127 Under an EP Scheme, it is likely that some performance standards will be set for reliability, punctuality and vehicle requirements. For those services financially supported by CPCA and operated under contract, similar action could be taken for poor performance as under a Franchising Scheme. However, for commercial services the same would not be possible. However, in taking over responsibility for bus

registrations, CPCA would have the ultimate sanction of being able to withdraw an operator's service registration for persistent failure.

Development of the bus network

Network changes – Franchising

- 6.128 As part of its ambitions for the bus network as set out in the Bus Strategy and BSIP, the CA would like to reshape the bus network, including new and amended services. This will enable the ambitions of greater connectivity, more comprehensive provision and faster, more direct journeys to be achieved. Whilst it is envisaged that changes would be included within the specifications for the first franchise specifications, there would be continued need to review and amend services during the franchise contract period in response to changing demand and need, such as to serve a new housing or employment area.
- 6.129 Once a Franchising Scheme has been made, CPCA may vary the network or routes specified in the scheme by following the formal variation process set out in the Transport Act. Minor variations, including day-to-day service requirements and timetable changes, could be implemented without using the statutory process. Therefore, if the CA wished to see a new service introduced into the existing network (as specified in the Franchising Scheme), the franchise contract would provide it with the right to include it within a particular contract by using a clearly defined change mechanism, without this constituting a formal variation of the scheme that would require the statutory process to be followed.
- 6.130 Section 123M of the Transport Act sets out the process for any formal change to the Franchising Scheme once it has been made. The Mayor would be required to take the final decision as to whether to vary the scheme.
- 6.131 If the CA wished to vary services under the scheme, it would need to publish a notice stating the date on which the variations would take effect and give notice of its decision to the Traffic Commissioner within 14 days of publishing the notice. The variation would take effect 6 months from the date on which the variation notice was published.
- 6.132 The CA would be required to consult on any proposals to vary services under the scheme, ensuring that potential impacts, benefits and risks are considered before being implemented.

- 6.133 In the event that the CA wished to vary the Franchising Scheme to add services from a new area, it would need to follow the same statutory process as when making the original scheme.

Network changes – EP

- 6.134 Any process for making changes to the network under an EP Scheme will depend on the nature and scale of the commitments agreed within the Scheme. However, it is unlikely that precise attributes of particular services will be tightly governed by the EP, with the freedom for commercial services and supported services to be varied without the need for any formal variation of the EP Scheme. The dates on which changes may be made and the notice period for service registrations may be governed by the scheme.
- 6.135 Any changes to commitments and requirements within the EP Scheme would be subject to a formal variation process. It would be intended to introduce a bespoke variation process. This would be specified within the EP Scheme, allowing variations to be introduced more quickly than the statutory process, as part of the agreement to make the original scheme.

Network design

- 6.136 In response to the development of its Bus Strategy and as part of the BSIP, CPCA has undertaken a review of the bus network with the aim of enhancing service levels and improving connectivity in line with what users and potential users have indicated they would like to see.
- 6.137 The rationale for the service network is shown in paragraph 3.40. Also within that Appendix is a list of services that would be included within a Franchising Scheme or EP Scheme.

Stakeholder engagement

- 6.138 Each of the delivery options would require the CA to engage with a range of interested parties, particularly in respect of the formal establishment of either the Franchising or EP Scheme. However, there would be on-going engagement with a range of stakeholders to ensure that the bus network continues to meet the needs of customers and achieve any desired outcomes.

Franchising option

Neighbouring authorities

- 6.139 As part of the assessment of a proposed Franchising Scheme, consideration should be given to the extent to which the proposed scheme would contribute to the transport plans and policies of neighbouring local transport authorities.
- 6.140 CPCA borders the following transport authorities:
- Norfolk County Council
 - Suffolk County Council
 - Essex County Council
 - Hertfordshire County Council
 - Central Bedfordshire Council
 - Bedford Borough Council
 - North Northamptonshire Council
 - Lincolnshire County Council
- 6.141 Each of these authorities has its own transport plans and policies, including BSIPs setting out their ambitions for their own bus networks.
- 6.142 The policies and plans of each neighbouring authority have been considered to assess the extent to which they would be affected by the proposed Franchising Scheme. It is not anticipated that there would be any negative impacts. Equally, the introduction of the proposed Service Permit arrangements would allow cross-boundary bus services to continue largely unchanged.
- 6.143 As franchising proposals develop further, CPCA will arrange detailed discussions with each neighbouring authority prior to the launch of any formal consultation.

Other parties

- 6.144 The CA has engaged with a range of groups, including bus operators and their customers, in order to consider the potential impacts of franchising. These discussions have helped to shape the proposed Franchising Scheme.
- 6.145 If a decision is taken to pursue franchising, a formal consultation will be required on the proposals. At this point, a full draft version of the Franchising Scheme will be formulated for publication.

Service Permits

- 6.146 Alongside the consultation on the Franchising Scheme, it will be necessary to consult on the proposed Service Permit arrangements. As these arrangements cover cross-boundary services, the consultation process will need to include interested parties in neighbouring areas, neighbouring authorities and operators of cross-boundary services.
- 6.147 Again, if a decision is taken to pursue franchising, details of the proposals for Service Permits will be formulated and consulted upon.

EP

- 6.148 Guidance for the development of EP Plans and Schemes sets out consultation requirements, including the statutory consultees and, where appropriate, wider stakeholder interests and the public. The CA would follow this guidance in the event of an EP being taken forward as the chosen option.

Risk management

- 6.149 A full risk register associated with moves to either Franchising or an EP is included within the Economic Case (Appendix B).
- 6.150 The main implementation and transition risks for Franchising or an EP are set out below in Table 6-8 and Table 6-9.

Table 6-8: Implementation and transition risks for Franchising

	Risk	Consequences of risk materialising	Mitigation
1	CPCA has insufficient staff or capability to implement change.	Implementation delay, which frustrates the transition.	Recruitment of additional staff with appropriate skills well in advance of implementation. Budget to buy-in consultancy support to assist as necessary.
2	Processes are too slow.	Implementation delay, which frustrates the transition.	Ensure processes are streamlined and reviewed regularly. Weekly project meetings to maintain progress and keep on track.

3	Poor communications strategy.	Misunderstanding and confusion for public and stakeholders. Disruption to services and loss of revenue. Reputational risk for CA.	Formulate publicity and engagement plan to support detailed communications strategy. CPCA to take charge of customer contact and be the single source of information. Regular updates and messaging, including briefings for stakeholders.
4	Poor management of transition process.	Adverse impact on usage. Implementation delays. Reputational risk for CA.	Formulate and adhere to detailed implementation plan, highlighting critical paths and dependencies. Weekly project team meetings.
5	Lobbying and challenge by incumbent operators against change.	Potential threat to programme.	Engagement with stakeholders and operators at all stages throughout the process.
6	Existing operators withdraw from the area rather than accept and participate in franchising.	Loss of bus services before franchises are introduced. Additional costs to replace services in the short term. Reduced level of competition to provided franchised services.	Engagement with operators throughout to provide reassurance regarding process. Flexibility in tendering opportunities for cost and/or subsidy-based contracts and in size of packages to be attractive to operators of all sizes. Contingency budget for short-term support for replacement service.
7	Incumbent operators fail to secure franchise contracts and ceases to operate service prior to franchised ones starting, and/or acts in an uncooperative manner to disrupt franchise implementation. Operators implement change during the transitional period to maximise profits (e.g. fares increases).	Loss of bus service before franchises are introduced. Additional cost to replace services in the short term. Reputational damage for CA.	Engagement with operators throughout. Notice period for service deregistration extended. Contingency budget for short-term support for replacement services. Packaging and phasing of tendering rounds aimed to provide opportunities for incumbent operators.
8	Cross-boundary operators do not accept terms of Service Permits and ceases to operate services.	Loss of bus services. Reputational damage to CA.	Engagement with operators throughout the process, with discussion/agreement on the conditions to be attached to Service Permits.

9	Financial risk that operator costs are higher than anticipated or fares revenue is less.	Funding gaps in CPCA, creating a need to identify other funding sources or reduction in franchised services.	Realistic assumptions made on costs and revenue in assessment. Some revenue risk shared with operators through subsidy-based contracts. Some other alternative funding sources may be explored further. Franchise contracts will introduce a change mechanism to allow services to be varied and cost reduced.
10	Insufficient interest from operators in tendering process. Prices are higher than anticipated. Poor quality of bids. Legal challenge.	Procurement cancelled or delayed. Funding deficient. Adverse financial and/or reputational impacts in defending legal challenge.	Further market engagement will be carried out leading up the procurement process to ensure interest from operators and that contract requirements do not deter bidders or create too onerous requirements for operators. Changes mechanism to allow services to be varied and costs reduced. Some contract packages may not be awarded and then tendered again in a later phase.
11	New entrant operators at a disadvantage to incumbents in procurement process.	Lack of competition for contracts resulting in higher costs or lack of innovation. Inability to expand the network without new entrants.	CA is investigating the extent to which it will be involved in providing depots. Evidence from tendering in October 2022 demonstrated an ability for new entrants to enter the market without depots being provided.

Table 6-9: Implementation and transition risks for an EP

	Risk	Consequences of risk materialising	Mitigation
1	CPCA has insufficient staff or capability to implement change.	Implementation delay, which frustrates the transition.	Recruitment of additional staff with appropriate skills well in advance of implementation. Budget to buy-in consultancy support to assist as necessary. Ability to vary EP and extend implementation deadline for particular aspects of provision.
2	Processes are too slow or cumbersome.	Implementation delay, which frustrates the transition. More routes become commercially unviable and operators require financial support (or increases to existing financial support) for them to continue operating.	Ensure processes are streamlined and reviewed regularly. Engagement with incumbent operators and effective discussion in the EP Board.

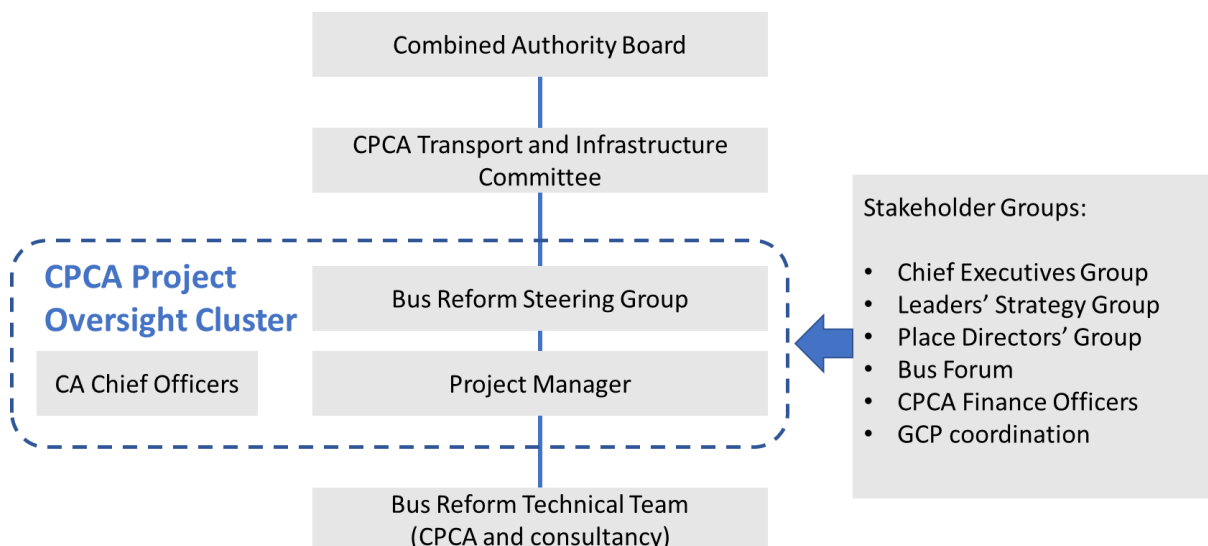
3	Poor communications strategy.	Misunderstanding and confusion for public and stakeholders. Reputational risk for CA.	Formulate publicity and engagement plan to support detailed communications strategy. Level of network changes will be less in an EP, given that many services will have the ability to continue as now.
4	Lobbying and challenge by incumbent operators against change. Incumbent operators do not accept operator obligations in the EP and use the operator objection mechanism to prevent implementation.	Potential threat to programme. Some of the ambitious requests are compromised and potential customer benefits reduced.	Engagement with operators through the EP Board and individual discussions to negotiate commitments and requirements. Opportunity to negotiate to overcome objections.
5	Existing operators decide not to participate in EP Scheme.	Inability for CA to make the EP Scheme.	On-going engagement with operators and encouragement to retain interest as the Bus Forum becomes the EP Board. All operators, regardless of interest, will be covered by the EP and required to meet agreed requirements. CA will work with operators and the Office of the Traffic Commissioner to mitigate the chance of this risk materialising.
6	Operators implement changes during the transition period to maximise profits (e.g. increase fares) to increase reimbursement from multi-operator ticket.	Reputational damage to CA.	Engagement with operators throughout and negotiation of fixed approach on multi-operator ticketing for a defined fixed period.
7	Operators fail to accept other operators' tickets or to offer multi-operator tickets for sale.	Passengers pay more than expect. Reputational damage to CA.	Engagement with operators throughout and agreement through the EP Board. Enforcement of obligations.
8	Operators unable to comply with requirements in the EP (e.g. as a result of delays in delivery of new buses).	Breach of EP obligations.	Regular engagement with operators, highlighting issues and agreeing actions. Ability to vary requirements in EP Scheme, or postpone certain deadlines (particularly if all operators experience similar difficulties).

9	Operators fail to comply with EP Scheme commitments.	Increased time and effort incurred in managing the EP Scheme. Reputational damage to CA. Potential loss of service if operator has action taken for contractual breach.	Regular engagement with operators and meeting of EP Board to maintain effectiveness of EP and compliance with it. Enforcement of obligations with ultimate sanction of ejecting an operator from operating a service.
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Programme management and governance

- 6.151 It is important to ensure that a Franchising Scheme or EP is carefully governed to ensure that stakeholder support is retained and relevant benefits are realised.
- 6.152 A strong project management approach has been adopted to oversee the bus reform process. This has been established with the joint aims of:
- Using existing reporting structures for decision-making.
 - Effective management of the technical work associated with the development and assessment of the delivery options.
 - Engaging appropriately with stakeholder interests, facilitating two-way communication whereby stakeholders are informed of progress and have opportunities to influence developments.

Figure 6-3: Programme Governance



- 6.153 The CA has had a clearly defined governance framework in place to oversee the bus reform programme and decisions relating to the development of the assessment and plans for each of the delivery options, as shown in Figure 6-3. The roles of each of

these bodies in refining and approving this OBC are described further in paragraph 1.20 onwards.

- 6.154 A primary project team has led the technical work. This consists of CA staff along with specialist advisors and consultancy support.
- 6.155 The project team has been supported and guided by a Bus Reform Steering Group (which meets monthly) and CA Chief Officers. A designated project manager has coordinated activities and been the main link with the project team.
- 6.156 CPCA's Project Oversight Cluster is collectively responsible for:
- Owning and maintaining the vision for the bus reform project.
 - Overall accountability for project delivery and risk management.
 - Agreeing project scope and direction.
 - Ensuring that the assessment delivers an affordable solution.
 - Providing leadership and direction of the project workstreams and reporting requirements.
 - Coordinating wider organisational processes.
 - Scrutinising all technical aspects and providing assurance and approval of project deliverables.
 - Ensuring suitable skills and resources are in place to carry out the project activities.
 - Contributing to the effective progression of the project.
 - Achieving an appropriate reporting schedule.
- 6.157 The Project Oversight Cluster reports to the CA Transport and Infrastructure Committee (TIC) and ultimately to the Combined Authority Board and the Mayor. The Project Steering Group meets monthly. Update reports are made to TIC and CA Board.

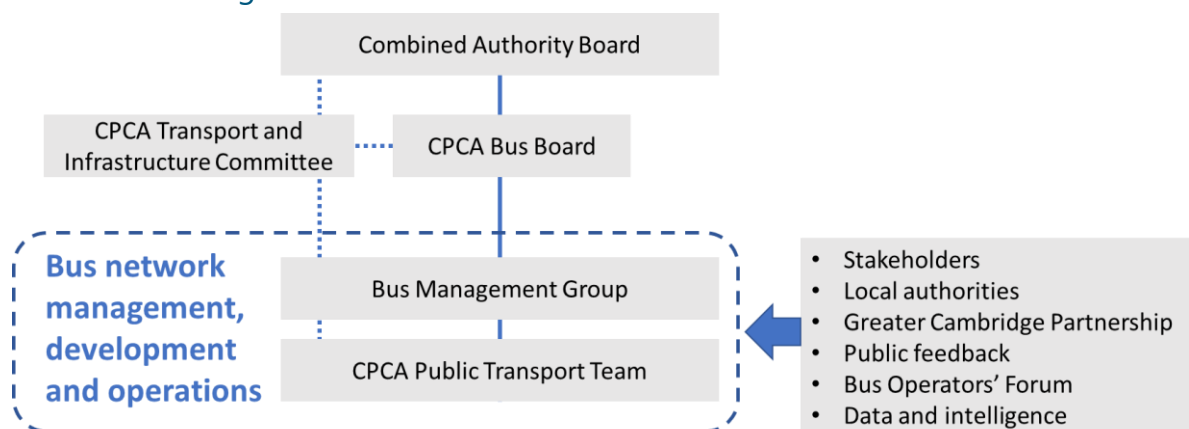
Governance for a Franchising Scheme

- 6.158 Whilst CPCA has a clear and defined governance structure, some adaptations would be needed to accommodate bus franchising and the necessity to delegate day to day management and decision-making, as well as reflecting the increased roles and responsibilities that would exist within the CA. A Bus Board would be established as a sub-committee of the CA Board. This sub-committee would oversee, direct and receive reports from a non-executive group (Bus Management Group), which would

have direct day to day responsibility for the franchised bus network. The CA's expanded Public Transport Team would report to the Bus Management Group.

- 6.159 The Bus Management Group would maintain contact with stakeholder interests and individual local authorities regarding the operation of the franchised network. The current Bus Forum would also continue to meet monthly to consider general operational matters; promotional activities; and performance and improvement to processes and arrangements around the franchised network and services running under Service Permits.
- 6.160 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.
- 6.161 The Bus Board would be responsible for key decisions regarding the franchised network, ensuring consistency over the Franchising Scheme as a whole and that no decision would adversely impact on the Scheme.

Figure 6-4: Franchising Scheme Governance



- 6.162 Decisions regarding the Franchising Scheme would be made in accordance with CPCA's Constitution and Code of Corporate Governance.
- 6.163 The Bus Board would govern and oversee the delivery and running of the Franchising Scheme. It would meet monthly and by exception as necessary. It would be responsible for:
 - Overall accountability for the operation of the Franchising Scheme and risk management.
 - Providing leadership and direction of the Franchising Scheme to realise the benefits and achieve required outcomes.

- Receiving monitoring reports on network performance to inform strategic direction in response to changing operational conditions, such as variations in costs or revenues compared with forecast estimates.
 - Coordinating wider organisational processes necessary to support the progression of the Franchising Scheme in line with wider organisational governance requirements.
 - Provision and allocation of skills and resources to facilitate the Franchising Scheme activities.
 - Maintaining the strategic relevance of the Franchising Scheme, taking account of business and environmental change.
 - Acting as an ambassador for the bus network and contributing towards the effective progress of the aims and objectives of the Franchising Scheme.
 - Ensuring that the reporting schedule to the CA Board is maintained.
- 6.164 CPCA would ensure that all key decisions taken during the transition to, and operation of, the Franchising Scheme are made at the appropriate forum and in accordance with the Constitution.

Variations to the Franchising Scheme

- 6.165 After the Franchising Scheme has been made, the CA may seek to vary it at any point.
- 6.166 If there was a need to amend the requirements of the Scheme, such as the area to which the Scheme related or the description of the services intended to be provided, the formal variation process set out in Section 123M of the Transport Act would be followed. Any minor variations, such as day-to-day service requirements (e.g. amending a service timetable or introducing an express service on an existing route), would be implemented without use of the statutory process through CPCA's Bus Board.
- 6.167 If there is a need to amend the requirements of the scheme, the CA would have to publish a notice stating the date on which the variations would take effect, and give notice to the Office of the Traffic Commissioner within 14 days of publishing the notice. It would also have to consult on the proposals, ensuring that all appropriate stakeholders (including operators and the CMA) and local communities were consulted on the nature of the service change. The consultation would ensure that the impacts, benefits and risks associated with the proposed changes have been fully explored and assessed before being implemented.

6.168 Following completion of the consultation, the Mayor would take the final decision as to whether to vary the scheme.

Revocation of a Franchising Scheme

6.169 After the Franchising Scheme has been made, the CA 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.

6.170 The revocation of a Franchising Scheme is subject to the same procedure as the making of a scheme, except that Section 123G(3) Transport Act does not apply. The Mayor must make any decision to revoke the Franchising Scheme.

Governance for an EP

6.171 In order to realise the benefits of an EP, clear and enforceable governance would be required. It would be the intention to build on current organisational structures.

6.172 The current Bus Forum would be formalised to become the EP Board, which would be responsible for overseeing the development and management of the EP Plan and Scheme. The Board would also include representatives of constituent authorities, permitting them to influence what is included. Equally, they may be asked to provide commitments in the form of facilities, such as bus priority measures and bus stations.

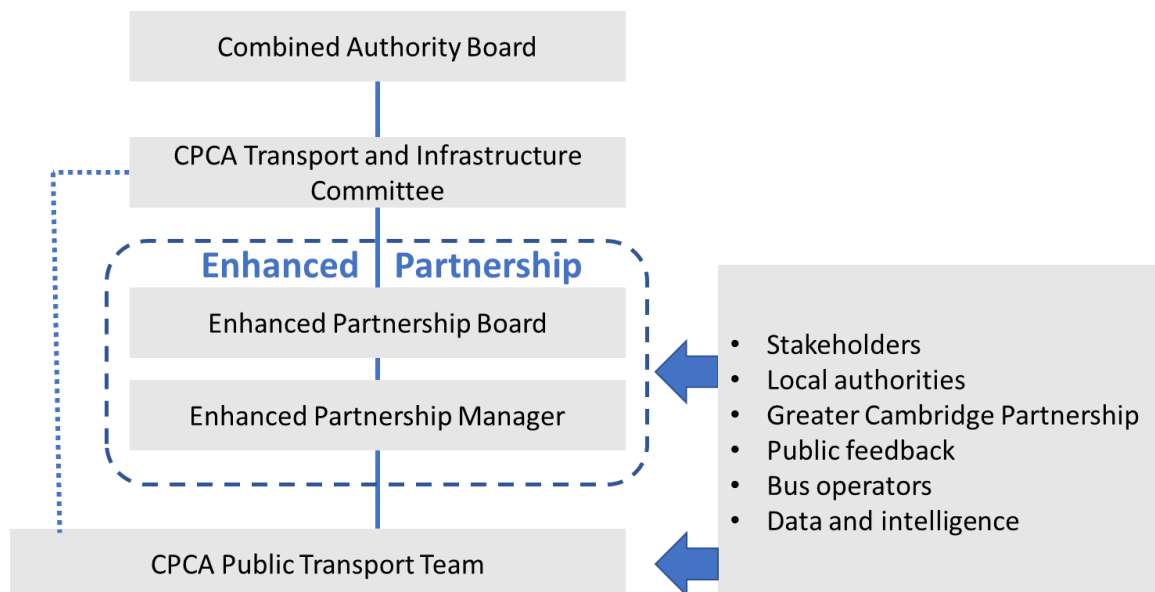
6.173 The EP Plan would essentially reflect the ambitions of the Bus Strategy and the current BSIP.

6.174 The operation of the EP Board would be governed by separate Terms of Reference. Meetings of the Board would be monthly, whilst the EP Plan and Scheme are put in place, following which a decision would be taken regarding frequency of meetings.

6.175 The EP Board would agree what to include within the EP Plan and Scheme, including the detail of commitments in respect of facilities and measures to be provided and the requirements on operators. Where necessary, individual discussions would be held with each operator to agree ambitions and commitments.

6.176 In developing the EP Scheme, a bespoke variation mechanism would be devised to be used for future variations, streamlining the process compared with the original.

Figure 6-5: Enhanced Partnership Scheme Governance



Variations to the EP

- 6.177 A request to vary the EP Plan could be made by any member of the EP Board at any time. Notice would be provided of a meeting to consider the variation. If accepted by the Board it would be subjected to the operator objection mechanism and statutory consultation, following which the variation would be made by the CA.
- 6.178 Using the agreed bespoke variation mechanism, it would be possible for any of the EP Board members to formally put forward consideration of a variation to the EP Scheme. Again, notice would be given of a Board meeting to consider the potential variation. If there was unanimous agreement at the meeting, it would be approved and then go forward to be made, without any further action. If there was not unanimous agreement, the proposed variation would be put through a streamlined operator objection mechanism for 14 days. If approved, it would then go forward without further action.

Revocation of the EP

- 6.179 An EP Plan can only be in place if there is an accompanying EP Scheme. Furthermore, an EP Scheme cannot exist without an EP Plan.

- 6.180 Using the agreed bespoke variation mechanism, it would be possible for any of the EP Board members to formally put forward consideration of a revocation of the EP Scheme. Again, notice would be given of a Board meeting to consider the potential revocation in the same way as a Scheme variation.

Conclusion

Franchising

- 6.181 Franchising would require the implementation of a new operating framework, overseen by new governance and organisational structures. A Franchising Scheme would significantly change the way bus services were arranged, planned and operated, with the CA assuming more responsibilities and needing additional staff resource and capability.
- 6.182 The CA has already commenced an expansion of its Public Transport Team, which would provide the foundation for further development if the decision to introduce a Franchising Scheme was approved. The Management Case has highlighted that the Team would require up to 15 additional posts.
- 6.183 Transition to a franchised network is programmed to deliver the first franchised services in the first eight months and take about 3 years to complete, once the decision has been taken to introduce it.

Enhanced Partnership (EP)

- 6.184 The delivery of the ambitions for the bus network could be achieved through an EP. Transition to structures to achieve this would be relatively straightforward from the current position. An EP Plan and Scheme could be put in place within a year (if agreement between the CA and operators can be reached), with the Scheme setting various dates and deadlines for the introduction of commitments and requirements.
- 6.185 The CA's Public Transport Team would require some expansion to deliver a successful EP, with possibly 8-10 additional posts.
- 6.186 While the CA would be able to set the terms of a Franchising Scheme, the terms of the EP Plan and Scheme would need to be negotiated with operators. If full agreement cannot be reached, proposals would be put to the operator objection mechanism. If the relevant threshold of support is not reached, the EP Scheme would not proceed.

7. Conclusion

- 7.1 This Assessment has set out the case for regulatory reform of bus service delivery for the entire Cambridgeshire and Peterborough region. This has been undertaken in accordance with the Transport Act and with reference to the Green Book Guidance requirements and Franchising Guidance. The latter sets out the activities that an authority should take when developing its assessment, including the use of the principles of a Treasury Public Sector Business Case.
- 7.2 This Assessment has followed the five-case structure of Strategic, Economic, Commercial, Financial and Management Case. The requirements of the Franchising Guidance have been dealt with as follows:
- **Compelling case for change** – Addressed in the Strategic Case, setting out the need for intervention and significant change to achieve the ambitions in the Bus Strategy and BSIP.
 - **Objectives of bus reform** – These are set out within the Strategic Case.
 - **Options** – Those options available (either EP or Franchising) are set out in the Strategic Case.
 - **Assessment of options** – The options are considered across all five cases, in terms of their ability to achieve overall objectives and in respect of risk, resource requirements, affordability, benefits and value for money.
 - **Selection of a preferred option** – This is described in the conclusion, based on the analysis and assessment through the five cases.
- 7.3 Through this Assessment and the above activities, suitable attention has been given to the impacts, risks and practical implications of regulatory change.

Summary of option assessment

Strategic Case

- 7.4 The Strategic Case highlighted the need for change to achieve the CA's wider policy ambitions, including those set out in the Bus Strategy. In particular, is the need of a step-change improvement in the bus network to help achieve the targets to reduce car miles by 15% and to double bus patronage by 2030.
- 7.5 The objectives of bus reform are to:

- Maximise the ability of the CA 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.

7.6 In delivering these objectives, the CA considers that it will meet the overall vision of the Bus Strategy:

- 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. The ability of an EP or Franchising to address the objectives and deliver the vision forms the basis of the Assessment.
- An enhanced network with greater connectivity and availability could be achieved under either an EP or Franchising. However, Franchising would provide the CA with greater control and influence over the shape and stability of the network, and the ability to ensure service connections and integrated fares and ticketing. Realisation of the full envisaged change would take a similar time under an EP or Franchising. Under an EP, delivery of change would be dependent on negotiations with operators, which, for some of the more ambitious requirements, could take extended periods (and, in some cases, may not be achieved at all). However, changes could be phased in as and when they had been agreed, rather than all in one go as would be the case with Franchising. In the case of Franchising, the CA would be able to dictate timescales and ensure delivery, subject to sufficient resources being available.

7.7 A comparison of the performance of an EP and Franchising, at the medium level of investment, is set out in Table 7-1 below. The medium investment level has been chosen for this comparison, as this is the most likely scenario to be taken forward:

Table 7-1: Comparison of Benefits – Medium Investment Scenario

Impact	Enhanced Partnership	Franchising
Passenger efficiency benefits	Moderate benefit	Strong benefit
Economy benefits	Moderate benefit	Strong benefit
Support for wider CPCA ambitions and initiatives	Moderate benefit	Strong benefit
Greenhouse gas reduction	Slight benefit	Moderate benefit
Air quality emission reduction	Slight benefit	Moderate benefit
Non-monetised benefits	Moderate benefit	Strong benefit

7.8 Both EP and Franchising options offer the CA advantages to help achieve value for money through competition, as shown in Table 7-2. An EP Scheme will allow some of the downsides of predatory competition in the deregulated market to be overcome, by allowing some protection for existing and new operators while maintaining any benefits that may accrue from on-street competition. Franchising requires competition amongst operators for service contracts to ensure best value is achieved and to maximise the number of services that can be provided for the budget available. The structure of the proposed Franchising Scheme has been developed in order to achieve this aim.

Table 7-2: Comparison of Impact on Competition – Medium Investment Scenario

Impact	Enhanced Partnership	Franchising
Anticipated impacts on the level and capacity of competition for bus service delivery	Minimal impact on number of bus operators in area	Potential to attract new operators to the market

7.9 In terms of maximising the user benefits through coordinated service provision, integrated ticketing, service stability and information provision, Franchising offers the CA the opportunity to take a more integrated approach to the overall planning and provision of its proposed network, as shown in Table 7-3.

Table 7-3: Comparison of Quality and Integration Benefits – Medium Investment Scenario

Impact	Enhanced Partnership	Franchising
Revenue impact	Benefit	Strong benefit
Non-monetised quality and integration benefits	Benefit	Strong benefit

7.10 The ability to plan and coordinate the network as a whole will provide the flexibility to adapt and adjust the service offer to ensure continued sustainability and affordability

of the network. Decision making and management of these adjustments will be aided by the CA's access to continuous, detailed performance data secured through franchise contracts.

- 7.11 Overall, the Strategic Case suggests that Franchising would offer advantages over an EP.

Economic Case

- 7.12 The main consideration of the Economic Case is whether EP or Franchising represent value for money to the public sector (as defined by the HM Treasury's Green Book). The Case considers the options in respect of their impact on wider society, appraising economic, social, and environmental benefits.
- 7.13 The appraisal has been undertaken based on a forecast of revenue and operating costs by service, to allow for an understanding of the distribution of impacts across passengers, other residents and travellers, operators (of different sizes, both existing and new entrants), local authorities and central government.
- 7.14 As shown in Table 7-4, Franchising provides a net present value (NPV) of around £188 million compared with £123 million for an EP over the appraisal period. Furthermore, it is more beneficial in delivering a wider range and scale of non-monetised impacts and advantages in terms of the CA's ability to better influence distributional outcomes through the specification of bus services in ensuring they are provided where they will meet wider objectives.
- 7.15 Uncertainty may occur under either an EP or Franchising. For an EP, this may occur in the early stages of negotiation and agreement of those commitments and requirements to be included. For Franchising, there would be much uncertainty during the transition phase, where there would be the potential for legal challenge or operators taking actions to disrupt the process. Equally, during the period of contract procurement there may be uncertainty around outcomes, depending on the tendering strategies and decisions adopted by operators (including whether to participate and what pricing strategies to adopt). Furthermore, the entire bus network will be subject to that uncertainty.
- 7.16 In both cases, the level of uncertainty during the periods of operation is low, although under EP, operators still have the commercial freedom to amend services at any point.
- 7.17 Where variations are sought in the provision of services and operation of the network, the EP opens up the need for further negotiations and the opportunity for

operators to object, whereas change in respect of the franchised network will be governed by defined contractual change processes, creating less uncertainty.

Table 7-4: Comparison of Economic Benefits

Impact	Enhanced Partnership	Franchising
Net present value (NPV)	£123m	£188m
Overall non-monetised impacts	Benefit	Strong benefit
Distributional benefits	No group is identified as being negatively affected by the scheme	No group is identified as being negatively affected by the scheme
Initial value for money category	High	High
Uncertainty during transition	Medium	High
Uncertainty during operation	Low	Low
Future uncertainty	High	Low
Value for money including wider impacts	Medium	Medium
Adjusted value for money considering non-monetised impacts, distributional benefits and uncertainty.	High	High

7.18 In terms of value for money, both an EP and Franchising achieve this, whereby the benefits achieved would outweigh the investment made. Franchising performs slightly better than the EP and has advantages in terms of the influence it provides the CA in dealing with uncertainty and guiding the distribution of benefits.

Commercial Case

7.19 The Commercial Case considers whether the proposed commercial arrangements support the successful implementation of the options. An assessment was made against a number of commercial objectives as shown in Table 7-5.

Table 7-5: Comparison of Commercial Issues

Impact	Enhanced Partnership	Franchising
Public sector influence	Medium – low	High
Best value	High value	High value
Competition between bus operators	Low competition	Medium – high competition
Appropriate risk allocation	More private sector risk	More public sector risk
Ease of implementation	Individual improvements subject to EP board support	Improvements easier to implement once franchising in place
Recovery and flexibility	Network subject to effective stakeholder collaboration in times of disruption	CA has more control to effectively manage the network, including periods of disruption

7.20 Franchising is particularly beneficial in providing the CA with significant influence over the bus network. However, Franchising involves much greater change than an EP and requires more resources and capabilities to implement. It also involves greater risk for the CA to manage.

Financial Case

7.21 The Financial Case considers the projected cashflows under each option, and identifies income sources in order to assess affordability for the CA and the potential financial risk. The analysis is based on the forecasts of bus revenue and operating costs used in the Economic Case, along with consistent levels of investment between options.

7.22 This Case concludes that any of the options pursued are expected to require substantial financial support throughout the appraisal period. The level of both capital investment and on-going revenue to support a network of increased frequency services needs to be considered alongside any accompanying risks.

Management Case

7.23 The Management Case considers the factors that influence the deliverability of the CA's arrangements under each option. Achievement of the CA's ambitions under an EP or Franchising will require additional staff resources and capabilities, along with stronger governance and organisational structures. This would be more so under

Franchising because of the greater change in respect of the management and control of the entire network. However, the ability to achieve a more coordinated, seamless network would be enhanced under Franchising, whereas an EP Scheme would require more time and effort in negotiating change and requirements with operators.

Identification of preferred option

Preferred option

7.24 As shown in Table 7-6, the assessment of EP and Franchising provides the following picture in the medium investment scenario.

Table 7-6: Summary of Findings of Five Cases

	Enhanced Partnership	Franchising
Strategic Case	Some alignment with national and regional policies and objectives	Strong alignment with national and regional policies and objectives
Economic Case	High value for money	High value for money
Financial Case	Requires significant financial support	Requires significant financial support
Commercial Case	Limited risk and responsibilities for Combined Authority	CA would take on significant financial and reputational risks, and gain the ability to respond to changing circumstances through its overall control and management of the network and access to performance data.
Management Case	Additional workload for CA to manage the partnership and investment schemes, but reduced responsibilities compared to Franchising	Large workload for CA to manage the Franchising and investment schemes

Recommendation

7.25 The CA must reform its approach to the way bus services are provided, in accordance with the requirements of the National Bus Strategy. Doing nothing is not an option, so this means a necessary introduction of either an EP or Franchising.

7.26 A decision on which of Franchising or EP should be adopted as the preferred option requires consideration across the five cases, which make up the detailed assessment of options activity set out in the Franchising Guidance. The performance against the scheme objectives, consolidated by Case and key issue, are presented in Table 7-7.

Table 7-7: Summary of Recommendations

Scenario		Strategic Impact - A reliable, convenient and easy to use bus system	Likelihood of achieving strategic aims	Economic viability - Value for Money	Commercial Deliverability	Practical deliverability	Financial Sustainability	Management and Resources	Potential for challenge	Comments
	Franchise	A transformed network with increased patronage and service coverage along with ticketing and service integration.	Balance of investment and control is appropriate. Aims achievable without wider policy.	Good value for money.	CA would take on significant financial and reputational risks.	Large increase in CA responsibilities.	Requires significant financial support.	Organisational change required for CA.	Potential for operator challenge due to scale of market changes.	Emerging preferred option. Most likely to deliver strategic impact with good value for money. Risks for deliverability, resources and affordability are acknowledged.
	EP	A transformed network with increased coverage, some limits to introduce ticketing and network integration.	Balance of investment and control is skewed towards investment. Control over outcomes limited.	Good value for money.	Limited risk and responsibilities for CA.	Limited change in CA responsibilities.	Requires significant financial support.	Incremental workload increase for CA.	Political challenge possible due to handover of large amounts of investment to the private sector with less control on outcomes.	Next best alternative. Some strategic impact due to investment, but limits on the control of the outcomes may reduce the impact. Good value for money and deliverability.
No Decision		A declining network with falling patronage, reduced services.	CA would come under considerable pressure from electorate and operators.	No investment to assess value for money.	CA would need to provide ongoing additional support annually to retain service network.	CA would need to take on increased responsibility for the network with no increase in resources.	CA budgets would need to increase above inflation to retain current network.	Continuing need to assess value of service and instigate cuts.	Communities affected by bus service cuts likely to present significant reputational challenges.	Reflects a continuation of the current situation.

- 7.27 It is clear that Franchising offers advantages for the CA in achieving its strategic objectives, allowing full influence over outcomes and the efficient delivery of bus service improvements to passengers, and bus network changes which support the delivery of wider policy ambitions.
- 7.28 The Economic Case shows that both options would be justifiable public sector interventions, at least at the medium investment level.
- 7.29 Whilst an EP has fewer risks, Franchising has clear advantages in terms of the Commercial Case, with more certainty in delivery and greater confidence in achieving desired outputs from the ability to flexibly manage and adapt services.
- 7.30 The Financial Case shows that all options are affordable, although the CA would be required to provide ongoing financial support throughout the period. However, to maintain the same improved service levels, the Franchising option would require slightly lower levels of financial support than the EP option.
- 7.31 The Management Case demonstrates that either option is deliverable by the CA, although both options would require a significant expansion in the CA's public transport team.
- 7.32 Government policy requires local transport authorities in England to reform the way in which bus services are delivered in their areas. The Combined Authority therefore needs to make a choice between providing those bus services using Franchising or an EP.
- 7.33 Having undertaken this Assessment in accordance with the relevant requirements of Transport Act and the Franchising Guidance, the Combined Authority considers that on balance, the strategic advantages of Franchising and the increased certainty which it brings in terms of outcomes, outweigh the disadvantage of taking on significant financial risk. On the basis of this Assessment, Cambridgeshire and Peterborough Combined Authority recommends that the Franchising Scheme is adopted as its Preferred Option for bus reform.

Appendix A – Development trips analysis

Sites identified

The CA area includes a large number of land use development sites, some of which are of regional importance, as shown in Figure and Figure below. Estimating the impact of these developments, in terms of additional bus service patronage was an important aspect of this Assessment. It should be noted that sites with less than 1,000 homes were not considered separately in this analysis, but have been assumed to be included within Local Plan based forecasts.

Figure A-1: New housing development sites

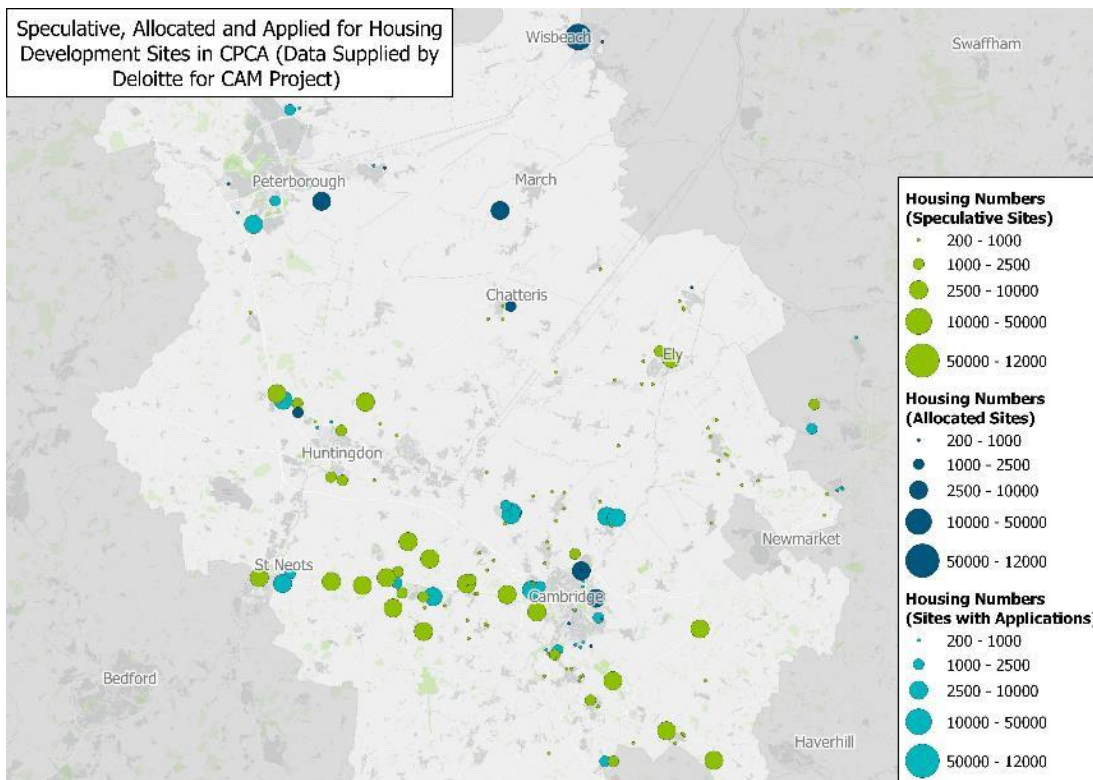
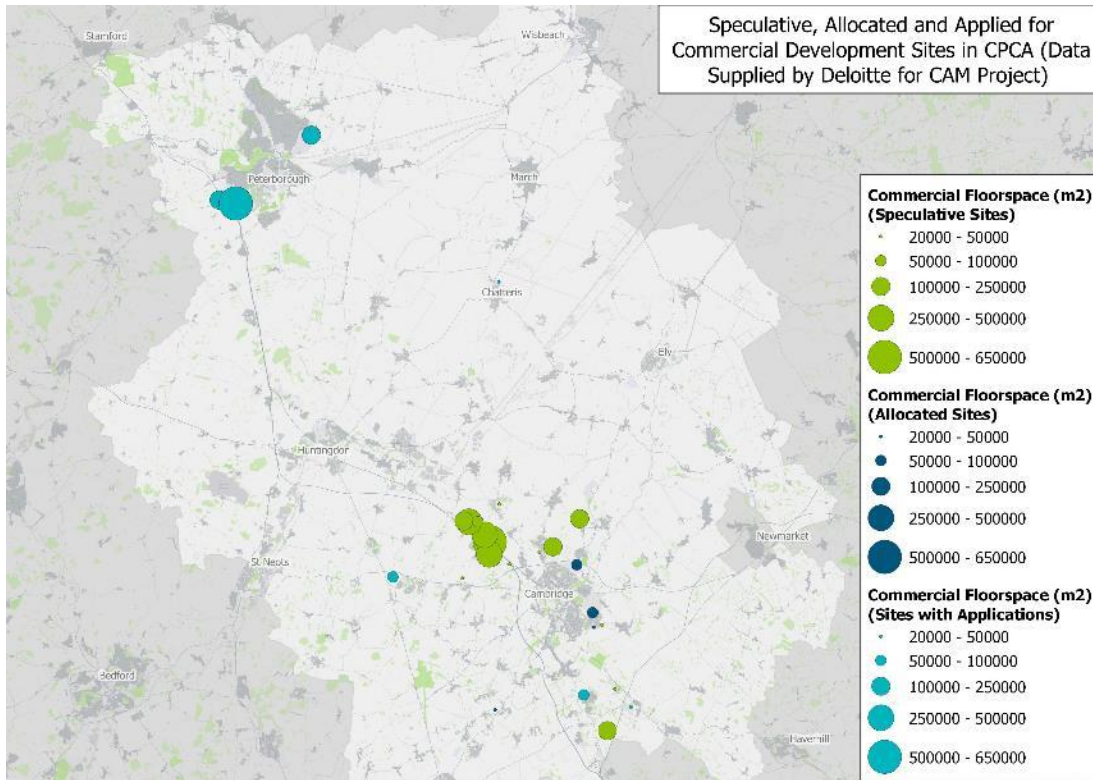


Figure A-2: New employment development sites



Each of the development sites in the region was reviewed to identify:

- The stage of development in terms of the planning process.
- The size of the development, in terms of number of houses or floorspace.
- The likely build out programme, in terms of the number of units constructed each year, and hence the total time for development.

Time profiles and build out rates

Given the uncertainty that always surrounds the progress of major development proposals, several 'rules of thumb', based upon national and local research and local experience, were used to develop criteria to be used to assess the timing of land use developments. These are summarised in Table A- 1. Different assumptions were made, based upon the overall size of the development, reflecting recent trends where larger developments take longer to both reach full planning, and come on stream.

A key aspect of this relates to the time taken for a scheme to progress from initial plans, through Local Plan adoption, outline planning and full planning, including the time to first completion. This varies considerably depending upon site characteristics and the planning

authority. Recently published insights from one of the UK's leading planning consultants¹⁴² suggests that a period of between 4 and 6 years is required to achieve full planning permission, including fulfilling all pre-planning requirements, as shown in Figure 3. In general, it can be seen that the larger the site, the longer it takes for planning permission to be determined, with a site of 500 units or less taking on average 2.5 years to receive permission, rising to up to 5 years for sites over 1,000 units.

A second area of concern relates to the time to reach first completion on each site. The NLP report suggests that, after permission has been received, the first completion is fastest on sites of over 2,000 houses (sometimes taking less than one year), whereas for developments under 500 units this will likely take 18 months. These differences are typically due to the fact that on larger sites, many issues are resolved prior to full planning permission being received.

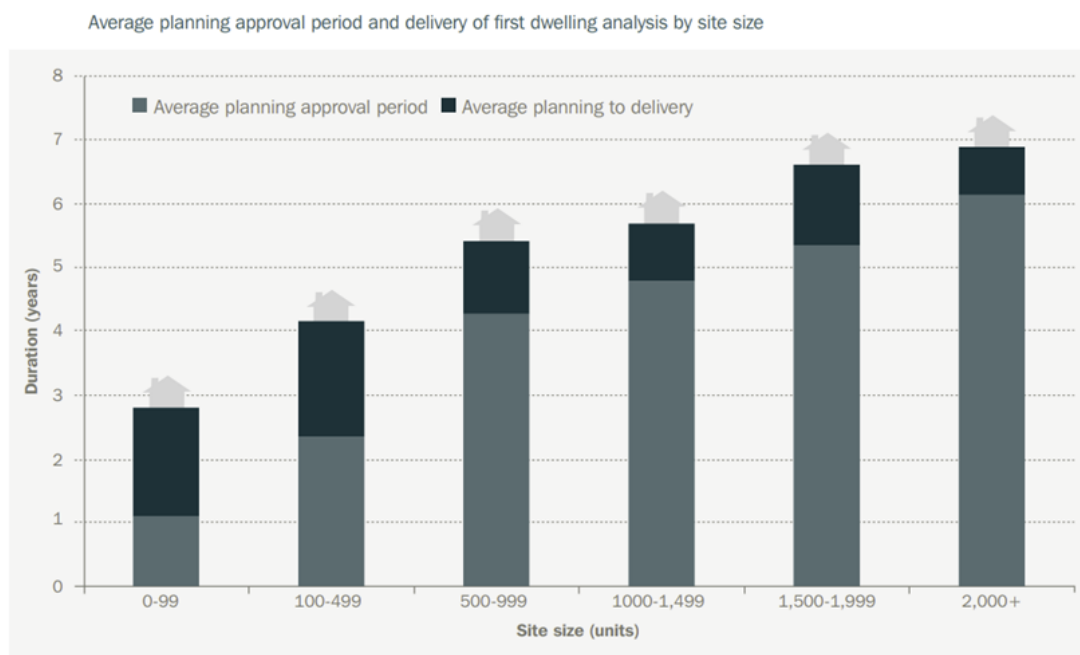
Independent research presented to the government¹⁴³, provides a breakdown of the time taken to complete the entirety of a development site. Analysis of this data indicates that for sites between 1,200 and 3,500 units, the average full delivery time was 13.7 years, whereas for sites between 3,500 units and 8,900 units the average completion time was 16.4 years.

The third concern relates to the rate at which houses will be constructed. The NLP report indicates that a site of 100 – 1,000 units will deliver approximately 60 units per year, with a site of 2,000 units or more delivering over 160 units per year. This is often further skewed as larger sites often have more than one housebuilder involved (for example the Northstowe development, has at least four different housebuilders). A higher rate of affordable housing also decreases construction time, although this is difficult to incorporate without more details of each site. However, a significant proportion of affordable housing would be expected on all sites. For the purposes of this Assessment, an average build out rate of 250 houses per annum per development has been adopted.

¹⁴² <https://lichfields.uk/blog/2016/november/8/start-to-finish-how-quickly-do-large-scale-housing-sites-deliver/>

¹⁴³ Independent Review of Build Out, Final Report, Rt Hon Sir Oliver Letwin MP, October 2018

Figure A-3: Average planning approval period¹⁴⁴



Source: NLP analysis

Further consideration in assessing the impact of major development sites, is that many sites which are proposed by developers, or even sites which achieve Local Plan adoption and outline planning permission do not get built. Local Government Association (LGA) research¹⁴⁵ indicates that 2.782 million homes have been granted planning permission since 2010-11, but only 1.672 million homes constructed, meaning that nationally, approximately 40% of approved dwellings have not been constructed over this period. Additional research by the LGA research shows that across England over 1 million homes allocated in local plans have yet to be taken up by the development sector, with 8.6 years of additional housing supply in the East of England in unadopted sites¹⁴⁶. For the purposes of this Assessment, it has been assumed that 50% of allocated sites will be delivered, reflecting the speculative nature of many of these sites.

Independent research was presented to the government in 2018¹⁴⁷ to explore why there is a large gap between land allocations and permission granted and housing completions on large developments. The report studied 15 sites between 1,200 and 15,800 houses and found that as a percentage of all planned housing developments, an average of 6.5% were built out during each year of construction.

¹⁴⁴ Start to Finish: How Quickly do Large-Scale Housing Sites Deliver?, Nathaniel Lichfield and Partners, November 2016

¹⁴⁵ <https://www.local.gov.uk/about/news/over-1-million-homes-planning-permission-waiting-be-built-new-lga-analysis>

¹⁴⁶ <https://www.local.gov.uk/publications/local-plan-housing-allocations-survey-research-report>

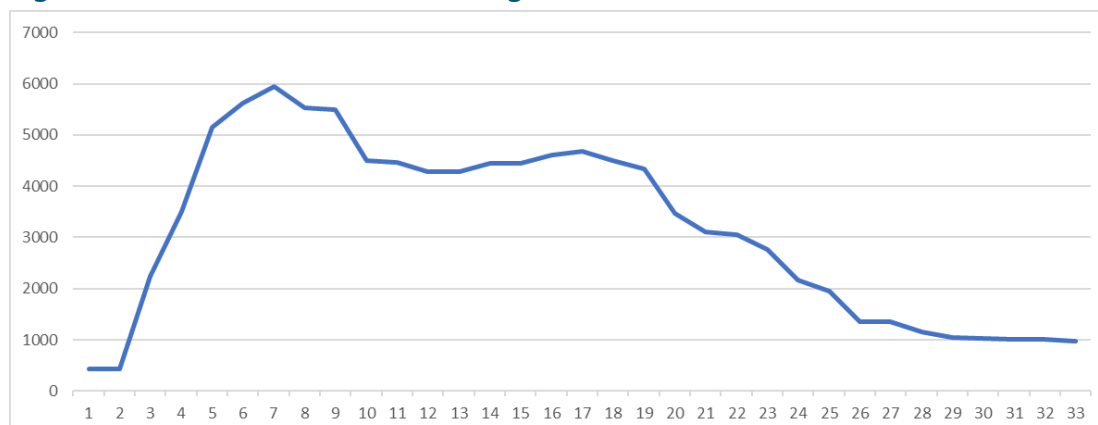
¹⁴⁷ Independent Review of Build Out, Annexes to the Final Report, Rt Hon Sir Oliver Letwin MP, October 2018

Table A- 1: Rules of Thumb for Development Sites

Aspect	Categorisation	Rule applied
Time to start development	Full planning achieved	
	Less than 1,000 homes	In 1 year
	More than 1,000 homes	In 2 years
	Outline planning achieved	
	Less than 1,000 homes	In 3 years
	More than 1,000 homes	In 4 years
	Allocated Site	
	Less than 1,000 homes	In 6 years
More than 1,000 homes	In 9 years	
Speculative Site	Less than 1,000 homes	In 10 years
	More than 1,000 homes	In 13 years
Proportion of speculative sites delivered		50%
Average homes built each year per development site		250

Based upon these assumptions the profile of new development in the CPCA area was assessed. This showed that housing development was likely to increase rapidly up to 2031, as more certain sites come on stream, then gradually fell, as all the sites identified at this stage, were either built out or fell away. This profile is shown in Figure .

Figure A-4: Profile of annual housing construction¹⁴⁸



Trips rates for new developments

Having identified the likely number of new houses on each site, factors reflecting the typical number of people living in each house and the average number of trips made by bus were applied to reach the overall number of trips generated. Average household size is expected to fall over time, as the number of one person households increases. In 2014, government predictions¹⁴⁹ were for this to fall to 2.21 persons per household by 2039. For the purposes of this Assessment the average household size in the developments being studied here was taken to equal 2 people per household¹⁵⁰. This reflects a relatively cautious estimate of the number of people that will live in these developments.

Estimates of the likely number of trips that will be generated by each development have been developed, based upon observed data from comparable developments and national statistics. In the absence of more specific information, the number of bus trips per person per annum, in the base scenario, was assumed to be the same in the CPCA area as the national average, of 26 trips by bus per person per year¹⁵¹. To assess the robustness of this estimate, available data from other developments has been used. Comparative data showing trip rates for different development sites are difficult to obtain and assimilate, as most data is not published, and each site is different.

However, summary data for the Northstowe development has been identified. Northstowe is a New Town under development located approximately 10km northwest of Cambridge. The town is an allocated centre for growth and is expected to have a population of 24,400 and

¹⁴⁸ Source: Consultants estimates, based upon CPCA information

¹⁴⁹ Department for Communities and Local Government, 2014-based Household Projections: England, 2014-2039

¹⁵⁰ Estimate of likely future household size

¹⁵¹ NTS9903: Other Local Bus Trips in the East of England 2018/19 (A pre-Covid year has been taken as the more recent data available are heavily influenced by the pandemic)

house 10,000 new dwellings. The first phase began in 2017 providing 1,500 homes and other local amenities. The site sits alongside the Cambridge Guided Busway, which is expected to be the primary public transport link into the New Town. The Northstowe Phase I and Phase II Travel Plans aim for a reduction in mode share by car trips of 10%, with 58% of trips made by car, 8% by guided bus and 5% by bus¹⁵². Monitoring data was collected in the first week of March 2020, before the first lockdown. The survey indicated that 62% of residents travelled by car, 7% by cycle, 15% by Guided Busway, 5% by Park and Ride and 1% by other public bus. Monitoring data was also collected in the first week of March 2021, during the third lockdown. Of those not working from home at the time (59% of respondents) 68% travelled by car, 7% cycled, 10% used the Guided Busway and 7% used Park & Ride¹⁵³. Whilst it is not possible from the published data to estimate the number of bus trips per person per annum, this data does show the proportion of total trips made by bus, that can be achieved with well-planned bus services.

To test the robustness of the appraisal results, a separate sensitivity test captures the impact of a lower annual rate of bus trips person. This includes 26 trips per person per year from those living in the future developments included in the spreadsheet model.

¹⁵² [Northstowe Phase I Residential Travel Plan \(2017\)](#) and [\(2019\)](#)

¹⁵³ <https://www.scambs.gov.uk/community-safety-and-health/northstowe-community-forum/>

Appendix B

Risk Matrix – Franchising

Risk No	Risk Description	Cause	Consequence	Mitigation	Category	In QRA	Revenue Impact	Likelihood	Magnitude	Risk Score
F1	Judicial review of any CPCA decision to proceed with franchising.	Mayoral decision is challenged. Reasons for a challenge include: a) adequate consideration of impacts of proposed scheme had not given throughout process. b) there had been a failure to comply with the process set out in the 2017 Act. c) a decision of the CA was not taken in accordance with the CA's constitution and other governance rules. d) inadequate consideration of other alternatives e.g. partnership approach.	1) Delays to the schedule for implementing the Franchising Scheme. 2) Costs associated with defending the challenge.	1) Ensure compliance with the requirements of the 2017 Act. 2) Full assessment to consider impacts of the proposed scheme. 3) Review and consideration of any feedback to CA's assessment both upon completion of assessment and during any potential statutory consultation. 4) Appropriate engagement with stakeholders. 5) Ensure compliance with CA constitution and comply with any instructions given by CA.	Legal	Yes	No	5	3	15
F2	Delays to public consultation.	a) public consultation is delayed due to unforeseen delays with decision making due to extended audit period, delays with exogenous decisions, or financing considerations.	Delays to the schedule for implementing the Franchising Scheme.	1) Early preparation for the consultation. 2) Ensure public consultation meets statutory requirements.	Consultation	No	No	2	3	6
F3	Delays to Mayoral decision making regarding selection of options.	a) Mayoral decisions are delayed by purdah.	Delays to the schedule for implementing the Franchising Scheme.	1) Provide information to the Mayor in a timely fashion. 2) Clearly communicate timescales and deadlines to all members of the development team.	Implementation	No	No	1	4	4

F4	Operators withdraw 'loss making' services in advance of franchising process, or reduce investment in fleet or services.	<p>a) Operators foresee losing franchise bids and reduce costs when opportune.</p> <p>b) Small operators decide to exit the bus service market.</p>	<p>1) CA is required to step in to provide financial support for withdrawn services.</p> <p>2) Bus supply pool is insufficient to provide all services</p>	<p>1) Manage Transition as a discrete project with the appropriate resources in place.</p> <p>2) Short-term supplier agreements with bus operators to cover the service in the event of services being withdrawn.</p> <p>3) Regular contact with bus operators before and during transition phase to ensure minimum disruption.</p> <p>4) Clear communication strategy.</p> <p>5) Compliance with The Public Service (Registration of Local Services) (Franchising Schemes Transitional Provisions and Amendments) (England) Regulations 2018. This has the effect of, amongst other things, increasing the notice period that an operator must give when deregistering a service during transition from 56 to 112 days.</p>	Implementation	Yes	Yes	2	5	10
F5	First Procurement Round - Risk that the information provided to bidders (e.g. staff data for TUPE) to price bids is inaccurate, or becomes out of date by go-live (outside of the inevitable operational changes).	<p>a) Operators do not provide up to date, accurate data.</p> <p>b) Time lags between information provision and procurement process.</p> <p>c) Procurement is delayed due to unforeseen issues.</p>	<p>1) Insufficient bids received.</p> <p>2) Procurement extended due to excessive clarification questions.</p> <p>3) Tender prices are inflated due to perceived risks.</p>	<p>1) Ensure appropriate CPCA team to run the procurement</p> <p>2) Operators required to provide relevant information under the regulations issued under the 2000 Act.</p> <p>3) Ensure where information is not available that bidders are given appropriate assumptions.</p> <p>4) Engagement with incumbent operators.</p>	Implementation	No	No	3	3	9
F6	Insufficient market interest in franchising tenders.	<p>a) Position of dominant operator deters competition.</p> <p>b) Tender packages are seen as too large or too small.</p> <p>c) Tender requirements are prohibitive.</p>	<p>1) Tender prices are inflated due to lack of competition.</p> <p>2) Lack of supply in the market.</p> <p>3) Procurement is</p>	<p>1) Extensive market sounding and consultation with prospective bidders.</p> <p>2) Testing of procurement options prior to procurement process begins.</p> <p>3) Consultations with potential operators</p>	Implementation	No	No	4	3	12

			considered as invalid.	regarding structures and sizes of franchises.						
F7	Depots: suitable depot sites are unavailable and existing sites cannot be secured at an economic cost.	a) Suitable sites are in short supply in the CA area. b) Existing operators retain depot sites, or dispose of them for non-transport uses. c) Land values for suitable sites rise.	1) Incoming operators will be unable to secure suitable depot facilities. 2) Prospective tenderers are deterred due to potential operational difficulties. 3) Cost of securing depot facilities are higher than expected leading to high tender prices.	1) Early search and securing of suitable sites, possibly through the planning system. 2) Put a plan in place to secure appropriate depot facilities. 3) Negotiations with existing depot owners to secure release of sites.	Implementation	Yes	No	4	3	12
F8	Delays in the deregistration of existing services and registration of new services.	a) Incumbent operator does not allocate sufficient resource to deregister existing services. b) CPCA is unable to identify sufficient resource to register all new services. c) Resource constraints within the Traffic Commissioner organisation.	1) Delays in registering new services means that franchise contracts cannot start. 2) Additional consultancy support may be required.	1) Provide sufficient lead in time for franchise contracts. 2) Professional fees during development process may increase. 3) Prepare registration materials in advance of procurement process.	Implementation	No	No	2	3	6
F9	Major transport projects (e.g. road works) cause disruption to franchises.	a) Large infrastructure works cause disruption to the wider road network, leading to issues with the running of bus services.	1) Reduced levels of service on franchised services lead to reduced patronage and reputational damage. 2) Overrunning major infrastructure schemes impact on the delivery of franchised services.	1) Ensure that CPCA's bus team and operators are key consultees when infrastructure plans are being developed. 2) Scenario planning to assess required changes to franchised routes and timetables. 3) Consider external factors in phasing of franchises.	Operations	No	Yes	2	2	4

F10	Implementation of the first packages are delayed due to mobilisation & complexity issues, resulting in customer impacts and a significant loss of confidence in franchising.	<p>a) Incoming operators underestimate the complexity of setting up a new operation.</p> <p>b) Operators are unfamiliar with the area leading to issues of unreliability.</p> <p>c) Delays in the procurement of vehicles.</p> <p>d) Lack of cooperation from incumbent, outgoing operator.</p>	<p>1) Unreliable operations in early months of new franchise leading to reputational damage and reduced patronage.</p> <p>2) Use of older vehicles in initial months of franchise.</p> <p>3) Difficulties in accessing and setting up depot facilities.</p> <p>4) Delays in transfer of staff.</p>	<p>1) Increased lead times between procurement and start of franchises.</p> <p>2) Tender requirements related to availability of suitable vehicles.</p> <p>3) Identification of alternative (temporary) depot facilities alongside existing depots.</p> <p>4) Clear procedures for TUPE of staff, including liaison with trade unions.</p>	Implementation	No	Yes	2	4	8
F11	Economic downturns lead to reduced patronage and fare revenue.	<p>a) Short-term economic downturn leads to reductions in patronage.</p> <p>b) Longer term economic downturn leads to reduced patronage over the life of the franchise.</p>	Reduced fare income, which would need to be covered from CPCA budgets.	<p>1) Retain contingency from fare income received, to meet shortfalls.</p> <p>2) Periodically revise patronage and fare income forecasts.</p> <p>3) Review bus service provision within franchise contracts against revised forecasts.</p>	Finance	Yes	Yes	3	5	15
F12	Non-delivery of complementary investments such as bus priority measures, new stops, ticketing systems.	<p>a) Reduced CA and LA budgets lead to reduced capital investment programmes.</p> <p>b) Technological issues delay implementation of systems.</p> <p>c) CA is not the highway authority so does not have control over the provision of bus stops and shelters.</p>	<p>1) Service improvements are not delivered leading to reduced patronage.</p> <p>2) Inadequate infrastructure makes timetables undeliverable.</p> <p>3) Multi-operator ticketing is unavailable.</p> <p>4) Improved stops and shelters are not provided, reducing patronage on some</p>	<p>1) Maintain strong liaison between CPCA and Local Authorities.</p> <p>2) Ensure CA input to LTCP and capital programmes.</p> <p>3) Complete detailed risk assessment for complementary investments.</p> <p>4) Adopt proven technologies wherever possible.</p>	Implementation	No	Yes	4	2	8

			routes. 5) Additional costs for CPCA to provide alternative measures.							
F13	Incumbent large operator does not win franchise and subsequently acts in an uncooperative manner.	a) Incumbent operator takes an aggressive stance with regard to relinquishing services and assets. b) Short-term losses affect the viability of local operations.	1) Reputational damage. 2) Cost and time of managing issues. 3) Implementation delay.	1) Detailed mobilisation plan to mitigate risks associated with incumbent operators. 2) Any voluntary agreement of depot transfer would build in obligations in relation to the existing operator to cooperate in depot and operational transfer. 3) Engagement with incumbent operators.	Implementation	No	No	1	2	2
F14	Inadequate or unrepresentative public consultation.	a) Not all groups are represented within consultation results due to technological issues. b) Insufficient publicity of consultation process.	1) Lack of public support for the scheme. 2) Incorrect conclusions from the consultation.	1) Ensure wide publicity of consultation. 2) Use latest technology to present options. 3) Utilise outreach groups to encourage consultation take up.	Consultation	No	No	2	3	6
F15	Fleet specifications are inappropriate, difficult to provide within the market, or excessively expensive.	a) Specifications for fleet do not meet franchise requirements. b) Fleet specification that is hard to achieve. c) Inadequate research into ability/appetite of the market to deliver required fleet. d) Lack of consultation with manufacturers and operators.	1) Operational and service problems. 2) Reputational damage. 3) Management time and cost. 4) Reduced interest in procurement. 5) Poor fleet quality. 6) Increased costs.	1) Establish specification control group and develop specification which is fit for purpose to determine what CA would accept. 2) Peer review of all specifications. 3) Market engagement to test specifications. 4) Engage with manufacturers to ensure fleet specified is deliverable and allow enough time during procurement for fleet to be sourced.	Implementation	No	No	2	3	6
F16	Network design - risk that any network design changes reduce customer satisfaction and patronage.	a) Any new network delivers a worse service to customers by reducing frequency on popular routes or changing routes. b) Inability to improve network in the future to drive multimodal integrated	1) Lack of public confidence. 2) Lower than expected revenue and patronage. 3) Limit integration benefits.	1) Not implementing change from initial network until appropriate level of operational data is obtained. 2) Validate operator data. 3) Stakeholder management. 4) Governance process in place.	Implementation	No	Yes	2	1	2

		transport system. c) New network designs fail to address latent demand issues and impact current demand.	4) Reduced funding potential for future schemes. 5) Loss of customer confidence. 6) Political challenge.							
F17	Lack of support for scheme from neighbouring authorities.	a) Inadequate consultation with other authorities. b) Insufficient analysis of potential impacts. c) Political fallouts.	1) Support for judicial review from neighbouring authorities. 2) Delays in gaining required approvals. 3) Lack of cooperation on technology and service provision.	1) Early consultation with political leaders. 2) Work with neighbouring authority officers to confirm existing service details and plans for future changes. 3). Ensure coherence with published strategies and plans.	Consultation	No	No	2	3	6
F18	Permanent driving and maintenance staff resources may not be secured immediately by incoming operators on commencement of transition.	a) TUPE poorly managed. b) Operators actively encourage best maintenance staff to be retained for other local operations. c) General shortage of skilled staff in the market price at the right price. d) Inadequate budgeting for required salaries to attract staff. e) Assumptions about individuals that will TUPE from one operator to another are incorrect. f) Poor Management of mobilisation by the successful operator. g) Not run as a project with all the appropriate governance. h) Incumbent operators stop recruiting and/or move staff	1) Reduction in service quality. 2) Reduction in availability of service. 3) Reduction in customer confidence and reputation. 4) Loss of revenue. 5) Additional cost.	1) Risk transferred to operator. 2) Due diligence to take place during the bid stage to ensure that the commitments made during the bid are backed up by evidence. 3) Bid requirements to ensure clear methodology has to be provided to address any CA concerns over approach. 4) Robust franchise management around the delivery of agreed personnel numbers. 5) Performance regime to incentivise operators to run services in line with contract. 6) Minimise requirement for new systems. 7) Employ appropriate experienced resource on a contract basis to provide robustness, training and handover to any CA personnel.	Implementation	No	No	3	4	12

F20	Risk that the operator does not comply with the contractual obligations, increasing the risk of contractual disputes.	<p>a) Contract management processes not agreed in advance.</p> <p>b) Inappropriate governance of the overall contract leading to issues escalating unnecessarily.</p> <p>c) Too little due diligence on the bid solutions leading to risk of mismatched expectations.</p> <p>d) No pre-agreed mechanisms to deal with likely changes to the requirements during the franchise period.</p> <p>e) Operator does not build in enough cost to deliver the contract successfully.</p> <p>f) Contractual terms not understood by the operator and the appropriate mechanisms and process not built into their Operating Model.</p> <p>g) Contractual terms not appropriately written.</p>	<p>1) Increased management time and cost devoted to contract management.</p> <p>2) Service performance suffers as issues remain unresolved.</p> <p>3) Contractual relationship.</p> <p>4) Difficulties in implementing changes to service provision.</p> <p>5) Reputational damage.</p>	<p>1) Appropriate terms and conditions and effective contractual enforcement mechanisms to incentivise compliance.</p> <p>2) Promoting consistent use of contract management procedures with bus services team to promote consistency and familiarity across organisation.</p> <p>3) Operator engagement on commercial franchise proposition.</p> <p>4) Specify evaluation methodology.</p> <p>5) Operator Bid to include their management team details and highlight experience in the Franchising Management Area.</p> <p>6) Robust challenge at Bid stage on costs associated with Contract Management by operator, and highlight their internal systems and processes to correct performance issues.</p>	Operations	No	Yes	2	5	10
F21	The services cannot be changed by CPCA during franchise contract.	<p>a) Poorly written franchise contract.</p> <p>b) Change mechanisms are cumbersome, poorly specified or time-consuming.</p>	<p>1) Inefficient or unpopular services remain in place for longer than necessary.</p> <p>2) Increased costs for CA to push through changes.</p> <p>3) CA has to compromise on changes that are not value for money.</p>	<p>1) Franchise contract written carefully, to provide flexibility.</p>	Operations	No	No	1	3	3

F22	Cross border services operating from areas outside of the scheme are disrupted or withdrawn.	a) Franchised service competes with cross border service making it unviable. b) Applications for service permits are unsuccessful or delayed.	1) Potential gaps in service provision. 2) Conflict with neighbouring authorities. 3) Additional costs to support cross border services.	1) Early consultation with neighbouring authorities and operators of cross border services. 2) User surveys to confirm patterns of usage on cross border services.	Operations	No	Yes	2	2	4
F23	Revenue protection strategy is ineffective.	a) Insufficient revenue protection teams in place. b) Lack of concern for revenue protection from operators.	1) Reduced revenue for CA. 2) New ticketing systems fall into disrepute.	1) Sufficient targeted revenue protection teams are employed. 2) Put in place monitoring and analytical methods to target hot spots.	Finance	No	Yes	2	2	4
F24	CPCA does not meet contractual obligations.	a) Inadequate management and staff. b) Insufficient or inappropriate resource. c) Factors outside of the control of operators. d) Poorly defined CA Control and Network Control Strategy and Plan.	1) Reduction in service quality. 2) Operator margins eroded. 3) Loss of revenue. 4) Increased contractual disputes.	1) Establish an appropriate Operating Model and identify suitable contingency plans. Identify any escalation routes and Management Meeting process early in process. 2) Develop a robust network control strategy and plan.	Operations	No	Yes	3	2	6
F25	Traffic congestion is worse than expected leading to service disruption.	a) Delays to implementation of complementary investments. b) Impact of highway works. c) Economic growth leads to significantly increased levels of road traffic.	1) Inability to meet contractual obligations for bus priority. 2) Service unreliability leading to reduced revenue and increased complaints.	1) CA to liaise closely with highway authorities. 2) Service contingency plans in place.	Operations	No	Yes	3	3	9
F26	Unpredictable fuel prices.	a) Volatile international fuel markets lead to variations in cost. b) Fuel costs higher than expected.	1) Costs of service operation increase. 2) Services are reduced to maintain affordability.	1) Seek external specialist advice on fuel risk.	Finance	No	Yes	3	3	9

F27	Fare revenues are below expectations.	<p>a) Patronage on franchised services is below expectations due to economic downturn.</p> <p>b) Economic or other shocks lead to temporary reductions in revenue.</p> <p>c) Forecasts of fare revenue were optimistic.</p>	<p>1) CPCA would be required to fund revenue shortfalls.</p> <p>2) Impact on other CA budgets.</p> <p>3) Services would need to be reduced to maintain affordability.</p>	<p>1) Robust monitoring and forecasting frameworks in place to enable quick reactions to revenue downturns.</p> <p>2) Maintain a contingency within CA franchise budget to cover short term downturns.</p>	Finance	Yes	Yes	2	4	8
F28	Reduction/removal of government funding for bus services (BSOG, concessionary fares).	<p>a) Government reduces or removes bus service operators grant.</p> <p>b) Concessionary fares compensation rates are reduced or do not maintain parity with inflation.</p>	<p>1) CA would be required to fund revenue shortfalls.</p> <p>2) Impact on other CA budgets.</p> <p>3) Services would need to be reduced to maintain affordability.</p>	<p>1) Any changes would be national and would be challenged by all local authorities and bus operators.</p>	Finance	No	No	3	2	6
F29	Key land use developments are not delivered, reducing demand on key services.	<p>a) Delays in the planning system.</p> <p>b) Objections to major developments.</p> <p>c) Developers delay or cancel proposals.</p>	<p>1) Patronage on some services falls short of forecasts.</p> <p>2) CA would be required to fund revenue shortfalls.</p> <p>3) S106 funding is reduced.</p> <p>4) Patronage for new services to development areas is reduced.</p>	<p>1) CA to provide support for major development proposals.</p> <p>2) CA to maintain contingency within franchise budget.</p>	Operations	No	Yes	3	3	9
F30	Lack of CPCA funding to cover costs of service enhancements.	<p>a) Political reluctance to implement additional charges.</p> <p>b) Additional funding sources do not provide expected levels of revenue.</p>	<p>1) Service improvements need to be delayed or downscaled.</p> <p>2) Service enhancements need to be withdrawn.</p> <p>3) Patronage is lower than forecast.</p>	<p>1) Robust revenue raising plan is developed, adopted and implemented.</p> <p>2) Contingency fund is implemented to hold reserve.</p>	Finance	No	No	2	4	8

F31	Making Connections package is implemented creating additional demand for bus services.	<p>a) Full Making Connections package is implemented.</p> <p>b) Car drivers are attracted to bus services.</p>	<p>1) Patronage exceeds capacity leading to need for additional services.</p> <p>2) Network becomes excessively congested.</p> <p>3) Complaints regarding congestion leads to pressure on CA.</p>	<p>1) Robust modelling of the potential effect of the Making Connections package.</p> <p>2) Contingency plan in place to predict network congestion.</p> <p>3) Franchise contract written flexibly to allow CA to make changes with minimal notice.</p>	Operations	No	Yes	3	4	12
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Risk Matrix – Enhanced Partnership

Risk No	Risk Description	Cause	Consequence	Mitigation	Category	In QRA	Revenue Impact	Likelihood	Magnitude	Risk Score
P1	Delays to public consultation.	a) Public consultation is delayed due to unforeseen delays with decision making, due to extended audit period, delays with exogenous decisions or financing considerations.	1) Delays to the schedule for implementing the Enhanced Partnership Scheme.	1) Early preparation for the consultation. 2) Ensure public consultation meets statutory requirements.	Consultation	No	No	2	3	6
P2	Delays to Mayoral decision making regarding selection of options.	a) Mayoral decisions are delayed by purdah.	1) Delays to the schedule for implementing the Enhanced Partnership Scheme.	1) Provide information to the Mayor in a timely fashion. 2) Clearly communicate timescales and deadlines to all members of the development team.	Implementation	No	No	1	2	2
P3	Major transport projects (e.g. road works) cause disruption to services covered by the Enhanced Partnership.	a) Large infrastructure works cause disruption to the wider road network, leading to issues with the running of bus services.	1) Reduced levels of service on affected services lead to reduced patronage and reputational damage. 2) Overrunning major infrastructure schemes impact on the delivery of affected services.	1) Ensure that CA's bus team and operators are key consultees when infrastructure plans are being developed. 2) Scenario planning to assess required changes to affected routes and timetables. 3) Consider external factors in phasing of partnership enhancements.	Operations	No	Yes	2	3	6
P4	Economic downturns lead to reduced patronage and fare revenue	a) Short-term economic downturn leads to reductions in patronage. b) Longer term economic downturn leads to reduced patronage over the life of the Enhanced Partnership.	1) Reduced fare income is likely to affect the viability of some services and affect the ability of operators to meet their obligations under the partnership. 2) CPCA may need to provide additional revenue funding to support at-risk services.	1) CA to retain contingency within bus service support budgets. 2) Periodically revise patronage and fare income forecasts.	Finance	Yes	Yes	3	5	15

P5	Non-delivery of complementary investments such as bus priority measures, new stops.	<p>a) Reduced CA and LA budgets lead to reduced capital investment programmes.</p> <p>b) Technological issues delay implementation of systems..</p> <p>c) CA is not the highway authority so does not have control over the provision of bus stops and shelters</p>	<p>1) Service improvements are not delivered leading to reduced patronage.</p> <p>2) Inadequate infrastructure makes timetables undeliverable.</p> <p>3) Improved stops and shelters are not provided, reducing patronage on some routes.</p> <p>4) Additional costs for CA to provide alternative measures.</p>	<p>1) Maintain strong liaison between CA and local authorities.</p> <p>2) Ensure CA input to LTCP and capital programmes.</p> <p>3) Complete detailed risk assessment for complementary investments.</p> <p>4) Adopt proven technologies wherever possible.</p>	Implementation	No	Yes	4	3	12
P6	Inadequate or unrepresentative public consultation.	<p>a) Not all groups are represented within consultation results due to technological issues.</p> <p>b) Insufficient publicity of consultation process.</p>	<p>1) Lack of public support for the scheme.</p> <p>2) Incorrect conclusions from the consultation.</p>	<p>1) Ensure wide publicity of consultation.</p> <p>2) Use latest technology to present options.</p> <p>3) Utilise outreach groups to encourage consultation take-up.</p>	Consultation	No	No	2	2	4
P7	Permanent driving and maintenance staff resources may not be secured immediately by operator on commencement of Enhanced Partnership.	<p>a) General shortage of skilled staff in the market price at the right price.</p> <p>b) Inadequate budgeting for required salaries to attract staff.</p> <p>c) Poor management of mobilisation by the operator.</p>	<p>1) Reduction in service quality.</p> <p>2) Reduction in availability of service.</p> <p>3) Reduction in customer confidence and reputation.</p> <p>4) Loss of revenue.</p> <p>5) Additional cost.</p>	<p>1) Partnership requirements to ensure clear methodology has to be provided to address any CA concerns over approach.</p> <p>2) Robust management around the delivery of agreed personnel numbers.</p> <p>3) Performance regime to incentivise operators to run services in line with contract.</p> <p>4) Minimise requirement for new systems.</p>	Implementation	No	No	3	3	9

P8	Risk that the operator does not comply with the partnership obligations, increasing the risk of contractual disputes.	<p>a) Partnership management processes not agreed in advance.</p> <p>b) Inappropriate governance of the overall partnership agreement leading to issues escalating unnecessarily.</p> <p>c) Too little due diligence during partnership negotiations leading to risk of mismatched expectations.</p> <p>d) Operator does not build in enough cost to deliver the partnership successfully.</p> <p>e) Partnership terms not understood by the operator and the appropriate mechanisms and process not built into their Operating Model.</p> <p>f) Partnership terms not appropriately written.</p>	<p>1) Increased management time and cost devoted to partnership management.</p> <p>2) Service performance suffers as issues remain unresolved.</p> <p>3) Relationships between partnership members become strained.</p> <p>4) Difficulties in implementing changes to service provision.</p> <p>5). Reputational damage.</p>	<p>1) Appropriate terms and conditions and effective partnership agreement enforcement mechanisms to incentivise compliance.</p> <p>2) Promoting consistent use of partnership management procedures with bus services team to promote consistency and familiarity across organisation.</p> <p>3) Early operator engagement during partnership development.</p> <p>4) Specify evaluation methodology.</p>	Operations	No	Yes	2	4	8
P9	Revenue protection strategy is ineffective.	<p>a) Insufficient revenue protection teams in place.</p> <p>b) Lack of concern for revenue protection from operators.</p>	<p>1) Reduced revenue for operators.</p> <p>2) Operators find it more difficult to meet financial obligations.</p>	<p>1) Sufficient targeted revenue protection teams are employed.</p> <p>2) Put in place monitoring and analytical methods to target hot spots.</p>	Finance	No	Yes	2	2	4
P10	Traffic congestion is worse than expected leading to service disruption.	<p>a) Delays to implementation of complementary investments.</p> <p>b) Impact of highway works.</p> <p>c) Economic growth leads to significantly increased levels of road traffic.</p>	<p>1) Inability to meet contractual obligations for bus priority.</p> <p>2) Service unreliability leading to reduced revenue and increased complaints.</p>	<p>1) CA to liaise closely with highway authorities.</p> <p>2) Service contingency plans in place.</p>	Operations	No	Yes	3	4	12
P11	Unpredictable fuel prices.	<p>a) Volatile international fuel markets lead to variations in cost.</p> <p>b) Fuel costs higher than expected.</p>	<p>1) Costs of service operation increase.</p> <p>2) Services are reduced to maintain affordability.</p>	<p>1) Seek external specialist advice on fuel risk.</p>	Finance	No	Yes	3	4	12

P12	Fare revenues are below expectations.	<p>a) Patronage on bus services is below expectations due to economic downturn.</p> <p>b) Economic or other shocks lead to temporary reductions in revenue.</p> <p>c) Forecasts of fare revenue were optimistic.</p>	<p>1) CA may be required to provide additional funding for supported services.</p> <p>2) Impact on other CA budgets.</p> <p>3) Services would need to be reduced to maintain affordability.</p>	<p>1) Robust monitoring and forecasting frameworks in place to enable quick reactions to revenue downturns.</p> <p>2) Maintain a contingency within CA bus service support budget to cover short term downturns.</p>	Finance	Yes	Yes	2	5	10
P13	Reduction/removal of government funding for bus services (BSOG, concessionary fares).	<p>a) Government reduces or removes bus service operators grant.</p> <p>b) Concessionary fares compensation rates are reduced or do not maintain parity with inflation.</p>	<p>1) CA may be required to provide additional funding for supported bus services.</p> <p>2) Impact on other CA budgets.</p> <p>3) Services would need to be reduced to maintain affordability.</p>	<p>1) Any changes would be national and would be challenged by all local authorities and bus operators.</p>	Finance	No	No	3	4	12
P14	Lack of CA funding to cover costs of service enhancements.	<p>a) Political reluctance to implement additional charges.</p> <p>b) Additional funding sources do not provide expected levels of revenue.</p>	<p>1) Service improvements need to be delayed or downscaled.</p> <p>2) Service enhancements need to be withdrawn.</p> <p>3) Patronage is lower than forecast.</p>	<p>1) Robust revenue raising plan is developed, adopted and implemented.</p> <p>2) Contingency fund is implemented to hold reserve.</p>	Finance	No	No	2	4	8
P15	Making Connections package is implemented creating additional demand for bus services.	<p>a) Full Making Connections package is implemented.</p> <p>b) Car drivers are attracted to bus services.</p>	<p>1) Patronage exceeds capacity leading to need for additional services.</p> <p>2) Network becomes excessively congested.</p> <p>3) Complaints regarding congestion leads to pressure on CA.</p>	<p>1) Robust modelling of the potential effect of the Making Connections package.</p> <p>2) Contingency plan in place to predict network congestion.</p> <p>3) CA to work with operators to monitor and predict changes in demand.</p>	Operations	No	Yes	3	4	12

P16	It is impossible to reach a suitable agreement between operators and CPCA to implement sufficiently wide ranging and stretching improvements.	<ul style="list-style-type: none"> a) Operators cannot afford proposed measures. b) Insufficient research into the benefits of proposed measures. c) Market is unable to provide solutions within proposed timeframe. 	<ul style="list-style-type: none"> 1) Enhanced Partnership agreement cannot be concluded. 2) CPCA left without any BSIP opportunities. 3) Potential loss of government funding for bus services. 	<ul style="list-style-type: none"> 1) Continue working through Bus Operators Forum. 2) Complete robust research into pros and cons of each proposed investment. 3) Undertake market sounding for proposed technology solutions. 	Implementation	No	No	2	5	10
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Appendix C – Economic Appraisal Tables

PA – Franchise

Public Accounts (PA) Table		
ALL MODES		
Local Government Funding	TOTAL	
Revenue	- 468,722,422	<i>Fare revenue collected by CPCA</i>
Operating Costs	870,685,228	<i>Bus contracts and admin</i>
Investment Costs	32,313,924	
Developer and Other Contributions		
Grant/Subsidy Payments	- 317,703,838	<i>Reduced subsidy to operators, increased subsidy from government</i>
NET IMPACT	116,572,893	-7
Central Government Funding: Transport		
Revenue		
Operating costs		
Investment Costs		
Developer and Other Contributions		
Grant/Subsidy Payments	5,180,997	
NET IMPACT	5,180,997	-8
Central Government Funding: Non-Transport		
Indirect Tax Revenues	- 3,650,047	-9
TOTALS		
Broad Transport Budget	121,753,889	(10) = (7) + (8)
Wider Public Finances	- 3,650,047	(11) = (9)
Notes: Costs appear as positive numbers, while revenues and 'Developer and Other Contributions' appear as negative numbers. All entries are discounted present values in 2010 prices and values.		

PA – EP

Public Accounts (PA) Table		
ALL MODES		
Local Government Funding	TOTAL	
Revenue	-	<i>Fare revenue collected by CPCA</i>
Operating Costs	8,559,405	<i>Bus contracts and admin</i>
Investment Costs	7,761,458	
Developer and Other Contributions		
Grant/Subsidy Payments	67,950,703	<i>Increased subsidy</i>
NET IMPACT	84,271,566	-7
Central Government Funding: Transport		
Revenue		
Operating costs		
Investment Costs		
Developer and Other Contributions		
Grant/Subsidy Payments	5,180,997	
NET IMPACT	5,180,997	-8
Central Governmentme		
Indirect Tax Revenues	- 3,641,982	-9
TOTALS		
Broad Transport Budget	89,452,562	(10) = (7) + (8)
Wider Public Finances	- 3,641,982	(11) = (9)
Notes: Costs appear as positive numbers, while revenues and 'Developer and Other Contributions' appear as negative numbers. All entries are discounted present values in 2010 prices and values.		

TEE- Franchise

Economic Efficiency of the Transport System (TEE)

Non-business: Commuting	ALL MODES	ROAD	BUS and COACH	RAIL	OTHER
		Private Cars and LGVs	Passengers	Passengers	
User benefits	TOTAL				
Travel time	120,525,362		120,525,362		
Vehicle operating costs					
User charges					
During Construction & Maintenance					
NET NON-BUSINESS BENEFITS: COMMUTING	120,525,362 (1a)				
Non-business: Other					
User benefits	TOTAL				
Travel time	173,930,207	- 831,568	174,761,775		
Vehicle operating costs					
User charges					
During Construction & Maintenance					
NET NON-BUSINESS BENEFITS: OTHER	173,930,207 (1b)				
Business					
User benefits		Business			
		Goods Vehicles	Cars & LGVs	Passengers	Freight Passengers
Travel time	6,026,268			6,026,268	
Vehicle operating costs					
User charges					
During Construction & Maintenance					
Subtotal	6,026,268 -2				
Private sector provider impacts					
				Freight	Passengers
Fare Revenue	- 429,383,609				
Operating costs	- 100,635,732				
Subsidy	- 312,522,841				
Contract payments	850,246,208				
Subtotal	7,704,025 -3				
Other business impacts					
Developer contributions					
NET BUSINESS IMPACT	13,730,293 (5) = (2) + (3) + (4)				
TOTAL (TEE)	308,185,862 (6) = (1a) + (1b) + (5)				

Notes: Benefits appear as positive numbers, while costs appear as negative numbers.
All entries are discounted present values, in 2010 prices and values

TEE- EP

Economic Efficiency of the Transport System (TEE)

Non-business: Commuting	ALL MODES	ROAD	BUS and COACH	RAIL	OTHER
		Private Cars and LGVs	Passengers	Passengers	
User benefits	TOTAL				
Travel time	83,769,162		83,769,162		
Vehicle operating costs					
User charges					
During Construction & Maintenance					
NET NON-BUSINESS BENEFITS: COMMUTING	83,769,162 (1a)				
Non-business: Other					
User benefits	TOTAL				
Travel time	116,866,211	- 4,599,074.40	121,465,285		
Vehicle operating costs					
User charges					
During Construction & Maintenance					
NET NON-BUSINESS BENEFITS: OTHER	116,866,211 (1b)				
Business					
User benefits		Business			
		Goods Vehicles	Cars & LGVs	Passengers	Freight Passengers
Travel time	4,188,458			4,188,458	
Vehicle operating costs					
User charges					
During Construction & Maintenance					
Subtotal	4,188,458 -2				
Private sector provider impacts					
				Freight	Passengers
Revenue	25,379,527				
Operating costs	- 91,121,290				
Investment costs					
Grant/subsidy	73,131,699				
Subtotal	7,389,937 -3				
Other business impacts					
Developer contributions					
NET BUSINESS IMPACT	11,578,395 (5) = (2) + (3) + (4)				
TOTAL Benefits (TEE)	212,213,767 (6) = (1a) + (1b) + (5)				

Notes: Benefits appear as positive numbers, while costs appear as negative numbers.
All entries are discounted present values, in 2010 prices and values

AMCB – Franchise

Analysis of Monetised Costs and Benefits			
Noise	£	158,039	(12)
Local Air Quality	-£	110,136	(13)
Greenhouse Gases	-£	4,525,833	(14)
Journey Quality	£	-	(15)
Physical Activity	£	-	(16)
Accidents	£	2,457,840	(17)
Economic Efficiency: Consumer Users (Commuting)	£	120,525,362	(1a)
Economic Efficiency: Consumer Users (Other)	£	173,930,207	(1b)
Economic Efficiency: Business Users and Providers	£	13,730,293	(5)
Wider Public Finances (Indirect Taxation Revenues)	£	3,650,047	(11) - sign changed from PA table, as PA table represents costs, not benefits
Present Value of Benefits (see notes) (PVB)	£	309,815,819	(PVB) = (12) + (13) + (14) + (15) + (16) + (17) + (1a) + (1b) + (5) - (11)
	£	121,753,889	(10)
Present Value of Costs (see notes) (PVC)	£	121,753,889	(PVC) = (10)
OVERALL IMPACTS			
Net Present Value (NPV)	£	188,061,929	NPV=PVB-PVC
Benefit to Cost Ratio (BCR)		2.54	BCR=PVB/PVC
Social BCR			
Total user benefits and non user benefits	£	298,461,747	£ 298
Increase in bus revenue	£	39,338,812	£ 39
PVB	£	337,800,560	£ 338
Increase in bus costs	£	100,635,732	£ 101
CPCA investment and admin costs	£	47,571,948	£ 48
Government costs	£	1,530,950	£ 2
PVC	£	149,738,630	£ 150
Social BCR		2.26	2.26

Note : This table includes costs and benefits which are regularly or occasionally presented in monetised form in transport appraisals, together with some where monetisation is in prospect. There may also be other significant costs and benefits, some of which cannot be presented in monetised form. Where this is the case, the analysis presented above does NOT provide a good measure of value for money and should not be used as the sole basis for decisions.

AMCB – EP

Analysis of Monetised Costs and Benefits			
Noise	£	111,707	(12)
Local Air Quality	-£	139,577	(13)
Greenhouse Gases	-£	4,798,035	(14)
Journey Quality	£	-	(15)
Physical Activity	£	-	(16)
Accidents	£	1,745,956	(17)
Economic Efficiency: Consumer Users (Commuting)	£	83,769,162	(1a)
Economic Efficiency: Consumer Users (Other)	£	116,866,211	(1b)
Economic Efficiency: Business Users and Providers	£	11,578,395	(5)
Wider Public Finances (Indirect Taxation Revenues)	£	3,641,982	(11) - sign changed from PA table, as PA table represents costs, not benefits
Present Value of Benefits (see notes) (PVB)	£	212,775,801	(PVB) = (12) + (13) + (14) + (15) + (16) + (17) + (1a) + (1b) + (5) - (11)
Broad Transport Budget	£	89,452,562	(10)
Present Value of Costs (see notes) (PVC)	£	89,452,562	(PVC) = (10)
OVERALL IMPACTS			
Net Present Value (NPV)	£	123,323,238	NPV=PVB-PVC
Benefit to Cost Ratio (BCR)		2.38	BCR=PVB/PVC
Social BCR			
Total user benefits and non user benefits	£	201,743,882	£ 202
Increase in bus revenue	£	25,379,527	£ 25
PVB	£	227,123,410	£ 227
Increase in bus costs	£	91,121,290	£ 91
CPCA investment	£	11,139,866	£ 11
Government costs	£	1,539,015	£ 2
PVC	£	103,800,171	£ 104
Social BCR		2.19	2.19

Appendix D Balance Sheet and Income and Expenditure Analysis

Franchising

Balance Sheet (£ thousands)

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047
Capital investments (REFCUS)																									
<i>Depo investment</i>			16,000	15,000																					
<i>Complementary network improvements</i>			2,707	4,558	2,779																				
Total capital investment			18,707	19,558	2,779	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Funding Applied																									
<i>DLUHC E4m grant</i>			4,000																						
<i>CPCA Levelling up Contribution</i>				5,000																					
Balance to be financed			14,707	14,558	2,779	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financing Costs																									
Opening Balance	-	14,707	28,810	30,661	29,603	28,495	27,334	26,117	24,842	23,506	22,106	20,639	19,102	17,491	15,804	14,036	12,183	10,242	8,208	6,076	3,843	1,503	209		
<i>Drawdown</i>	14,707	14,558	2,779	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Interest payment</i>	-	-679	-1,329	-1,412	-1,362	-1,309	-1,253	-1,195	-1,134	-1,070	-1,003	-933	-860	-783	-702	-617	-529	-436	-339	-237	-130	-43	-5		
<i>Principal repayment</i>	-	-455	-927	-1,058	-1,108	-1,161	-1,217	-1,275	-1,336	-1,400	-1,467	-1,537	-1,610	-1,688	-1,768	-1,853	-1,941	-2,034	2,131	2,233	2,340	1,294	-209		
Closing Balance	14,707	28,810	30,661	29,603	28,495	27,334	26,117	24,842	23,506	22,106	20,639	19,102	17,491	15,804	14,036	12,183	10,242	8,208	6,076	3,843	1,503	209	0		
Cost to CPCA of capital investments	-	-1,134	-2,256	-2,470	-2,470	-2,470	-2,470	-2,470	-2,470	-2,470	-2,470	-2,470	-2,470	-2,470	-2,470	-2,470	-2,470	-2,470	2,470	2,470	2,470	2,470	1,336	-214	

Note: there is zero impact on the balance sheet after 2047

Note: this represents a 'maximum cost' scenario to the CPCA of borrowing. Given the CPCA's significant cash balances it is likely that the CPCA would utilise internal borrowing to finance these costs reducing the total impact to the opportunity cost of those balances not being invested through the CPCA's treasury management functions rather than the cost of borrowing from the PWLB.

Income and Expenditure Statement (£ thousands)

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054
Existing Revenue Income																																
Service revenue					32,012	33,862	35,776	37,811	39,331	41,352	43,221	45,175	47,350	49,481	51,595	53,634	55,912	58,277	60,501	62,920	65,430	67,769	70,363	73,024	75,485	78,230	81,046	83,642	86,640	89,742	92,677	95,999
BSOG					4,546	4,595	4,693	4,743	4,817	5,022	5,101	5,180	5,296	5,379	5,463	5,464	5,549	5,636	5,655	5,743	5,832	5,853	5,944	6,037	6,027	6,121	6,217	6,175	6,271	6,369	6,355	6,454
Government Support - BRG/CBSSG/BFG					1,264	885	619	434	304	212	149	104	73	51	36	25	17	12	9	6	4	3	2	1	1	1	0	0	0	0	0	0
Existing Levy	13,495	13,764	14,040	14,321	14,607	14,899	15,197	15,501	15,811	16,127	16,450	16,779	17,114	17,457	17,806	18,162	18,525	18,896	19,274	19,659	20,052	20,453	20,862	21,280	21,705	22,139	22,582	23,034	23,494	23,964	24,444	24,932
Existing Precept	3,007	3,067	3,129	3,191	3,255	3,320	3,387	3,454	3,523	3,594	3,666	3,739	3,814	3,890	3,968	4,047	4,128	4,211	4,295	4,381	4,468	4,558	4,649	4,742	4,837	4,934	5,032	5,133	5,235	5,340	5,447	5,556
Existing CPCA budget		900																														
Total Income	16,502	17,732	17,168	17,512	55,684	57,561	59,672	61,942	63,786	66,307	68,586	70,977	73,648	76,257	78,868	81,333	84,132	87,031	89,733	92,708	95,787	98,636	101,820	105,084	108,056	111,425	114,878	117,983	121,641	125,415	128,923	132,941
Expenditure																																
Service contract costs/existing network cost to 2026	16,502	16,832	17,168	17,512	62,438	64,904	68,166	70,849	73,580	78,448	81,472	84,613	88,459	91,870	95,411	97,597	101,360	105,268	108,006	112,170	116,495	119,554	124,163	128,951	131,664	136,741	142,013	144,241	149,803	155,580	158,764	164,886
Professional Fees		357	772	260																												
Procurement costs				156	159																											
System Costs			515	520	529	541	553	566	579	592	606	620	634	649	664	679	695	711	727	744	761	778	796	814	833	852	872	892	912	933	955	977
CPCA PT Operations Team			957	996	1,035	1,056	1,077	1,099	1,121	1,143	1,166	1,189	1,213	1,237	1,262	1,287	1,313	1,339	1,366	1,393	1,421	1,450	1,479	1,508	1,538	1,569	1,601	1,633	1,665	1,699	1,733	1,767
Borrowing Costs			-	1,134	2,256	2,470	2,470	2,470	2,470	2,470	2,470	2,470	2,470	2,470	2,470	2,470	2,470	2,470	2,470	2,470	2,470	2,470	2,470	2,470	1,336	214	0	-	-	-	-	-
Total Expenditure	16,502	17,188	19,413	20,578	66,417	68,971	72,267	74,984	77,750	82,654	85,714	88,892	92,777	96,226	99,807	102,033	105,837	109,788	112,569	116,778	121,148	124,252	128,908	132,610	134,250	139,162	144,486	146,766	152,381	158,212	161,452	167,631
Net Additional Revenue Costs	0	-543	2,245	3,066	10,733	11,410	12,595	13,042	13,964	16,346	17,128	17,916	19,129	19,969	20,940	20,701	21,705	22,756	22,837	24,070	25,360	25,616	27,088	27,526	26,194	27,737	29,608	28,783	30,740	32,797	32,529	34,689
New Income Proposals																																
Additional Precept			1,571	1,602	12,096	12,337	12,584	12,836	13,093	17,325	17,671	18,025	18,385	18,753	21,120	21,543	21,974	22,413	22,861	24,638	25,131	25,634	26,147	26,669	27,689	28,242	28,807	29,383	29,971	32,179	32,823	33,479
Additional Levy			275	567	578	590	602	614	626	639	651	664	678	691	705	719	734	748	763	779	794	810	826	843	860	877	894	912	930	949	968	987
Busines Rates Supplement																																
Treasury Reserve utilisation		353	772	416	159																											
Total New Income	0	353	2,619	2,586	12,833	12,927	13,186	13,450	13,719	17,963	18,323	18,689	19,063	19,444	21,825	22,262	22,707	23,161	23,625	25,417	25,925	26,444	26,973	27,512	28,548	29,119	29,701	30,296	30,901	33,128	33,791	34,467
Net Revenue income/(deficit) to CPCA	0	896	374	-480	2,099	1,517	591	408	-246	1,617	1,195	773	-66	-525	886	1,561	1,002	405	788	1,347	565	828	-115	-14	2,354	1,382	94	1,513	162	332	1,262	-222
Cumulative Revenue surplus/(deficit)	0	896	1,270	790	2,889	4,406	4,997	5,405	5,160	6,777	7,971	8,745	8,679	8,154	9,040	10,601	11,603	12,008	12,796	14,143	14,708	15,536	15,421	15,407	17,761	19,142	19,236	20,749	20,911	21,243	22,504	22,282
Net impact on Reserves	0	543	498	374	2,731	4,406	4,997	5,405	5,160	6,777	7,971	8,745	8,679	8,154	9,040	10,601	11,603	12,008	12,796	14,143	14,708	15,536	15,421	15,407	17,761	19,142	19,236	20,749	20,911	21,243	22,504	22,282

Enhanced Partnership

Balance Sheet (£ thousands)

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054		
Capital investments (REFCUS)																																		
<i>Depo investment</i>																																		
<i>Complementary network improvements</i>			2,707	4,558	2,779																													
Total capital investment			2,707	4,558	2,779	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Funding Applied																																		
<i>DLUHC E4m grant</i>			4,000																															
<i>CPCA Levelling up Contribution</i>				5,000																														
Balance to be financed			1,293	442	2,779	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financing Costs																																		
Opening Balance			1,293	1,819	731	405	64	294	668	1,061	1,473	1,904	2,356	2,829	3,325	3,845	4,389	4,960	5,558	6,184	6,841	7,528	8,249	8,791	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	
<i>Drawdown</i>			1,293	442	2,779	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Interest payment</i>			-	-125	-331	-448	-433	-417	-399	-382	-363	-343	-322	-301	-278	-255	-230	-204	-176	-148	-118	-86	-54	-24	-5	0	-	-	-	-	-	-	-	
<i>Principal repayment</i>			-	-84	-229	-326	-341	-358	-375	-393	-411	-431	-452	-473	-496	-520	-545	-571	-598	-626	-656	-688	-721	-542	-209	-	-	-	-	-	-	-	-	
Closing Balance			1,293	1,819	731	405	64	294	668	1,061	1,473	1,904	2,356	2,829	3,325	3,845	4,389	4,960	5,558	6,184	6,841	7,528	8,249	8,791	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	
Cost to CPCA of capital investments			-	-209	-560	-774	-774	-774	-774	-774	-774	-774	-774	-774	-774	-774	-774	-774	-774	-774	-774	-774	-774	-774	-566	-214	0	0	0	0	0	0	0	

Note: this represents a 'maximum cost' scenario to the CPCA of borrowing. Given the CPCA's significant cash balances it is likely that the CPCA would utilise internal borrowing to finance these costs reducing the total impact to the opportunity cost of those balances not being invested through the CPCA's treasury management functions rather than the cost of borrowing from the PWLB.

Income and Expenditure Statement (£ thousands)

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054		
Existing Revenue Income																																		
<i>Service revenue</i>					31,768	33,342	34,951	36,650	38,102	40,040	41,826	43,692	45,772	47,805	49,866	51,852	54,073	56,378	58,546	60,902	63,348	65,627	68,152	70,742	73,136	75,805	78,544	81,066	83,981	86,997	89,850	93,081		
<i>BSOG</i>					4,546	4,595	4,693	4,743	4,817	5,022	5,101	5,180	5,296	5,379	5,463	5,464	5,549	5,636	5,655	5,743	5,832	5,853	5,944	6,037	6,027	6,121	6,217	6,175	6,271	6,369	6,355	6,454		
<i>Government Support - BRG/CBSSG/BFG</i>					1,264	885	619	434	304	212	149	104	73	51	36	25	17	12	9	6	4	3	2	1	1	1	0	0	0	0	0	0		
<i>Existing Levy</i>	13,495	13,764	14,040	14,321	14,607	14,899	15,197	15,501	15,811	16,127	16,450	16,779	17,114	17,457	17,806	18,162	18,525	18,896	19,274	19,659	20,052	20,453	20,862	21,280	21,705	22,139	22,582	23,034	23,494	23,964	24,444	24,932		
<i>Existing Precept</i>	3,007	3,067	3,129	3,191	3,255	3,320	3,387	3,454	3,523	3,594	3,666	3,739	3,814	3,890	3,968	4,047	4,128	4,211	4,295	4,381	4,468	4,558	4,649	4,742	4,837	4,934	5,032	5,133	5,235	5,340	5,447	5,556		
<i>Existing CPCA budget</i>		896																																
Total Income	16,502	17,728	17,168	17,512	55,440	57,040	58,847	60,782	62,557	64,996	67,191	69,494	72,069	74,582	77,138	79,550	82,293	85,132	87,778	90,691	93,705	96,494	99,610	102,802	105,707	109,000	112,376	115,407	118,982	122,671	126,096	130,024		
Expenditure																																		
<i>Service contract costs/existing network cost to 2026</i>	16,502	16,832	17,168	17,512	62,245	64,505	67,541	69,988	72,686	77,494	80,482	83,584	87,384	90,753	94,251	96,410	100,127	103,987	106,693	110,806	115,079	118,100	122,653	127,382	130,063	135,077	140,286	142,487	147,981	153,687	156,833	162,881		
<i>Professional Fees</i>																																		
<i>Procurement costs</i>																																		
<i>System Costs</i>																																		
<i>CPCA PT</i>																																		
<i>Operations Team</i>			649	675	702	716	730	745	760	775	790	806	822	839	856	873	890	908	926	945	964	983	1,003	1,023	1,043	1,064	1,085	1,107	1,129	1,152	1,175	1,198		
<i>Borrowing Costs</i>			-	209	560	774	774	774	774	774	774	774	774	774	774	774	774	774	774	774	774	774	774	566	214	0	-	-	-	-	-	-		
Total Expenditure	16,502	16,832	17,817	18,395	63,507	65,995	69,046	71,507	74,220	79,044	82,046	85,165	88,980	92,366	95,881	98,057	101,792	105,670	108,393	112,525	116,816	119,857	124,430	128,971	131,320	136,141	141,371	143,594	149,110	154,839	158,008	164,079		
Net Additional Revenue Costs	0	-896	649	884	8,067	8,955	10,199	10,725	11,663	14,048	14,855	15,670	16,911	17,784	18,743	18,507	19,499	20,537	20,615	21,835	23,112	23,363	24,821	26,169	25,613	27,141	28,995	28,187	30,128	32,168	31,912	34,055		
New Income Proposals																																		
<i>Additional Precept</i>			1,571	1,602	10,134	10,337	10,544	10,754	10,969	15,159	15,462	15,772	16,087	16,409	19,128	19,510	19,901	20,299	20,705	22,879	23,336	23,803	24,279	24,764	26,717	27,251	27,796	28,352	28,919	31,643	32,276	32,921		
<i>Additional Levy</i>			275	567	578	590	602	614	626	639	651	664	678	691	705	719	734	748	763	779	794	810	826	843	860	877	894	912	930	949	968	987		
<i>Business Rates Supplement</i>																																		
<i>Treasury Reserve utilisation</i>																																		
Total New Income	0	0	1,846	2,170	10,713	10,927	11,145	11,368	11,596	15,798	16,114	16,436	16,765	17,100	19,833	20,230	20,634	21,047	21,468	23,657	24,130	24,613	25,105	25,607	27,577	28,128	28,691	29,265	29,850	32,592	33,244	33,909		
Net Revenue income/(deficit) to CPCA	0	896	1,197	1,286	2,646	1,972	946	643	-67	1,750	1,259	766	-146	-684	1,090	1,723	1,135	510	853	1,822	1,019	1,250	285	-562	1,964	987	-305	1,078	-278	424	1,332	-146		
Cumulative Revenue surplus/(deficit)	0	896	2,093	3,379	6,025	7,997	8,943	9,586	9,518	11,268	12,527	13,292	13,146	12,462	13,552	15,275	16,410	16,920	17,773	19,595	20,614	21,864	22,148	21,586	23,550	24,537	24,232	25,310	25,032	25,456	26,789	26,643		
Net impact on Reserves	0	896	2,093	3,379	6,025	7,997	8,943	9,586	9,518	11,268	12,527	13,292	13,146	12,462	13,552	15,275	16,410	16,920	17,773	19,595	20,614	21,864	22,148	21,586	23,550	24,537	24,232	25,310	25,032	25,456	26,789	26,643		

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