CPCA Bus Franchising: Consultation Materials

Contents of this document

Purpose of this consultation

1.1 This consultation concerns proposed revisions to the way the existing Cambridgeshire and Peterborough Combined Authority ("CPCA") Franchising Scheme made in February 2025 would be implemented. The consultation is open from Tuesday 15th September until 17.00 on Tuesday 27th September Responses can be submitted by the online survey at www.cpca-yourvoice.co.uk. Submissions can also be made by email to consultations@cambridgeshirepeterborough-ca.gov.uk or by post. Alternative formats or printed copies can be requested by calling 01480 277180.

1.2 Information about alternative formats and assistance in responding is available at https://cpca-yourvoice.co.uk/bus-franchising-consultation-2/. CPCA will consider the responses received before the final decision is taken. A consultation report will then be published summarising the principal issues raised, explaining how the responses have been taken into account and setting out the final decision. The final decision on the implementation approach will be taken according to CPCA governance procedures. The decision maker following the consultation is the Mayor.

1.3 In 2024, CPCA consulted on its proposed bus franchising scheme in accordance with the statutory provisions of the Transport Act 2000 (as amended). You can find

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out more about that consultation here. The Franchising Scheme was subsequently published on 17 February 2025.

1.4 Subsequently, an independent mayor-commissioned review of the implementation and affordability of CPCA's bus franchising was undertaken (the "Independent Review"). The Independent Review concluded that its preferred approach is a phased implementation of bus franchising, with the transition beginning in 2027 and competitively procured franchise contracts introduced progressively thereafter. The Mayor has agreed that this recommendation should form the basis for further development and consultation.

1.5 CPCA is therefore now undertaking a targeted supplementary consultation on proposed revisions to the franchising implementation approach. No final decision has been taken on the revised implementation arrangements described in this document. CPCA will consider the responses to this consultation before determining whether to adopt the proposed approach, with or without modification.

1.6 The purpose of this consultation is to allow consultees to provide their views on how the Franchising Scheme should be implemented, including the proposed timetable, transitional arrangements, contract lotting, depot strategy and fleet strategy. However, the decision to introduce bus franchising under the Franchising Scheme is not being reopened through this consultation and CPCA is not proposing to amend the Franchising Scheme itself.

1.7 The Franchising Scheme establishes the legal framework for franchising across the CPCA area, identifies the services intended to be provided under Local Service Contracts and allows those services to move into franchising as the relevant contracts take effect. The Franchising Scheme does not prescribe the number or size of franchise contract lots, how services must be grouped into those lots, the order in which services must move into franchising, the procurement route used to award each contract, or the detailed ownership and financing arrangements for fleet and depot assets. The proposals described in this consultation therefore concern how the existing Franchising Scheme will be delivered. They do not change the legal scope or effect of the Franchising Scheme itself.

1.8 The Transport Act 2000 provides a statutory process where a franchising authority proposes to vary a franchising scheme. CPCA is not proposing to use that statutory process because the proposals set out in this consultation concern the implementation of the existing Scheme and do not constitute a proposed variation of the Franchising Scheme. This consultation is therefore not a statutory consultation on a variation to the Franchising Scheme.

1.9 CPCA nevertheless considers it appropriate to consult on the proposed revisions to the franchising implementation approach before a final decision is taken. The Independent Review and subsequent Strategic Delivery Plan have proposed developments to the timing, sequencing, lotting and delivery arrangements for franchising. Although those matters can be taken forward within the existing Scheme, CPCA considers that passengers, operators, local authorities and other interested parties should have an opportunity to understand the proposed revisions to the implementation approach, provide relevant evidence and comment on its potential impacts.

1.10 Undertaking this supplementary consultation is intended to support transparency and informed decision-making. CPCA will consider the responses received before determining how the revised implementation approach should be taken forward. The proposals described in this document therefore remain open to change in light of consultation responses.

1.11 If future implementation work identifies a need to change a matter which is specified in the Franchising Scheme itself, any such change would be considered separately in accordance with the applicable statutory process.

1.12 The objectives of the Consultation:

- Seek views on the proposed franchising implementation strategy, including phasing, transition arrangements and delivery timescales.
- Understand the potential impacts of the proposals on passengers, local communities, operators, employees and other stakeholders.
- Assess the implications of the proposed contracting, depot and fleet strategies, including their effect on market participation and competition.
- Explore opportunities for participation by operators of different sizes, including Small and Medium Enterprises, and understand any barriers to entry.
- Consider the implications of the proposals for different geographies and passenger groups, including rural communities and areas with limited transport alternatives.
- Gather feedback on the affordability, deliverability and long-term sustainability of the proposed approach.
- Identify potential risks, unintended consequences and opportunities for improvement before any final decisions are made.

What has changed since the Original Franchise Assessment?

1.13 CPCA is proposing a number of changes to how bus franchising would be implemented. These changes are intended to improve affordability, support competition, reduce delivery risk and provide a more phased transition to a franchised network.

Topic	Original assessment position	Strategic Delivery Plan proposal	Rationale
Scheme scope	The Franchising Scheme applies across the whole Cambridgeshire and Peterborough Combined Authority area. It identifies in Annex 1 the Local Services which are intended to be provided under Local Service Contracts, subject to the exceptions contained in Annexes 2 and 3.	No change.	N/a
Implementation timetable	Franchising was proposed to be implemented over a two-year period through two procurement opportunities, with the first	The proposed implementation programme includes interim arrangements from September 2027, followed by the	The Independent Review found the original timelines were no longer practical due to affordability and depot availability

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Topic	Original assessment position	Strategic Delivery Plan proposal	Rationale
	franchised services expected to commence from September 2027 and the second phase following during 2028.	commencement of franchise contracts in phases between June 2028 and June 2030.	and data limitations.
Service packaging into contract lots	Larger packages of services were proposed to be based on the following locations: • Cambridge area (2 separate packages); • Peterborough area (1 package); and • St Ives – Cambridge Busway (1 package). A reasonable number of other services were proposed to be included in smaller packages, including single route contracts, with requirements of between 1 and 10 vehicles.	A more detailed service packaging has been developed. The proposed service packaging strategy proposes a balanced portfolio of larger Tier A and smaller Tier B franchise contracts. The network is proposed to be broken down in three lotting areas: • North West Lotting Area: Peterborough, March and Wisbech • Central Lotting Area: Busway, St Ives, Ramsey, Chatteris,	To create more operationally coherent contract packages, support competition, improve deliverability and align procurement with depot readiness, contract expiry dates of existing tendered contracts and CPCA implementation capacity.

Topic	Original assessment position	Strategic Delivery Plan proposal	Rationale
		March, Huntingdon, St Neots, Cambourne • East Lotting Area: Cambridge, Ely, Newmarket, Haverhill, Royston Within each area, there are proposed to be two categories of lots: Tier A and Tier B. • Tier A lots – single large lot, within each area located around a strategically located depot. These are intended to provide opportunities for large operators with requirements between 40 and 100 vehicles. • Tier B – numerous smaller lots (1	

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Topic	Original assessment position	Strategic Delivery Plan proposal	Rationale
		to 17 vehicles), aimed at promoting competition within the market, with the focus on creating opportunities for Small and Medium Operators to grow.	
Interim arrangements	The Franchising Scheme already allows existing Annex 1 services to continue under the temporary exception in Annex 3 until the relevant Local Service Contract takes effect. No separate programme of direct award franchise contracts was proposed.	It is proposed that existing commercial and supported service arrangements may continue temporarily, supplemented where appropriate by direct award contracts as a transitional bridge between September 2027 and the commencement of competitive franchise contracts.	To maintain service continuity, manage transition risk, support operator readiness (particularly SMEs), allow depot and fleet strategies to be implemented, and introduce elements of franchising before full rollout.

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Topic	Original assessment position	Strategic Delivery Plan proposal	Rationale
Depot strategy	CPCA proposed providing new depot facilities in Peterborough and Cambridge for the three main large franchises (2 lots in Cambridge, 1 in Peterborough). The ownership of the depots was still under consideration at the time of the assessment. Smaller franchise contracts would rely on operator-provided depot facilities.	CPCA proposes to build and own a new depot in Peterborough for the North West Lotting Area Tier A contract. The proposal is for the new depot to be electric from Day One. For the East Area Tier A contract, CPCA proposes to provide suitable depot facilities in the Cambridge area for the franchise operator during the first franchise term, with a longer term aim of providing a new depot in the Cambridge area. For the Central Area Tier A contract, it is proposed that operators will be required to provide their own depot facilities.	The proposed revised depot strategy seeks to balance long-term flexibility, market competition, deliverability and future uncertainty. It aims to ensure depot arrangements remain suitable for future fleet technologies and network growth, support strong competition between operators, can be delivered within the franchising programme timetable, and retain sufficient flexibility to respond to evolving transport, land-use and development priorities across the Combined Authority area,

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Topic	Original assessment position	Strategic Delivery Plan proposal	Rationale
		For all Tier B contracts; it is proposed that operators will be required to provide their own depot facilities.	particularly in Cambridge.
Fleet Strategy	Operators were expected to provide vehicles and associated operational equipment for large and small franchise contracts. It was proposed that vehicle standards would be specified by CPCA, with fleet procurement remaining primarily an operator responsibility.	For the North West Lotting Area Tier A contract in Peterborough, the CPCA proposes to provide a new fleet for use by the franchise operator. For the Central and East Tier A contracts, it is proposed that operators will own the vehicles and be responsible for fleet procurement decisions aligned to vehicle specification set by the CPCA. CPCA proposes to develop a Residual Value Mechanism to allow the transfer of suitable	To reduce barriers to entry, address limited vehicle availability, support fleet decarbonisation, improve consistency of vehicle standards, improve value for money for CPCA and reduce residual value risks.

Topic	Original assessment position	Strategic Delivery Plan proposal	Rationale
		vehicles between outgoing and incoming operators for Tier A contracts. It is proposed that operators will be responsible for sourcing additional vehicles for Central and East Tier A contracts, if there are insufficient suitable vehicles available through the Residual Value Mechanism. For Tier B contracts, it is proposed that operators will be required to supply their own vehicles. CPCA proposes that vehicle standards will be specified by CPCA for both Tier A and Tier B contracts.	

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Topic	Original assessment position	Strategic Delivery Plan proposal	Rationale
		The provision and ownership of on-board equipment (e.g. ETMs) is still under consideration by the CPCA.	
Small Medium Operator participation	It was proposed that services would be packaged into a combination of large and small contracts, with restrictions on contract concentration to ensure opportunities remained available for small and medium-sized operators.	CPCA proposes the introduction of a formal Tier A / Tier B structure. It is proposed that Tier B contracts are specifically designed to be accessible to smaller local and regional operators. CPCA proposes that direct awards may also provide transitional opportunities for incumbent operators before competitive franchising. It is proposed that limits on contract concentration will be retained to ensure opportunities	To increase market participation, preserve a diverse operator base, reduce barriers to entry and encourage sustainable competition within the franchised market.

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Topic	Original assessment position	Strategic Delivery Plan proposal	Rationale
		remain available to small and medium-sized operators.	
Contract Duration	Long-term (7-8 years) franchise contracts of the duration set out in the approved Franchising Assessment, supported by mobilisation periods of at least eight months following contract award.	There are no proposed changes to the duration of franchise contracts.	N/a

CPCA Bus Franchising Scheme

1.14 In 2024, CPCA undertook a Bus Reform Assessment which assessed alternative governance models for local bus services, including continuation of the existing deregulated market through an Enhanced Partnership or the introduction of a bus franchising scheme.

1.15 The assessment concluded that franchising offered the greatest opportunity for CPCA to exercise strategic control over the bus network, enabling CPCA to specify routes, service frequencies, fares, vehicle standards and wider customer service requirements while operators would compete to deliver services under contract. The subsequent consultation explained that, under franchising, CPCA would plan the network and procure operators through competitively awarded Local Service Contracts. Operators would continue to run bus services, but service specifications and performance standards would be determined by CPCA.

Implementation Approach

1.16 The original assessment proposed that the Franchising Scheme would apply across the entire Cambridgeshire and Peterborough Combined Authority area and that all local bus services would be brought within the franchising framework unless they qualified as excepted services under the provisions of the Franchising Scheme.

1.17 The original assessment assumed that franchising arrangements would be phased in over a two-year period from September 2027, with two procurement opportunities: the first covering the Greater Cambridge Travel to Work area, and the second covering the remaining area of north Cambridgeshire and Peterborough.

Service Packaging

1.18 The original Franchise Assessment proposed services were to be grouped into a number of geographically based contract packages ranging from individual routes requiring a single vehicle through to large operating contracts requiring approximately 60 vehicles. It proposed four larger scale operating packages:

- Two franchise contract lots serving the Cambridge area;
- One franchise contract lot serving the Peterborough area; and
- One franchise contract lot covering the St Ives–Cambridge Busway corridor.

1.19 Alongside the larger contracts, it was proposed that there would be a number of smaller contract packages, typically requiring between one and ten vehicles. Smaller packages were proposed to be generally organised on an area basis, with neighbouring operating areas potentially grouped together to create potential operational efficiencies.

Contract Duration

1.20 The original assessment envisaged that contracts would 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.

Depot Strategy

1.21 The original Franchise Assessment proposed that the CPCA would provide depot facilities for three large franchise lots, with depots provided by operators for smaller contracts.

1.22 Key features of the original franchise proposal included:

- CPCA-provided depots for three of the main franchise lots (two in Cambridge and one in Peterborough) to support robust competition and reduce dependence on incumbent operators' facilities.

- No CPCA-provided depots for smaller franchise lots, as the assessment concluded that securing smaller depot facilities would not represent a significant barrier to market entry.
- A new Peterborough depot, developed in partnership with Peterborough City Council and financed by CPCA, was proposed to support franchised operations in the city.
- A new Cambridge-area depot was also envisaged to support the two large franchise lots operating in and around Cambridge.
- The proposed facilities were intended to be capable of accommodating zero-emission bus fleets, supporting longer-term fleet decarbonisation objectives.

1.23 At the time of the original Franchise Assessment, the ownership model for the depots had not been finalised, but it was proposed that the facilities would be made available to the successful franchise operators. CPCA-provided depots were proposed to supplement rather than replace existing operator-owned facilities, and the original Franchise Assessment stated the intention of not compulsorily purchasing existing bus depots.

Fleet Strategy

1.24 Under the original franchising proposals, responsibility for the provision of buses and associated operational equipment was expected to remain principally with operators.

1.25 It was proposed that the CPCA would be responsible for setting the vehicle specifications.

Independent Review

1.27 The Mayor's Independent Review was completed in late January 2026. The purpose of this review was to provide a fresh look into the affordability and implementation of bus franchising in the context of new Mayoral and national policies, engaging bus operators in the process.

1.28 A summary of the recommendations from Independent Review report is below:

- **Implementation pathway:** The report recommends a hybrid pathway, combining short-term use of direct awards to existing operators and/or service permits, with a phased introduction of competitively tendered franchise contracts. This approach aims to balance risk, encourage market participation and enable a smoother transition to a fully franchised network.

- **Financial position:** Updates made since the Business Case for franchising in 2024, particularly reflecting the commitment to freeze the Mayoral Precept in this term and incorporating key demand drivers, have reduced the expected net position and led to a future funding gap under franchising – solutions to close this funding gap need to be considered. Changes to key demand drivers focus on increased GDP per capita and reduced costs of car ownership since the original model – both of these drivers lead to fewer people using bus services as private travel becomes more affordable.

- **Depot strategy:** The report recommends the provision of CPCA-controlled depots in both Peterborough and Cambridge to encourage healthy tender competition and provide greater oversight. It notes this cannot be delivered immediately, so short-term interim options (such as leasing an existing operator depot, or requiring bidders to provide their own) are proposed to enable earlier franchise competition ahead of CPCA depots being ready.

- **Fleet strategy:** This report recommends reconsidering the approach of operator-provided fleet for larger lots. It suggests that CPCA consider fleet ownership or leasing options, to increase competition, potentially reduce the higher costs operators would otherwise pass back through contract bids, and better control the future transition to zero-emission technologies.

- **Indicative programme:** The report concludes that the original target date of launching franchised bus services in September 2027 is no longer considered practical, given affordability constraints, depot delivery timescales and data limitations. Instead, it proposes network stabilisation through direct awards and service permits from 2027 (enabled by the Bus Services Act 2025), with the first tendered franchise lot (focused on currently tendered/busway services) launching in early-to-mid 2028, a second procurement round following the Peterborough depot's readiness with a franchise lot launch in 2029, and the Cambridge lots following once a depot solution is secured, targeting full rollout by 2030.

Summary of Alternative Approaches to Franchising Considered

1.29 The Independent Review considered a number of alternative approaches to the proposed approach set out in this document, including franchising a smaller part of the network, adopting a shared-risk model, introducing franchising gradually by area or service type, and using temporary direct award contracts before competitive tendering. While each approach offered some advantages, the Independent Review considered that a hybrid implementation strategy combining transitional arrangements with a phased move to competitively tendered franchise contracts provided the most practical and deliverable route to achieving the objectives of bus franchising under current financial and operational constraints.

1.30 In developing the Strategic Delivery Plan, Steer also tested alternative options for the detailed delivery of franchising. These included different depot ownership and procurement models, operator-provided and CPCA-provided fleet options, different approaches to fleet transfer and electrification, and alternative ways of packaging services into franchise lots. The principal reasons for not preferring the alternatives were concerns about whether they could be delivered within the required timescales, the effect they could have on competition and barriers to market entry, and the additional cost or financial and delivery risk they could place on CPCA or operators. For example, some depot options could not be secured or developed within the proposed programme, some fleet options risked limiting the number of operators able to compete, and some privately financed or operator-led approaches were expected to increase cost or reduce CPCA's long-term flexibility.

1.31 A number of alternative lotting configurations were also tested for each of the three lotting areas through a multi-criteria assessment before the preferred packages were identified. Taken together, this options assessment informed the proposals set out in the Strategic Delivery Plan. The preferred approach reflects CPCA’s current assessment of the combination which best balances affordability, competition, deliverability, implementation risk and longer-term flexibility. These remain proposals for consultation and CPCA will consider consultation responses before deciding whether the preferred approach should be adopted as proposed or modified.

Financial Position

1.32 The Independent Review identified a material change in the financial assumptions underlying the original franchising business case. In the original Outline Business Case, the Mayoral Precept was assumed to increase over time, reaching £60 per

Band D property by 2032. For the purposes of the Independent Review, the Precept was instead assumed to remain fixed at £36 throughout the 10-year forecast period. The Independent Review also noted that this funding would now need to meet the cost of the Tiger services, which had not previously been included in the Outline Business Case.

1.33 The Independent Review also updated a number of assumptions affecting expected passenger demand. In particular, it took account of higher forecast GDP per capita and lower costs of car ownership than assumed in the original model. Both changes reduce forecast demand for bus travel. Taken together with the revised Precept assumption and rising operating costs, the Independent Review considered that the expected financial position had reduced and that a funding gap would emerge and widen over time.

1.34 The Independent Review illustrated the scale of this challenge by modelling the level of network reduction that could be required to achieve a neutral net financial position under those assumptions. The Independent Review expressly cautioned that the service reductions illustrated were high-level and indicative only. They were not recommendations for particular service reductions and do not represent decisions taken by CPCA. The Independent Review's modelling is therefore important in explaining why affordability is a central part of the revised implementation approach. It does not mean that the illustrative service reductions modelled by the Independent Review are proposed. Since the Independent Review was undertaken, more recent data has become available and the modelling used to inform the Strategic Delivery Plan has updated or revised a number of the baseline data and assumptions used by the Independent Review.

1.35 CPCA therefore proposes to review the contracted and supported bus network, together with the available funding and the costs of delivering franchising, to identify how the network can be delivered efficiently and sustainably within the available financial envelope. That work may recognise that some services are socially necessary even though they are not commercially sustainable and may continue to require public support. The purpose of this work is to develop an affordable network, not to implement the illustrative service reductions modelled in the Independent Review and Strategic Delivery Plan. CPCA is seeking views through this consultation on the impacts and priorities which should inform that work.

1.36 The proposed revised implementation approach does not wholly remove the affordability challenge. It is intended to manage that challenge by phasing implementation, supporting competition and allowing CPCA to review the network, funding and delivery costs as better information becomes available.

Further work is required before final decisions are taken, including to determine whether additional funding, changes to expenditure or fares, operational efficiencies or changes to services may be needed. CPCA will consider consultation responses when assessing those choices, including their effects on passengers, communities and socially necessary services.

Does this mean service efficiencies

1.37 The Strategic Delivery Plan identifies a range of ways in which the longer-term funding position could be addressed, including additional funding, changes to expenditure, fares, subsidy arrangements, efficiencies in the operation of services and, if necessary, changes to the scope or frequency of parts of the network. No decision has been taken to address the funding gap through service reductions. If changes to services were ultimately required, the intention would be to consider operational efficiencies, such as changes to frequency, operating hours or vehicle requirements, before considering the withdrawal of services altogether. The purpose of the affordability work is therefore to identify a sustainable long-term approach while protecting network stability during the transition to franchising.

Strategic Delivery Plan

1.38 The Strategic Delivery Plan proposes a clear, evidence-led pathway for the CPCA to guide the transition to a franchised bus network in a manner that is affordable, deliverable, and aligned with policy objectives. Its primary intention was to translate the recommendations of the Independent Review into a strategic plan that integrates decisions on franchise contracting strategy, depots and fleet provision.

1.39 As part of the detailed reflection on the Independent Review and in developing the Strategic Delivery Plan, CPCA proposes the following actions to be taken forward:

- **Implementation and lotting strategy:** Implement the full franchising scheme with phased delivery divided into three areas. It is proposed that each area will have large and small lots of routes and this will be supplemented by direct award of initial franchised contracts on a number of services, as permitted by the Bus Services Act 2025.
- **Affordability:** Review the contracted, supported bus network to improve efficiency and ensure that bus franchising fits within its short and long term financial envelope. However, this must be done with the right baseline noting that CPCA will in all cases have to support certain uneconomic services.
- **Depot strategy:** Proceed with a CPCA-owned bus depot in both Peterborough and in Cambridge, enabling a wide variety of operators to tender for the large lots in those areas.
- **Fleet strategy:** Recommend a balanced, realistic approach to fleet including owning or leasing some new bus fleets as well as mechanisms to safeguard

existing fleet but encourage competition in order to potentially reduce operator tender costs, utilise the fleet market and ensure synergy with the depot strategy.

How the Strategic Delivery Plan fits within the existing Franchising Scheme

1.40 In developing the Strategic Delivery Plan, CPCA has considered whether any change to the current Franchising Scheme is needed. The Strategic Delivery Plan sets out how CPCA proposes to implement the Franchising Scheme made in February 2025. It does not replace that Scheme or change the area to which it applies. The Franchising Scheme remains the legal framework for the introduction of bus franchising across the whole CPCA area.

1.41 The Franchising Scheme identifies the services intended to be provided under Local Service Contracts, but it does not prescribe the number or size of individual franchise contracts or require those services to be grouped in a particular way. The proposed North West, Central and East lotting areas are therefore procurement and implementation areas. They do not create separate statutory franchising areas or alter the geographical scope of the Franchising Scheme.

1.42 The Franchising Scheme also allows franchising to be introduced progressively. Annex 3 temporarily excepts each service listed in Annex 1 until the first Local Service Contract covering that service takes effect. This allows existing services to continue while individual franchise contracts are prepared and mobilised, and allows different groups of services to move into franchising at different times. The proposed revised phased programme therefore uses a mechanism already contained within the Franchising Scheme.

1.43 The proposed use of direct awards for some initial franchise contracts is also part of the implementation of the existing Scheme. Where the statutory requirements for direct award are met, the resulting contract may be a Local Service Contract under the franchising arrangements. Direct award changes the route by which the initial contract is awarded. It does not change the geographical scope of the Franchising Scheme or the underlying decision that the relevant services should move into franchising.

1.44 The affordability work proposed in the Strategic Delivery Plan concerns the detailed design of the franchised network and the contracts through which it will be delivered. The Franchising Scheme does not prescribe individual timetables, frequencies, vehicle requirements, contract prices or levels of financial support. CPCA can therefore review those matters as part of developing an affordable and efficient network. If that work identifies a need to change a matter which is specified in the Franchising Scheme itself, that would be considered separately under the applicable statutory process.

1.45 The revised depot strategy that is proposed is also consistent with the existing Franchising Scheme. The Franchising Scheme already provides for CPCA to provide depots where these would facilitate the letting of large franchise contracts. The Strategic Delivery Plan develops how that commitment is proposed to be delivered in practice, including the proposed CPCA-owned depots in Peterborough and Cambridge and the use of other depot arrangements where appropriate. These are proposals about the implementation and provision of facilities within the existing Scheme. For clarity, the depot arrangements described in this document remain proposals for consultation. CPCA has not made a final decision on whether to adopt them and remains open to alternative arrangements, including different approaches to depot ownership, provision, location and timing, in light of consultation responses, further due diligence, affordability and deliverability.

1.46 The Franchising Scheme does not prescribe who must own or finance the vehicles used to operate franchised services. The proposed fleet strategy can therefore combine CPCA-owned or leased vehicles, operator-provided vehicles and mechanisms designed to support the continued availability of suitable existing fleet. These arrangements concern how franchise contracts are proposed to be delivered and how barriers to competition can be reduced. They do not alter the scope of the Franchising Scheme.

1.47 The Independent Review and Strategic Delivery Plan have therefore proposed a revised approach to delivering franchising, rather than a change to the Franchising Scheme itself. The proposed revised approach retains the existing franchising area and the existing statutory framework, while using the flexibility within that framework to phase implementation, structure contracts differently and develop depot and fleet arrangements which reflect current financial, operational and market circumstances.

Service Packaging

1.48 The Strategic Delivery Plan proposes an updated and more detailed lotting strategy comprising of three franchise lotting areas (North West, Central and East) with each area containing:

- **Tier A lot** – a single large lot, within each area, located around a strategically located depot. These are intended to provide opportunities for large operators.

- **Tier B lots** – numerous smaller lots, aimed at promoting competition within the market, with the focus on creating opportunities for Small and Medium Operators to grow.

1.49 It is important to note that the proposed lotting areas are designed for the purposes of the tendering approach to franchising and not directly the passenger understanding of the network and how to navigate it. That will be developed further within the wider programme, including a customer engagement strategy.

- **North West Lotting Area:** Peterborough, March and Wisbech
- **Central Lotting Area:** Busway, St Ives, Ramsey, Chatteris, March, Huntingdon, St Neots, Cambourne
- **East Lotting Area:** Cambridge, Ely, Newmarket, Haverhill, Royston

1.50 It is proposed that each bus route in the region will be allocated to one of these three areas. Within each area it is proposed that services will be split into lots, according to the principles in Table 1.

1.51 The allocation of services to each lot package is summarised below. It is not the final allocation, as it is expected that some changes will take place (i.e. swapping of routes into different lots) as more detailed final assessment is made on operational efficiency, affordability, and incorporation of the Network Reimagining work (an ongoing review of thirty five CPCA funded, contracted services). As such the route allocations shown in this document are indicative and use current service identifiers for implementation planning purposes. They do not themselves amend the services specified in Annex 1 to the Franchising Scheme. Before franchise procurements are finalised, CPCA will reconcile the proposed service packages with Annex 1. If that work identifies a need to change a service specified in the Franchising Scheme, that change will be considered separately under the applicable statutory process.

Table 1: Network Lotting Strategy Development Principles

Principles	Description
Value for money through scaled, deliverable lots	Structure lots at sufficient scale to attract multiple bidders, drive competitive pricing, and underpin investment in new depots and potentially fleet, while avoiding inefficient fragmentation.
Balanced portfolio supporting SMO participation	Provide a defined mix of core large lots and smaller, self-contained packages to enable SMO participation and growth, without compromising overall efficiency or deliverability.
Geographical suitability	Base lot boundaries on geographic coherence, depot locations and capacity to minimise dead mileage, support interworking, and reflect operational constraints.

Risk-balanced and market-stabilising packaging	Balance revenue profiles and financial risk across lots by combining profitable, marginal, and socially necessary services appropriately; avoid stripping high-revenue routes in ways that destabilise the residual commercial market or distort competition.
Practical, phased implementation to assure standards	Ensure lotting supports ease of handover, TUPE continuity, and phased transition, while incorporating targeted PVR growth for reliability using an agreed calculation mechanism and maintaining network stability throughout implementation.

North West Lotting Area

The North West Area covers Peterborough and surrounding areas, including March, Wisbech and cross boundary services into Spalding (Lincolnshire).

- **Tier A** – comprising a large lot of 27 routes, operating from the proposed new Peterborough depot.
- **Tier B** – two area-based lots covering services in Wisbech and March.

Table 2 Summary of North West Area Lot Packages

Tier	Tier Sub Package	Routes	Estimated Peak Vehicle Requirement (PVR)	Franchise contract Target Start Date
A	Peterborough	1, 2, 3, 4,6,23,24/24X, 25/25A/25X, 27, 33, 46, 56, T7, 60,61, 62, 63, 415, 904,5/5A, X31, 48	63	June 2029
B	Wisbech	50,66,68, 43/43A	3	June 2029
B	March	32, 302, X32, 33A	4-5	June 2029

Central Area

1.52 Central Area packages have been built around the Cambridgeshire Guided Busway and groups of routes within Chatteris, Huntingdon, St Ives and St Neots.

- **Tier A** – comprising busway routes (A, B and T1), Route 5, 5A, 8, 67 and 67B
- **Tier B** – six area-based lots covering: Cambridge – Bedford; St Ives, Chatteris and Ramsey; Huntingdon; St Neots; Cambourne; and the Zipper (ZIP) routes.

Table 3 Summary of Central Area Lot Packages

Tier	Tier Sub Package	Routes	Estimated PVR	Franchise contract

				Target Start Date
A	Busway+	A, B, T1, 5, 5A, 8, 67 / 67B	40	June 2028
B	Cambourne	4, 18/18A, X2, X3	16-17	June 2029
B	Cambridge to Bedford	905	6	June 2028
B	St Ives/ Chatteris/Ramsey	9, 300, 303, 305, 69, 301/301S/301V/301X, T12	7	June 2028
B	Huntingdon	AW1/AW1X	1	June 2029
B	St Neots	61, 65, 66, 150, C2	6-7	June 2028
B	Zipper (ZIP)	ZIP, ZIP 2, ZIP 3	4	June 2029

East Lotting Area

1.53 The East Area is centred on Cambridge and covers Ely, Newmarket, cross boundary into Haverhill (Suffolk) and Royston (Hertfordshire).

- **Tier A** – comprising a large lot of 21 routes.
- **Tier B** – four area-based lot covering services in Ely/Newmarket, Haverhill and services to the East and South of Cambridge.

Table 4 Summary of East Area Lot Packages

Tier	Tier Sub Package	Routes	Estimated PVR	Franchise contract Target Start Date
A	Cambridge	6, 8, 9, 12, 100, 110, 8A, PR5, T2,T3, T4, T5, 7, 13/13A/X13, PR4, PR2, PR2F, PR3, PR1, 1, 2, 3	91	June 2030
B	Ely/Newmarket	10,12,47,112,117,129	6	June 2030

		203,204, 901-904		
B	Cambridge South	114, 17, 26, 75, 101, 199, 7A, X75	8	June 2030
B	Cambridge East & Haverhill	16A, 18, 19, 46A	3-4	June 2030

Implementation Timeline

1.54 The Strategic Delivery Plan proposes a revised implementation programme for franchising. It is proposed that implementation would occur progressively between June 2028 and June 2030, with procurements, mobilisation and contract commencement staggered across the three operating areas.

1.55 The proposed timings are indicative and may change as the implementation programme develops, including in response to procurement, depot, fleet, funding and operational considerations.

Table 5 Proposed Franchise Timeline

Area	Prepare Procureme nt	Bidding & Evaluation	Tender Awards	Franchise Start
Central Area Tier A	Sept 2026 – Mar 2027	Apr 2027 – Sept 2027	Sept 2027	June 2028
North West Area Tier A	Sept 2027 – Mar 2028	Apr 2028 – Sept 2028	Sept 2028	June 2029
East Area Tier A	Sept 2028 – Mar 2029	Apr 2029 – Sept 2029	Sept 2029	June 2030
Central Area Tier B (Part A)	Sept 2026 – Mar 2027	Apr 2027 – Sept 2027	Sept 2027	June 2028
Central Area Tier B (Part B)	Sept 2027 – Mar 2028	Apr 2028 – Sept 2028	Sept 2028	June 2029
North West Area Tier A	Sept 2027 – Mar 2028	Apr 2028 – Sept 2028	Sept 2028	June 2029

East Area Tier B	Sept 2028 – Mar 2029	Apr 2029 – Sept 2029	Sept 2029	June 2030

Transitional Arrangements and Direct Awards

1.56 A proposed interim delivery period is required because the proposed start dates for the Tier A and Tier B franchise contracts are now later (June 2028 – June 2030) than the original implementation timing set out in the Franchise Assessment, which assumed an earlier transition to franchised operations starting in September 2027.

1.57 No final decision has been taken on which transitional approach or combination of approaches should be used. CPCA will consider consultation responses before deciding whether direct awards are appropriate and, if so, the services to which they should apply, their duration and their terms. CPCA also remains open to continuing existing arrangements or adopting other lawful transitional measures where these would better support service continuity, affordability, competition or deliverability.

1.58 The interim period is intended to provide a structured bridge between the existing market and the future franchised system, allowing CPCA to maintain service continuity, manage transition risks, support operational readiness for SMOs, and, where appropriate, begin introducing elements of the franchising model ahead of full rollout.

1.59 Two primary interim approaches can be taken to routes in the interim period between September 2027 and the start of each franchise contract:

- **Continue with Existing Arrangements** - where routes are currently commercially operated, allow those routes to continue to operate as commercial routes by their current operator without CPCA intervention. These also include routes that are partially supported by the CPCA. Where routes are currently fully supported by the CPCA under tendered contracts they will continue to be operated as tendered contracts and may need to be retendered in the interim.
- **Issue of Direct Awards** of franchise style contracts of routes to current operator(s).

Proposed Direct Awards Process

1.60 Direct awards are intended to be a temporary implementation tool rather than a permanent alternative to competitive procurement. Any direct award would only be made where the applicable statutory requirements are satisfied. Contracts directly awarded under this power must be net cost contracts. This means that the operator will retain at least part of the fare revenue and must retain real operating risk, rather than CPCA taking the full revenue risk. This requirement applies to contracts awarded using the direct award power and does not determine the commercial model for the subsequent competitively procured franchise contracts. Subject to the statutory requirements being satisfied, CPCA proposes to use direct awards selectively where they would support the following objectives:

- Maintain service continuity for passengers;
- Manage operational and procurement risk;
- Support market stability during transition;
- Allow operators and CPCA to build capability ahead of full franchising; and
- Avoid a gap between the proposed Scheme commencement arrangements and the introduction of competitively procured franchise contracts.

1.61 CPCA proposes to apply direct awards selectively and proportionately. The intention is that services ultimately transition to competitively procured franchise contracts in accordance with the longer-term franchising strategy, rather than using direct awards as a substitute for competition.

Contract Duration

1.62 The Strategic Delivery Plan does not propose any changes to the duration of franchise contracts set out in the original Franchising Assessment of up to 7 or 8 years, with potential to extend for a further 1 or 2 years.

1.63 For direct awards, the contract lengths would be of a shorter duration up to a maximum of 5 years.

Depot Strategy

1.64 The proposed Depot Strategy seeks to balance the need to reduce barriers to entry for operators, support the transition to zero-emission vehicles, and ensure that depot solutions remain flexible and fit for purpose over multiple franchise contract cycles. It also recognises that the availability, suitability and deliverability of depot facilities vary across the franchise areas, requiring different approaches in Peterborough, Cambridge and the Central Lotting Area. CPCA proposes the following depot arrangements for the first franchise contracts.

North West Area

1.65 CPCA proposes to fund, develop and own a new depot in Peterborough to support delivery of the North West Area Tier A franchise contract. The depot would form a long-term strategic asset for the franchised network and is intended to provide sufficient capacity to support both the initial franchise operations and future service growth. The depot is intended to support zero-emission operations from the outset, with electric charging infrastructure installed from Day One. Providing a CPCA-owned depot would remove a significant barrier to entry for operators, support competition for franchise contracts and enable vehicle procurement and depot development to progress in advance of contract award, reducing mobilisation and implementation risk. The timing and extent of any zero-emission infrastructure, including electric vehicle charging facilities, will be subject to further due diligence, funding availability, utility connections, detailed design and procurement considerations.

East Area Tier A Contract

1.66 For the first East Area Tier A franchise contract, CPCA proposes to provide suitable depot facilities in the Cambridge area for use by the franchise operator.

1.67 The longer-term ambition remains the development of a purpose-designed depot solution in the Cambridge area owned by the CPCA that can support future franchise operations and the transition to zero-emission fleets.

Central Area Tier A Contract

1.68 It is proposed that operators bidding for the Central Area Tier A contract will be required to provide their own depot facilities. Based on the proposed contract size and operational requirements, suitable existing depot facilities are considered to be available within the market and capable of accommodating the contract requirements. Requiring operators to provide depot facilities avoids the need for additional CPCA capital investment whilst maintaining competition and flexibility within the procurement process. The proposed approach also provides time to determine the most appropriate long-term depot and electrification strategy for Busway and associated local services, recognising that future fleet technologies, charging requirements and network development needs may evolve over time.

Tier B Contracts

1.69 Operators will be responsible for providing depot facilities for all Tier B contracts. This has not changed from the original franchise assessment position. The smaller scale of these contracts means depot provision is not expected to represent a significant barrier to market entry, and operators are generally expected to be able to accommodate services within existing facilities or secure suitable local depot arrangements.

Fleet Strategy

1.70 The proposed fleet strategy sets out how vehicles are proposed to be provided for the first franchise contracts. It balances the need to maintain competition, manage affordability and delivery risk and support the transition to zero-emission buses. Different approaches are proposed for different areas, reflecting depot availability, contract scale, vehicle requirements and the readiness of the market.

1.71 CPCA proposes the following fleet strategy for the first franchise contracts.

North West Area Tier A Contract

1.72 For the North West Lotting Area Tier A contract in Peterborough, CPCA proposes to provide a new fleet for use by the franchise operator. This approach is intended to remove one of the largest barriers to market entry by eliminating the need for operators to finance the acquisition of a substantial new fleet as part of their bid. It would also enable CPCA to commence vehicle procurement in advance of contract award, reducing mobilisation risk and helping to ensure that vehicles are available when services commence. Ownership of the fleet by CPCA would support the intended delivery of zero-emission operations from Day One at the new Peterborough depot and provide greater long-term flexibility over fleet deployment, and future franchise contract arrangements. The sequencing of the fleet, with the depot and the intended go live date is subject to further due diligence. Contingency options to ensure the go live date with fleet/depot available to the winning bidder will be assessed further.

Central and East Area Tier A Contracts

1.73 For the first Central and East Area Tier A franchise contracts, it is proposed that operators will own the vehicles and will be responsible for fleet procurement decisions, subject to compliance with vehicle specifications and service standards set by CPCA. A Residual Value Mechanism is to be developed to support the transfer of suitable vehicles between outgoing and incoming operators at franchise contract changeovers. Where there are insufficient suitable vehicles available through the Residual Value Mechanism, it is proposed that operators for the Central and East Area Tier A contracts will be responsible for sourcing and financing any additional vehicles required to deliver the contract.

Tier B Contracts

1.74 For Tier B contracts, it is proposed that operators will be required to supply their own vehicles to the specification outlined by the CPCA.

Residual Value Mechanism

1.75 CPCA proposes to develop a Residual Value Mechanism to support the transfer of suitable vehicles between outgoing and incoming operators at franchise contract changeovers for Tier A contracts. Under this mechanism, vehicles that meet the required specification and remain suitable for service would be available to transfer at an independently assessed value. The mechanism is intended to provide greater certainty for both existing and prospective operators, reduce barriers to entry and lower the number of vehicles that incoming operators need to procure as part of their bids. It would also help protect investment in vehicles and support continuity of service during franchise transitions.

Additional Vehicle Requirements

1.76 Where there are insufficient suitable vehicles available through the Residual Value Mechanism, it is proposed that operators for the Central and East Area Tier A contracts will be responsible for sourcing and financing any additional vehicles required to deliver the contract. This may include the procurement of new or used vehicles, subject to meeting CPCA's specified standards. The combination of the Residual Value Mechanism and operator-led fleet procurement is intended to balance competition, affordability and flexibility, while ensuring operators retain responsibility for developing fleet solutions that best meet the requirements of their contracts.

Consultation questions

Implementation Timetable & Transition Arrangements

- What are your views on CPCA's proposed phased implementation of bus franchising between 2028 and 2030, including when compared with the original two-round implementation programme? If you consider that a different implementation approach should be adopted, please explain what approach you would prefer and why?
- What are your views on CPCA's proposed use of transitional arrangements, including direct award contracts to support implementation of the franchised network?
- What are your views on CPCA's proposed approach to affordability, including reviewing the contracted and supported network to improve efficiency while recognising that CPCA will continue to need to support services which are socially necessary but are not commercially sustainable? Are there particular impacts or safeguards which CPCA should take into account?
- Do you consider that any of the proposals would have particular positive or negative impacts on disabled people, people with other protected characteristics, people living in rural communities, or people who are particularly dependent on bus services? Please explain any impacts and any measures which CPCA should consider to avoid, reduce or address them.

Contract Packaging and Competition

- Do you have any views on the proposed contract structure and lotting arrangements? In your response, please consider whether they would support participation by small and medium-sized operators and whether any changes could improve competition, value for money, or deliverability. Please explain your reasons.

Depot Strategy

- What are your views on CPCA's proposed approach to depot provision across the Central, East and North West franchise areas?

Fleet Strategy

- What are your views on the proposed fleet strategy, including CPCA ownership of vehicles in the North West Area and operator owned vehicle provision for Tier A Central and East Area contracts and for Tier B contracts?
- Are there any specific risks or issues CPCA should consider in developing its Residual Value Mechanism and fleet transition arrangements?