

## REPORT

# Oxfordshire bus network: Alternative delivery options

Client: Oxfordshire County Council

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## Project related



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## Executive summary

A key element of the Government's Bus Services Bill, currently going through Parliament, is for local authorities to take greater control of their bus networks, either through municipal bus operation or bus franchising. As a prelude to this, Government has already amended guidance to lower the bar for consent to undertake a franchising assessment and to streamline the assessment process. The Department for Transport (DfT) is also exploring how Enhanced Partnerships (the current delivery model in most areas) can be strengthened, based on the experience of the last three years.

This study has sought to better understand different options for delivering local bus services and what they might mean if implemented in Oxfordshire. The options are:

- Enhanced Partnership (EP) - current situation
- Enhanced Partnership Plus (EP+)
- Municipal bus operation
- Franchising of the bus network

An Enhanced Partnership (EP) is a legal model under which private bus operators and local authorities make a legally binding (statutory) plan and schemes which set out a shared vision and targets. They make specific commitments about how they will jointly improve local buses to achieve these. Under an EP, local bus services remain privately owned and operated ('deregulated') and bus operators continue to take revenue from fares and make independent decisions about how bus services are run.

EP+ represents a position of a partnership with greater levels of commitment and requirements than an EP. It might include arrangements for joint planning of services, full multi-operator and interoperable ticketing, and a partnership approach to marketing and information provision. However, the more significant requirements may take longer to negotiate and agree. Again, buses continue to operate in a deregulated environment, where operators can decide on routes, tickets and fares and change services as they wish.

Municipal bus operation is where a local authority operates its own bus services. Municipal bus companies generally exist as separate entities, at arm's length from the local authority but wholly owned by the authority. They operate in the same way as any private bus company (under a Public Service Vehicle Operator 'O' Licence and within the commercial operating environment), deciding on what services to provide, timetables and fares, to ensure that revenues cover their costs. However, they do not need to make profits to satisfy shareholders, so are able to invest more in social aspects of their networks. That said, they operate within an environment where other operators could choose to compete against them. Likewise, they must compete with other operators for contracts to provide those bus services supported by the local authority.

Franchising is where a local authority controls, plans and funds all aspects of the bus network. It is responsible for setting routes, timetables and fares in accordance with its own priorities, rather than those of operators within the deregulated system. The authority specifies services and procures provision from commercial operators in the external market.

Those partners involved in the current Oxfordshire Bus Enhanced Partnership are positive about the way that it has brought interested parties together to work collaboratively. Indeed, during the period of its existence, much has been achieved:



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- Strong network of commercial city services and inter-urban network
- New and enhanced services, with greater geographical coverage (all communities with 500+ population now have a bus service).
- Coordinated corridors in Oxford, removing competition and duplication between operators
- Third party funding for additional services
- Well-established Park & Ride provision
- Introduction of 159 electric buses
- Improved information through dedicated EP website, comprehensive bus maps and additional real time information displays.
- MyBus multi-operator ticketing

Whilst this is impressive, it is difficult to determine how much difference the EP has made to the delivery of improvements. The availability of significant funding has certainly been an instrumental factor, along with the willingness of interested parties to work together regardless of any formal organisational or governance structures.

With the Government enabling authorities to consider alternative bus network delivery models, it is worth looking at the implications of introducing these.

To move to franchising, an authority needs to be convinced that there is a case for change. Indicators of this might be one or more of the following:

- The commercial market is failing, with operators unable to maintain services or invest in them, or there is ongoing instability or poor quality.
- There is already a high level of intervention by the authority, where operators are reliant on financial support.
- Poor market conditions result in a lack of innovation.
- Services are considered deficient and not meeting community aspirations.
- An authority's ambitions are not being met by operators.
- Operators are uncooperative and unwilling to work in partnership.
- There is political desire for change.

Similarly, any moves towards municipal operation would need to have similar triggers, with an additional one of poor value due to an existing monopoly provider.

A move away from the current situation would require careful consideration as follows:

1. Identify any **problems** that exist and why things need to change.
2. Identify the **aims and objectives** of the bus network and consider which options might help achieve these.
3. Consider carefully what the **implications of introducing an alternative delivery model**, including the costs and benefits and the extent to which each would help meet strategic objectives.
4. Ensure stakeholders and interested parties are **involved** throughout and the process is transparent.
5. Set out the **outcomes** sought and define the structure and system to achieve these.
6. Undertake a **detailed assessment to compare the performance** of different delivery models in achieving the desired outcomes.



The experience of franchising from elsewhere provides useful insights for other authorities considering whether franchising might be an option for their areas. Key points are summarised below:

| Franchising  |   |
|--|---|
| What can it provide?   | What are the implications?  |
| Control and influence over all aspects of the bus network, including routes, timetables, service standards, fares and ticketing. | <ul style="list-style-type: none"> <li>• Better able to align public funding with the achievement of the authority's vision, objectives and desired outcomes.</li> <li>• Points towards franchising across the whole area on the grounds of consistency, equity and economies of scale, with the ability to cross-subsidise unprofitable services from profitable ones.</li> <li>• Greater responsibility and accountability on the authority, as well as additional risk, depending on the approach taken.</li> <li>• Ability to remove duplication of services or over-bussing and plan greater coordination between bus services and integration with other modes.</li> <li>• The need for additional staff and resources within the authority to deliver and manage the network.</li> </ul> |
| Strong brand and identity  | <ul style="list-style-type: none"> <li>• Creates sense of local pride and raises the profile of the network.</li> <li>• Reinforces the single network approach.</li> </ul>  |
| Improved standards of service  | <ul style="list-style-type: none"> <li>• If the authority chooses to take revenue risk, operators are free of concerns about commercial viability and can focus on providing high quality of services that meet required targets.</li> </ul>  |
| Ownership of the relationship with customers.  | <ul style="list-style-type: none"> <li>• Easier for users to understand the network, get information and provide feedback.</li> <li>• Authority able to gain clearer and fuller understanding and feedback about the performance of the network and customer service.</li> </ul>  |
| Competition in the market  | <ul style="list-style-type: none"> <li>• Potential new entrants into the local market.</li> <li>• Authority needs to provide or facilitate depots in order to encourage interest from external operators.</li> <li>• Authority may need to assist in the provision of vehicles to reduce capital pressure on operators.</li> <li>• Lower margins for operators, reflecting less risk on them.</li> </ul>  |
| Opportunity to step in and address market decline  | <ul style="list-style-type: none"> <li>• Ability to intervene and stabilise the network, avoiding continual tweaking of services and gradual service erosion that ultimately deters usage.</li> </ul>   |
| A solution tailored to the needs of the area   | <ul style="list-style-type: none"> <li>• Ability to develop the most appropriate solution for the area that meets the particular challenges identified.</li> </ul>  |





|  |  |
|--|--|
|  | <ul style="list-style-type: none"> <li>Whilst more local control could be achieved through franchising or municipal operation, the two may not be compatible, unless there is a way of safeguarding a municipal operation through direct award or by being excluded from the franchised area.</li> </ul> |
|--|--|

Different delivery models will be appropriate to different local circumstances and the needs and ambitions of local authorities. Each may help deliver improved bus services. However, ultimately, the availability of funding and the ability to provide buses with competitive advantage over the car will be crucial in contributing to the success of a bus network. The following summarises how alternative bus delivery models might help meet the public and stakeholder priorities in Oxfordshire.

| Priority                            | EP  | EP+  | Franchising  |
|-------------------------------------|---|--|--|
| Faster and more direct buses        | Necessary to negotiate and gain agreement with commercial bus operators. Unable to subsidise parallel service that might undermine commercial services. | Joint service planning arrangements may exert more influence over network development.   | Control over network enables new or direct services to be provided, but this may come at additional cost.  |
| More reliable bus                   | Level of bus service may be reduced to extend journey time to improve punctuality.  | Incentive on authority to introduce measures to improve reliability and punctuality. Equally, services may be reduced to extend journey times. | Incentive on authority to introduce measures to improve reliability and punctuality; otherwise, may increase costs to authority, with the provision of more vehicle resources.   |
| More buses generally                | New services can be introduced with additional funding. Reinvest in services from efficiencies achieved.  |  | Cross-subsidy might enable more buses to be provided (depending on outcome of contract procurement); otherwise, additional funding may be required. Easier to enhance frequencies with control offered by franchising. |
| Better value fares                  | Multi-operator ticketing alongside individual operators' tickets.   | Ability to achieve consistent product range and interoperability.  | One consistent product range of fares/tickets across the network. Ability to subsidise or discount fares.  |
| Better information about bus travel | Achievable under all models with agreement on individual or joint responsibility and appropriate funding.   |  |  |



## 1 Introduction

Commissioned by Oxfordshire County Council, this study considers different models for delivering bus networks.

A key element of the Government's Bus Services Bill, currently going through Parliament, is for local authorities to take greater control of their bus networks, either through municipal bus operation or bus franchising. As a prelude to this, Government has already amended guidance to lower the bar for consent to undertake a franchising assessment and to streamline the assessment process. DfT is also exploring how Enhanced Partnerships (the current delivery model in most areas) can be strengthened, based on the experience of the last three years.

The County Council wishes to better understand different options for delivering local bus services and what they might mean if implemented in Oxfordshire. The options are:

- Enhanced Partnership (EP) - current situation
- Enhanced Partnership Plus (EP+)
- Municipal bus operation
- Franchising of the bus network

This report sets out the evidence for each option and does not make any recommendations for the model to be taken forward. It is intended to inform discussions around the most appropriate way of providing bus services in the future to meet the needs of the county.

### 1.1 Study purpose and objectives

The study aims to undertake a preliminary examination of bus regulation and ownership possibilities for Oxfordshire by addressing several objectives:

- Identifying potential options for future bus delivery (EP; EP+; Franchising; municipal operation).
- Assessing the implications of each option, including costs, benefits, implementation timescales, as they would apply to Oxfordshire, and compare those with the current position.
- Considering practice elsewhere.
- Considering the effectiveness of the current Oxfordshire Enhanced Partnership.
- Considering the relative advantages and disadvantages of potential options against the existing position.

In summary, the study has two main elements:

- A review of the current Oxfordshire Bus Enhanced Partnership
- Consideration of alternative models of bus network delivery

### 1.2 Approach

The study used a number of lines of enquiry to address the objectives.

Consideration of the EP involved:

- Talking with OCC officers and other interested parties involved in the EP, including bus operators.
- Reviewing BSIP and EP documents and monitoring reports.
- Observing EP meetings and associated groups



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Consideration of alternative delivery models involved:

- Undertaking background research into bus franchising, including legislation and guidance.
- Reviewing documents relating to the franchising journeys being followed by other authorities.
- Discussions with local stakeholders, including bus operators.
- Meetings with authorities that are pursuing or implementing bus franchising.

Using the evidence collected, a view was taken of the effectiveness of the current Oxfordshire Bus Enhanced Partnership. Consideration was then given to what the implications for Oxfordshire might be if any decision was made to pursue franchising or municipal operation in the area.



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## 2 Background

### 2.1 Legislation

The Transport Act 1985 introduced deregulation of bus service provision across England (outside of London), Scotland and Wales in October 1986, removing the system of regulated road service licensing and requiring the break-up of nationalised bus operators and their transfer to the private sector.

In the deregulated environment, bus operators decide what services they will provide on a commercial basis (i.e. profitably). They determine the routes, timetables and fares. Local transport authorities may then look to fill gaps in service by subsidising additional services, procured from the external market. These are typically evening and Sunday services and whole routes in rural areas, together with infill services in urban areas. As such, local authorities influence only a proportion of the overall bus network, although usually a higher proportion in more rural areas, where commercial provision is less viable. With the mix of commercial and supported services and different operators, there may be a lack of network co-ordination and disjointed ticketing arrangements.

The Transport Act 1985 also prohibited local authorities from setting up their own bus companies, although those that existed at the time were able to continue. Since then, most municipal bus companies either ceased trading or have been sold by their authorities to private sector operators. However, a small number remain, including Reading Buses, Nottingham City Transport and Warrington's Own Buses.

In March 2021, Government launched its National Bus Strategy (Bus Back Better)<sup>1</sup>, which set out an ambition to improve bus services across England. Funding of £3bn was announced to help fund improvements (although ultimately only £1.15bn was provided to local authorities, the remainder having been spent on general support of the bus industry during Covid-19 recovery). Local authorities were asked to form partnerships with their local bus operators to develop Bus Service Improvement Plans (BSIP) by October 2021, and then to formulate Enhanced Partnerships to facilitate the delivery of their ambitions.

The Bus Services Act 2017 introduced Enhanced Partnerships (EP) as a means of achieving more coordination and joined up service provision within a deregulated environment. These are legally binding agreements where authorities commit to providing facilities and measures to improve bus services and, in return, operators commit to enhanced service standards and coordinated fares and ticketing arrangements.

### 2.2 Enhanced Partnership

An Enhanced Partnership (EP) is a legal model under which private bus operators and local authorities make a legally binding (statutory) plan and schemes which set out a shared vision and targets. They make specific commitments about how they will jointly improve local buses to achieve these. Under an EP, local bus services remain privately owned and operated ('deregulated') and bus operators continue to take revenue from fares and make independent decisions about how bus services are run.

The Act and related legislation specify the proportion of bus operators that have to agree to an Enhanced Partnership Plan and Scheme – and any associated obligations or commitments – before they can be made legally binding. However, once an Enhanced Partnership Plan and Scheme have been 'made', all local bus operators must comply. If they fail to meet the requirements set out, enforcement action can be taken against them, including the cancellation of the registration of a bus operator's services, which would

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<sup>1</sup> <https://www.gov.uk/government/publications/bus-back-better>



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then no longer be able to run. Under an EP, the Traffic Commissioner has the power to take enforcement action.

## 2.3 Franchising

Franchising is where a local authority controls, plans and funds all aspects of the bus network. It is responsible for setting routes, timetables and fares in accordance with its own priorities, rather than those of operators within the deregulated system. The authority specifies services and procures provision from commercial operators in the external market.

Prior to 2017, bus franchising was only in place in London and Jersey. It was not possible for any other area to introduce it. However, the Bus Services Act 2017 provided Mayoral Combined Authorities with the power to implement bus franchising in their areas. Other local transport authorities could apply to Government for access to the same powers and each would be considered on a case-by-case basis. Furthermore, unitary authority Cornwall Council was offered the powers to implement franchising as part of its devolution deal. However, having considered this option, it decided to pursue its objectives for improved services through a partnership approach, in line with its One Public Transport System for Cornwall (OPTSfC) initiative.

In recent years, most of the Mayoral Combined Authorities have decided to consider Franchising and are at varying points of the process. In January 2025, Greater Manchester saw the completion of the process, with a fully franchised bus network (Bee Network) in place. Liverpool City Region (LCRCA) and West Yorkshire (WYCA) are in the implementation phase, preparing to commence procurement of franchise contracts. The Cambridgeshire and Peterborough (CPCA) Mayor has recently made the decision to introduce franchising. South Yorkshire (SYMCA) and the West Midlands (WMCA) are currently at the consultation phase. The North East Combined Authority (NECA) is embarking on the Franchising Assessment. Meanwhile, the Welsh Government is finalising legislation to facilitate the franchising of bus services across Wales (apart from Cardiff and Newport, where there are municipal bus operations). Similar provisions are also being considered in Scotland.

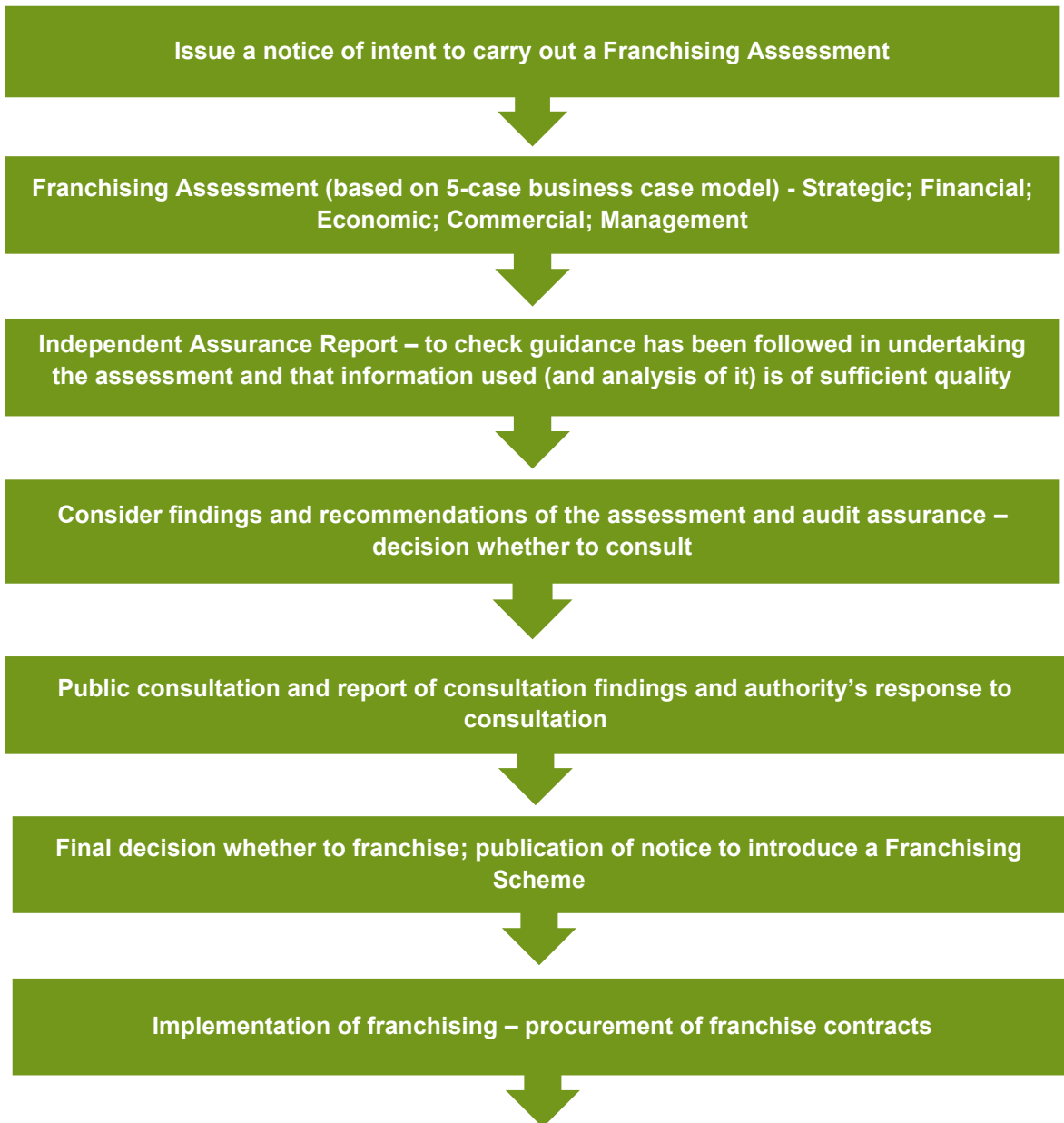
Non-Mayoral Combined Authorities are required to obtain the consent of the Secretary of State to undertake a Franchising Assessment. The authority should demonstrate:

- A clear vision for improving bus services
- The type of franchising it envisages
- Its plan for undertaking a franchising assessment
- Which office holder will be responsible for developing the franchise scheme

As part of seeking consent, the authority should engage in parallel with DfT officials.

It should be noted that franchising does not necessarily have to cover the whole bus network across an authority's area. There may be circumstances where it is appropriate to franchise parts of the network, or certain areas, and leave other areas as current (under an Enhanced Partnership). However, those combined authorities introducing franchising are all doing so on the basis of including their entire area.

Having been granted the powers for franchising, an authority must follow a specified sequential process to assess whether that option is appropriate. This should compare different options (Enhanced Partnership and Franchising) and provide suitable justification for the authority to take a decision on whether to pursue franchising:



In undertaking the assessment, it is necessary to develop a draft franchising scheme and the process for delivering it. This will cover the size and phasing of franchises; plans for cross-boundary services; transition arrangements; as well as consideration of depots, vehicles and TUPE/pensions implications for staff. Based on the assessment, conclusions will be drawn and a preferred option identified, along with the rationale for that decision.

Given its nature and the significant organisational implications and impact on operators' businesses, franchising must clearly be seen as a long-term model. It can be varied, but revoked only under certain conditions being satisfied:

- Local services 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 or the burdens of continuing are likely to outweigh the benefits.



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The National Bus Strategy suggests that franchising can be an effective way of correcting market failure and that DfT will support its use where it is in the interests of passengers. It considers that when used well, franchising can capitalise on the strengths of private sector route planning, marketing and investment as part of the tendering process, whilst ensuring stronger local level accountability and financial incentives to prioritise bus services for the local authority.

Franchising means that the authority becomes responsible and accountable for the planning and provision of bus services within a defined area (either all or part of a local authority’s area). This brings with it benefits and risks. The Centre for Cities summarised these when comparing Franchising and Enhanced Partnership options.<sup>2</sup>

| Benefits of franchising  | Risks of franchising  |
|--|---|
| <ul style="list-style-type: none"> <li>• Control over route frequencies and running hours, to provide a more equitable and efficient network.</li> <li>• Set standards for services/vehicles.</li> <li>• Integration with other modes; services coordinated to avoid duplication.</li> <li>• Introduce common livery/branding.</li> <li>• Set fares and subsidise them.</li> <li>• Specify tickets and common ticketing systems.</li> <li>• Control of fare box revenue incentivises efficient network.</li> <li>• Profitable services can cross-subsidise others.</li> <li>• Authority directly benefits from bus priority (more efficient operations).</li> <li>• Hold operators to account.</li> <li>• Engage with other operators, not just incumbents.</li> </ul> | <ul style="list-style-type: none"> <li>• Legal challenge from operators.</li> <li>• Disruption and change during period of transition.</li> <li>• Accountability totally on the authority.</li> <li>• Cost/resourcing of implementation, management and monitoring.</li> <li>• Funding gap if costs rise and/or fares revenue falls.</li> </ul> |

<sup>2</sup> Centre for Cities (2019): [How franchising enables mayors to deliver a high quality bus service | Centre for Cities](#)



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## 2.4 Municipal operation

Municipal bus operation is where a local authority operates its own bus services. Whilst this was common in the regulated environment prior to deregulation in 1986, the number of such operations has diminished (either being sold to private bus companies or closed down) with just a handful remaining, including Nottingham City Transport, Reading Buses and Warrington's Own Buses. The Transport Act 1985 prevented local authorities establishing new municipal bus companies.

Municipal bus companies generally exist as separate entities, at arm's length from the local authority but wholly owned by the authority. They operate in the same way as any private bus company (under a Public Service Vehicle Operator 'O' Licence and within the commercial operating environment), deciding on what services to provide, timetables and fares, to ensure that revenues cover their costs. However, they do not need to make profits to satisfy shareholders, so are able to invest more in social aspects of their networks. That said, they operate within an environment where other operators could choose to compete against them. Likewise, they must compete with other operators for contracts to provide those bus services supported by the local authority.

In Wales (Pembrokeshire) and Scotland (Highland Council) there are examples of local authorities buying existing private bus operators.

Some local authorities have in-house fleets of vehicles (usually minibuses) to provide home to school or adult social care transport. These usually operate under section 19 or 22 permits, which restrict the way they can be operated. However, they may be deployed on publicly available bus services, such as is the case for some rural services in Oxfordshire. Some authorities use minibuses under s22 permits (operating not for profit) to provide more extensive services, such as Shropshire Council operating its own demand responsive transport service. A few years ago, Lincolnshire County Council developed its in-house model further, establishing an arm's length teckal company to provide all types of passenger transport services. This was in response to a lack of other operators in the market and rising prices for specialist types of transport.

The Government has indicated its desire to see greater local control of bus services. The Bus Services Bill currently going through Parliament seeks to streamline existing processes for authorities wishing to introduce bus franchising in their areas (as originally set out in the Bus Services Act 2017). It also looks to allow authorities to set up their own municipal bus operations. This is providing new impetus for authorities to explore different ways of providing local bus networks to meet the aspirations of their Bus Service Improvement Plans.





### 3 Current position

#### 3.1 Oxfordshire bus market

Oxfordshire has a successful commercial bus network with the highest per-capita usage of local services of any shire county in England. This is largely due to significant use of the bus for journeys to, from and within Oxford. The success of the network can be partly attributed to the long-standing partnership between the County Council and local bus operators.

The county's core bus network is comprised of inter-urban routes connecting the county's towns to Oxford and frequent urban routes within Oxford itself. These routes are complemented by second-tier inter-urban routes (often connecting county towns to one another) and more locally focussed and rural routes. Most bus services are provided by two national groups: Go-Ahead and Stagecoach through their subsidiary companies. A smaller number of routes are provided by independent operators and by the community transport sector.

Features of the bus network can be summarised as follows:

- Oxford city services
  - Frequent, operating from early morning to late evening, in response to high demand within the dense urban area.
  - Operated commercially by the operators
  - Coordinated corridors, with each operator focused on different areas of the city.
- Frequent inter-urban services
  - Linking various towns to Oxford
  - Frequent, operating 7-days per week and throughout the day
- Second-tier inter-urban services
  - Links between towns and smaller settlements
  - Hourly frequency
  - Partially or fully supported services
- Local routes
  - Local routes within towns or from villages into towns
  - Varying levels of service
  - Supported services
  - Some operated by community transport operators
- Park & Ride
  - 5 sites around Oxford, with over 5,000 car parking spaces, served by frequent buses
  - 1 site on edge of Bicester

The County Council provides significant levels of financial support for the bus network - £8m in 2023/24. It has been successful in attracting other funding through the Government's ZEBRA (electric bus) and BSIP programmes.

The Oxford Smart Zone offers multi-operator ticketing with the Oxford area. This has now been supplemented by the MyBus Oxfordshire ticket – a one day or one-week multi-operator ticket (adult and young person) available across the county.

The results of Transport Focus' Your Bus Journey survey amongst bus passengers in 2024, provides a positive view of Oxfordshire. Levels of satisfaction have improved on 2023 and are generally higher than England averages.



| Aspect               | Satisfaction     |                  |              |
|----------------------|------------------|------------------|--------------|
|                      | Oxfordshire 2023 | Oxfordshire 2024 | England 2024 |
| Overall satisfaction | 78%              | 84%              | 83%          |
| Bus driver           | 87%              | 90%              | 87%          |
| Punctuality          | 68%              | 78%              | 75%          |

### 3.2 Bus Service Improvement Plan

The Bus Service Improvement Plan (BSIP), established in 2021 and updated in 2024, sets out a vision of:

‘A transformed, modern, and environmentally friendly bus network, which supports high quality economic growth across Oxfordshire, reduces congestion and emissions, and makes our county a better place to live for a growing population.’

The main BSIP goals for bus are to:

- Keep buses at the heart of decision-making
- Make buses faster and more reliable
- Upgrade and improve bus infrastructure
- Transform the image of buses
- Make buses easier to access and understand

The objectives of investing in buses are:

- To establish a virtuous cycle of passenger and revenue growth, feeding service improvement
- To improve quality of life for people who rely on buses
- To help address the climate emergency
- To enable economic growth

Public and stakeholder engagement surveys suggest that the top five priorities for bus service improvements are:

- Faster or more direct buses
- More reliable buses
- More buses in general
- Better value fares
- Better information about bus travel

The BSIP has four main headline targets for patronage, journey time, punctuality and reliability, and satisfaction. Patronage increased from 33.6m in 2023 to 37.2m in 2024. Average bus journey speeds increased from 13.2mph to 14.3mph. There was a slight drop in non-frequent bus services running on time from 80% to 79%. Satisfaction with local bus services rose from 78% to 88%.

### 3.3 Oxfordshire Bus Enhanced Partnership

The governance structure for the EP consists of a Board, with responsibility for decision-making around the EP Plan and Scheme. The Board is made up of officer representatives of Oxfordshire County Council and district councils, along with three bus operators (Stagecoach, Oxford Bus Company and Reading Buses – the latter being the nominated representative of smaller operators). Voting rights are distributed



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equally between public and private sectors (5 each), such that neither sector has an absolute veto (although the County Council has the power to decide whether or not to make the EP Scheme or variation):

- Oxfordshire County Council officers (3 votes)
- City and District Council officers (2 votes)
- Operator with >25% market share (GoAhead Oxford) (2 votes)
- Operator with >25% market share (Stagecoach West) (2 votes)
- Other bus operators (1 vote)

The Board meets four times per year, with the chair held on a rotational basis. For a proposal to be accepted, a majority of those in attendance is required.

Beneath the Board, a separate Partnership Forum may be convened as necessary to consider strategic changes to the BSIP or other significant matters. The Forum comprises Board members plus other stakeholders with an interest in the bus network, including NHS trusts, universities, business parks, Bus Users UK, Transport Focus and community transport operators.

Much of the delivery of BSIP schemes is overseen by working groups, which report to the Board. The two main active working groups are:

- Making buses more attractive (pursuing fares, information and customer experience initiatives)
- Upgrading bus infrastructure (overseeing passenger infrastructure and real time information)

Wider stakeholder interests are included on these groups, such as the Oxon4Buses interest group.

Two further working groups are not currently active:

- Keeping buses at the heart of decision-making
- Making buses faster and more reliable

The Enhanced Partnership Scheme document includes the various projects and schemes being implemented, setting out the commitments and requirements on local authorities and bus operators. The document includes the facilities and measures provided by the County Council and the timescales for planned delivery of the various schemes. This includes specific bus emission requirements to be met by 1 June 2025 and 1 January 2030.

Within the significant funding available (BSIP; Electric Bus; s106 contributions), much has been achieved:

- Strong network of largely commercial city services and inter-urban network
- New and enhanced services, with greater geographical coverage (all communities with 500+ population now have a bus service).
- Coordinated corridors in Oxford, removing competition and duplication between operators.
- Third party funding for additional services (universities; business and science parks; Bicester village).
- Well-established Park & Ride provision
- Introduction of 159 electric buses
- Improved information through dedicated EP website, comprehensive bus maps and additional real time information displays.



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- MyBus multi-operator ticketing (both for adults and young people 5-18 years; day and week tickets).

### 3.4 Discussions with interested parties

The performance of the EP was discussed with interested groups and those involved in the EP.

#### 3.4.1 Bus operators

Operators are positive about the partnership approach facilitated through the EP, including the sharing of knowledge, experience and ideas. The EP not only enables good joint working with the County Council, but it creates space for operators to work together. Indeed, a partnership was being developed in Oxfordshire pre-Covid and before the DfT's requirement for all areas to be covered by EPs in 2022. Whilst the EP has enabled discussions between the County Council and operators to achieve agreements on coordinated corridors and the MyBus ticketing products, operators consider that a good working relationship between them existed beforehand. The EP has provided a single place for discussions on a range of different initiatives.

Operators are positive about their commercial offering and can see opportunities for future service enhancements in response to growing markets.

Operators suggest that the EP helps with links between authorities (county and districts). Working groups are working well and delivering improvements. However, progress is constrained by capacity within the County Council's team. For instance, a backlog in bus stop improvements appears to be due to a lack of resources.

Smaller operators are not represented on the working groups, so are unable to input to these.

Given the funding available for particular projects and schemes, the EP has focused on delivering these. However, it has not spent time considering and informing wider policy and strategy (i.e. a future vision for buses). Operators consider that this needs to happen, to ensure that the bus is central to achieving wider economic, social and environmental goals. This might be aided by some political buy-in to the EP.

One key strategic consideration is around bus depot capacity, particularly the need for additional sites and how to achieve effective electrification of smaller depots (where economies of scale might not exist).

Operators consider that priorities for the EP have been largely set by the County Council, rather than the Partnership as a whole. This is likely to stem from the way that DfT allocates funding, channelling it through local authorities and making them accountable for how it is spent.

Operators feel that they have, to some extent, been treated as passive partners. They would like to be more involved in discussions. One example of this was in the upgrading infrastructure working group, where operators expressed a desire to be more involved in considerations around bus stop infrastructure and to have an input into the scoring system for prioritising bus stop improvements.

Operators consider that a coherent strategy for bus is needed, set within wider plans. A key aspect of the BSIP is the Traffic Filters Scheme, with the aim of speeding up bus journeys by 10% by December 2025. The scheme was put on hold following the closure of Botley Road by Network Rail. However, other traffic management schemes (20mph zones and low traffic neighbourhoods) were still introduced, and (in their view) with poor engagement with operators, with the impact of slowing buses down. Bus journey times have increased and journeys become more unreliable (reflected in bus users' satisfaction scores). Since



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2023, Oxford Bus Company has increased its peak vehicle requirement (PVR) by 6 buses just to maintain services at current levels. This represents a significant increase in cost for no real enhancement of service.

The planned introduction of the Traffic Filters was the EP commitment of the County Council, complementing the significant investment (£42m) by operators in a fleet of 159 electric buses (and use of a more unified branding of vehicles) and charging infrastructure at depots. EPs were originally envisaged as legally enforceable agreements between authorities and bus operators, whereby each of the parties would hold the other to account. Such challenge has not yet been tested anywhere, so it remains unknown as to how this might work in practice. Equally, such a challenge seems rather counter to the spirit of partnership working.

Operators consider there is scope to achieve more through the EP. In organisational terms, this could mean giving the Board more oversight of the overall programme of activities and projects, monitoring the progress of the working groups and identifying milestones, delays and interdependencies. Establishment of an overarching project plan could assist in this. Rather than separate meetings, there may be scope to hold longer in-person Board and working group meetings sequentially, making best use of attendees' time. Also, there may be scope for operators to lead in the delivery of some elements.

In particular, operators suggest there should be greater involvement and buy-in from the County Council's Highways Team, given the important issues of bus priority measures, traffic management, tree trimming, roadworks and road closures that impact on bus operation.

As well as overseeing the delivery of BSIP projects, operators consider that the EP should promote more strategic thinking around the future role of the bus.

Whilst smaller operators are represented on the EP Board by Reading Buses (and other Stagecoach subsidiaries by Stagecoach Oxfordshire and Gloucestershire), they do not get to see what is happening first hand and are reliant on any views they have being raised through a third party. Reading Buses has successfully canvassed views from other operators on key issues, such as requirements for engine emission standards.

### 3.4.2 County Council officers

County Council officers recognise the importance of the good collaborative working they have with operators; the EP provides a formal way of facilitating the partnership and bringing interests together. From their perspective, governance structures and the Board are effective. Meetings are productive and help to hold people to account. The working groups provide a focus for delivering improvements and the EP Forum has helped to draw in a wider group of interested parties.

Much has been achieved through the Partnership. However, enablers for this have been the significant BSIP funding, along with the political support for buses, rather than the existence of the EP itself. A significant barrier to progress has been the closure of Botley Road in Oxford city centre by Network Rail, which has both disrupted bus routes and led to increased congestion on other routes into the city. Clearly, this type of challenge would have the same impact under any model of bus service delivery.

### 3.4.3 Oxon4Buses

Oxon4Buses (O4B) is pleased to be represented on the two active working groups. However, not being represented on the Board (just as smaller operators are not), means there is a lack of transparency and understanding about the operation of the EP and the remit of the Board.



The EP is viewed as successful in bringing different interested parties together, encouraging cooperation and delivering improvements. The availability of funding has helped in this.

O4B suggests that progress is hampered by inadequate resource and staff within the County Council. It also considers that there should be more focus on targets and ownership of these to help drive forward the various actions.

#### 3.4.4 Working groups

Observations of the two working groups highlighted how they are delivering projects. The making buses more attractive group is successfully pursuing various initiatives and has delivered others:

- £1 travel on Sundays (during December 2024)
- MyBus Oxfordshire multi-operator tickets
- Development of website and smart zone map
- Bus Passenger Charter being taken forward by separate sub-group

The upgrading bus infrastructure working group members were also positive about the way that the EP has brought different interests together. The group considered that there had been useful information sharing between the different parties represented. Whilst recognising progress made with passenger infrastructure and real time information, there were concerns about how resource constraints were creating a backlog in delivering bus stop upgrades.

#### 3.4.5 EP Board

At the January 2025 Board meeting, consideration was given to the performance of the EP.

The active working groups were seen as working well in delivering improvements. However, there is a lack of overview across all activities and interdependencies, with no clear purpose and vision.

The Board made a number of suggestions for changes in the way the EP operates:

- Define clear vision and purpose, supporting a strategic approach and future plan, along with better communication of wider issues.
- Establish clarity around membership and potentially include an elected member and passenger representative(s).
- Establish clear reporting and decision-making requirements for Board meetings, with more transparency around the EP and its activities.
- Ensure adequate resourcing of EP activities.
- Reinvalidate the activities of the two working groups that are not meeting currently.

### 3.5 Barriers to bus service improvements

The current barriers to bus service improvements lie beyond the remit of the Oxfordshire Bus Enhanced Partnership. Increasing bus journey times and poor reliability and punctuality are down to growing traffic congestion, roadworks and road closures. Congestion in Oxford has been exacerbated by the closure of Botley Road. Introduction of the Traffic Filters scheme will help reduce other traffic entering the city. However, ultimately, other strategies will be needed to encourage mode shift from car to bus. Some of these measures might also help provide funds to continue enhancing the bus network. These might



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include more stringent parking policies and higher parking charges, workplace parking levy and road pricing. Further bus priority measures may also help.



## 4 Experience elsewhere

### 4.1 Franchising considerations

The experience of franchising from elsewhere provides useful insights for other authorities considering whether franchising might be an option for their areas. Key points to note are summarised in the following tables:

| Franchising  |   |
|--|---|
| What can it provide?   | What are the implications?  |
| Control and influence over all aspects of the bus network, including routes, timetables, service standards, fares and ticketing. | <ul style="list-style-type: none"> <li>• Better able to align public funding with the achievement of the authority's vision, objectives and desired outcomes.</li> <li>• Points towards franchising across the whole area on the grounds of consistency, equity and economies of scale, with the ability to cross-subsidise unprofitable services from profitable ones.</li> <li>• Greater responsibility and accountability on the authority, as well as additional risk, depending on the approach taken.</li> <li>• Ability to remove duplication of services or over-bussing and plan greater coordination between bus services and integration with other modes.</li> <li>• The need for additional staff and resources within the authority to deliver and manage the network.</li> </ul> |
| Strong brand and identity  | <ul style="list-style-type: none"> <li>• Creates sense of local pride and raises the profile of the network.</li> <li>• Reinforces the single network approach.</li> </ul>  |
| Improved standards of service  | <ul style="list-style-type: none"> <li>• If the authority chooses to take revenue risk, operators are free of concerns about commercial viability and can focus on providing high quality of services that meet required targets.</li> </ul>  |
| Ownership of the relationship with customers.  | <ul style="list-style-type: none"> <li>• Easier for users to understand the network, get information and provide feedback.</li> <li>• Authority able to gain clearer and fuller understanding and feedback about the performance of the network and customer service.</li> </ul>  |
| Competition in the market  | <ul style="list-style-type: none"> <li>• Potential new entrants into the local market.</li> <li>• Authority needs to provide or facilitate depots in order to encourage interest from external operators.</li> <li>• Authority may need to assist in the provision of vehicles to reduce capital pressure on operators.</li> <li>• Lower margins for operators, reflecting less risk on them.</li> </ul>  |





|   |  |
|---|--|
| Opportunity to step in and address market decline | <ul style="list-style-type: none"> <li>Ability to intervene and stabilise the network, avoiding continual tweaking of services and gradual service erosion that ultimately deters usage.</li> </ul>  |
| A solution tailored to the needs of the area      | <ul style="list-style-type: none"> <li>Ability to develop the most appropriate solution for the area that meets the particular challenges identified.</li> <li>Whilst more local control could be achieved through franchising or municipal operation, the two may not be compatible, unless there is a way of safeguarding a municipal operation through direct award or by being excluded from the franchised area.</li> </ul> |

A key message to emerge from discussions with those authorities pursuing franchising is the importance of generating a competitive environment for the franchise contracts. This is also supported by the Competition and Markets Authority (CMA) in its guidance for franchising.<sup>3</sup> It sets out the importance of competition to achieving the objectives of franchising – driving lower prices; driving higher quality; innovation and efficiency improvements. Therefore, it suggests that any franchising scheme should be designed in a way that facilitates competition. Key areas for consideration include:

- **Access to fleet and depots** – removing barriers to entry and expansion for new or growing operators.
- **Design of individual franchises** – number and size of available franchises will impact on an operator’s ability to bid.
- **Transition to franchised network** – the period of transition can cause operational, network and ticketing challenges, particularly where franchising is phased in through a number of tranches over a period of time.
- **Longer term considerations** – factors that will help ensure the long-term success of franchising, such as the shape of future franchise awards and an evolving asset strategy.

| Franchising Assessment                   |  |
|--|--|
| Important factors                        | What are the implications?   |
| A strong vision and ambition for the bus | <ul style="list-style-type: none"> <li>Authority has a good understanding of the issues it wishes to address (the case for change) and a well-defined vision for moving forward.</li> <li>Strong leadership and political support.</li> <li>Track record in making improvements to, and investments in, the bus network.</li> <li>Availability of funding to achieve improvements and resources to facilitate change and demonstrate the affordability of the proposals being considered in the Assessment.</li> <li>Consider some of the potential implications of franchising upfront to help frame the Assessment.</li> </ul> |

<sup>3</sup> *Bus Franchising: Guidance for Local Transport Authorities, CMA, 2024 [Bus franchising - CMA advice for Local Transport Authorities](#)*



|                              |   |
|------------------------------|---|
|                              | <ul style="list-style-type: none"> <li>• Clear identification of the specific elements of franchising, in terms of risk and responsibilities and likely approach to fares, revenue risk, depots and vehicles.</li> <li>• Forms the basis of the strategic case.</li> </ul>  |
| Robust programme management  | <ul style="list-style-type: none"> <li>• Dedicated staff to carry out the assessment.</li> <li>• Project management capabilities to keep the assessment to time and identify inter-dependencies between workstreams, ensuring activities are taken forward in parallel to avoid delays.</li> <li>• Establish thematic workstreams to cover all necessary elements of the chosen delivery model.</li> <li>• Significant time, effort and resources needed (with involvement of legal, IT, procurement, communications, finance).</li> <li>• In parallel to undertaking the Assessment consider the practical implementation and delivery of franchising – this will in turn inform the Assessment.</li> <li>• Dilemma of how much upfront work on different aspects of franchising to do without pre-empting the final decision to franchise.</li> </ul> |
| Comprehensive data           | <ul style="list-style-type: none"> <li>• Clarity on what data is required and working with operators to secure this.</li> <li>• Time and effort in collating the data from operators and getting it into a suitable form for the Assessment.</li> <li>• Data is unlikely to be sufficiently detailed for remodelling of services.</li> <li>• Good quality data over a long period will be needed if the intention is to procure contracts in which operators are expected to take revenue risk.</li> </ul>  |
| Commercial case              | <ul style="list-style-type: none"> <li>• Important part of the Assessment, requiring detailed consideration of the approach to the market, including packaging of contracts and lotting strategies.</li> <li>• Fleet and depot strategies need to be established; depots will help drive external interest and competition in the market.</li> <li>• Involve procurement team early on.</li> </ul>  |
| Communication and engagement | <ul style="list-style-type: none"> <li>• Important to manage expectations throughout the process, particularly around timescales and levels of change.</li> <li>• Engage with all interested parties throughout – elected members; bus operators; public.</li> <li>• Careful consideration needed regarding consultation, given the complexity of the subject matter; different parties will have different interest in the consultation and what they want to respond to.</li> </ul>   |



| Franchising implementation  |   |
|---|---|
| Important factors   | What are the implications?  |
| Transition involves managing two delivery models in parallel. It is important to maintain standards of provision in the deregulated network right up to the transfer to franchising, to maintain customer confidence. | <ul style="list-style-type: none"> <li>• Establish sufficient resourcing to pursue franchising implementation alongside business as usual in the deregulated environment.</li> <li>• Maintain separate teams focusing on business as usual and franchising.</li> </ul>  |
| Robust programme management   | <ul style="list-style-type: none"> <li>• Dedicated staff to manage the implementation programme.</li> <li>• Project management capabilities to keep to time and ensure progress across all workstreams in parallel, recognising the many inter-dependencies.</li> <li>• Establish workstreams to focus on individual aspects of implementation, including potential new aspects of activity, such as trade union discussions, incident management and procedures for dealing with lost property.</li> <li>• Consider carefully what aspects of operation are most appropriate for the authority to take over and which are best left with operators (e.g. CCTV). Roles and responsibilities need to be clearly defined and set out within service specifications before procurement commences.</li> <li>• Significant time, effort and resources needed (with involvement of legal, IT, procurement, communications, finance).</li> <li>• Establish strong governance structures and decision-making processes to enable smooth progression of activities.</li> </ul> |
| Procurement processes need to achieve a competitive market  | <ul style="list-style-type: none"> <li>• Design processes that will drive competition and encourage participation.</li> <li>• Clear documentation and information that will help operators through reducing risk and providing confidence. Ensure requirements are not overly onerous or costly for bidders.</li> <li>• Recognise the role of small and medium operators (but balance with economies of scale).</li> <li>• Consider the needs of small and medium operators, including smaller lots, sub-contracting opportunities to larger operators; time and effort required to tender should be proportionate to the size and scale of the contracts.</li> <li>• Procurement strategy (contract packages and lotting) designed to maximise competition and opportunities for bidders and avoid destabilising network.</li> </ul>   |



|  |  |
|--|--|
| Contract specifications and terms and conditions | <ul style="list-style-type: none"> <li>• Include performance monitoring regime to ensure services meet requirements and achieve objectives.</li> <li>• Build in change mechanisms to enable negotiation and agreement on service changes as needed through the duration of the contract, to avoid having to retender and to ensure continued value for money.</li> </ul> |
| Day 1 service introduction                       | <ul style="list-style-type: none"> <li>• Continuity and stability are key – avoid changing the network at the same time as introducing franchise contracts.</li> </ul>   |

| Franchising review   |  |
|--|--|
| Important considerations   | What are the implications?   |
| Continuous review to ensure processes meet requirements                      | <ul style="list-style-type: none"> <li>• Learn from experience and ensure processes evolve to achieve the best outcomes.</li> <li>• Network needs to respond to changing circumstances, such as new housing and commercial developments.</li> </ul>  |
| Make effective use of data   | <ul style="list-style-type: none"> <li>• Collect all available data from operators to help in managing and monitoring the network, including trends over time.</li> <li>• Use available data on usage and revenue to review and amend bus services.</li> </ul>   |
| Undertake regular service and network reviews, after franchising is in place | <ul style="list-style-type: none"> <li>• Having introduced franchising, there should be access to more comprehensive and detailed data (usage/revenue) that will help in undertaking network reviews.</li> <li>• Use the data to identify issues and opportunities and show where more detailed surveying might be needed before deciding to change services.</li> </ul> |

Based on the information drawn from those combined authorities with, or moving towards, franchised networks, a comparison of costs is summarised in the following table.



| Franchising cost comparisons (based on information in Appendix A) |   |                                 |                |  |                 |  |              |
|---|---|---------------------------------|----------------|--|-----------------|--|--------------|
| Combined authority  | Greater Manchester  | Liverpool City Region           | West Yorkshire | Cambridgeshire and Peterborough  | South Yorkshire | West Midlands                                  | North East   |
| No of buses   | 1600  | 682                             | 1800           | 300  | 745             | 1950   | 1250         |
| Depot costs (purchase and/or refurbishment)                       | £85.7m  | £56m                            | £67m           | Depots retained by operators; potentially 2 additional depots provided by CPCA | £85m            | £44.8m (some depots already in public control) |              |
| Assessment costs (including audit and consultation)               | Included below  | £5.3m                           | £2.1m          |  |                 | £1.5m  | £8.5m budget |
| Transition costs (one-off)  | £122m (over 6 years), includes assessment, staffing and other resourcing. |                                 | £20.4m         | £1.42m (over 3-4 years)  |                 | £22.5m (over 3 years)                          |              |
| Implementation costs  | Included above  | £27.4m (of which £14m for risk) |                | £1.5m  |                 | £10.3m (additional staff costs only)           |              |
| Additional staff  | 57  | 81.5                            | 68             | 15   | 18              | 165.8  |              |

## 4.2 Municipal or in-house fleet operation

Before deregulation in 1986, a significant number of councils had their own municipal bus companies. Over time, many of these were sold to the private sector or wound up. A small number were retained and amongst them are some of the most highly regarded operators in the UK, including Nottingham City Transport, Lothian Buses, Reading Buses and Warrington's Own Buses. The benefit of such provision is that any profit is either reinvested into the bus network and/or retained locally in the form of dividends to the owning council.

Reading Buses suggests that £3m p.a. is reinvested (around 12-15% of turnover) because of not having to pay commercial dividends.<sup>4</sup> This means more can be spent on buying new buses or maintaining better bus services. The company has also benefitted from Reading Borough Council's pro-bus policies, such as providing bus priority measures. It is in the Council's interests to do this, as it directly benefits from its bus company being able to operate efficiently and profitably. However, with these benefits come the risks associated with any decline in fares revenue.

Establishing an in-house bus operation is a major undertaking, with significant costs, requiring a depot, vehicles and day to day management of operational staff. This creates a large call on resources and a requirement for staff with new expertise and skills.

Whilst currently not possible to establish a municipal bus operation (although this is set to change once the new Bus Services Bill has been enacted), some authorities have introduced in-house operations in various ways, sometimes because they already held a PSV Operator 'O' Licence. Pembrokeshire Council bought a local private bus operator to achieve this. A few years ago, Lincolnshire County Council set up

<sup>4</sup> [Reading bus company inspiring move to public ownership - BBC News](#)



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an arms-length teckal company to provide school and demand responsive transport, mainly to address the lack of commercial providers in the market and to improve competition. Shropshire Council launched a DRT service in 2023, using minibuses run by its own fleet under section 22 permits.

In the past, a couple of authorities, including Dumfries and Galloway Council, operated their own buses under s46 of the Public Passenger Vehicles Act 1981. This allows vehicles provided mainly for school transport to be used on registered local bus services.

Highland Council took advantage of the Transport (Scotland) Act 2019, which allows local authorities to provide bus services themselves. Recognising that a legal entity cannot hold an 'O' licence and permits together, it operates a fleet of 18 buses and coaches using a mix of s22 and s19 large bus permits, although ultimately it intends to work towards the operation of an arm's length 'O' licence company.<sup>5</sup>

The Council runs a mix of second hand purchased and new leased vehicles, mainly in the Inverness area, where there was a lack of competition and contract costs were rising. It provides a mix of school and local bus services, as well as offering hires for schools. Maintenance arrangements are provided by external contractors. Recruitment and retention of drivers has been good, given that local authority terms and conditions of employment are better than commercial operators.

Whilst the operation has been successful in achieving savings of £1m on total expenditure of £19m, establishing the fleet has put a significant strain on other public transport activities within the Council's team.

In February 2025, Highland Council announced that it had successfully purchased an existing family-run operator (D&E Coaches) in its area that provides local bus and school transport services. The operator has 64 vehicles and 70 staff and operates school contracts, tendered local bus services, Scottish Citylink coach contracts and the city sightseeing tour in Inverness. It is understood that the business will continue to operate without any change and will remain as a separate entity from the Council's existing in-house fleet operation.<sup>6</sup>

During the process of its Franchising Assessment, West Midlands Combined Authority (WMCA) was asked whether consideration had been given to the option of establishing a municipal bus operation. This was given some consideration and a note produced for its Board meeting in December 2024.<sup>7</sup> This suggested that a municipal operation could add some value in very particular ways:

- Help to understand the costs of bus operation in more detail, acting as a benchmark for assessing tenders from commercial operators to ensure value for money,
- Act as operator of last resort to step in if a commercial operator ceases to operate or withdraws from a contract, or if the authority fails to attract any interest for the operation of a contract.

Furthermore, having a municipal operator available may help moderate the market and help keep pricing competitive from commercial operators.

In terms of costs, a municipal operator should have an advantage, given that it has no requirement to generate profits for shareholders. However, this assumes that it is possible to maintain such an operation in the market. Under current conditions, there is no protection for municipal operations from competition. In the deregulated environment, commercial operators can choose to compete with municipal operators.

<sup>5</sup> Presentation by Highland Council to ATCO Conference, Coventry, 18 June 2024

<sup>6</sup> Highland Council to acquire D&E Coaches, Buses, March 2025

<sup>7</sup> Bus Reform and the role of Municipal Bus, Appendix 6, report on Bus Reform to WMCA, 13 December 2024 [Agenda for WMCA Board on Friday 13th December 2024, 12.00 pm :WMCA](#)



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Furthermore, if a new municipal operator was established to enter the market, it would need to compete with commercial operators to start to build a presence either through on-the-road competition with the incumbent or by tendering to operate contracted local bus services.

Even in a Franchised environment, a municipal company would be faced with bidding for contracts against commercial bus companies. Whilst the Bus Services Bill suggests a possible route for franchising is to directly award contracts to incumbents, which could help existing municipal operators, it offers nothing for new municipals. Equally, any protection given to municipals through direct award or exemption from franchising, could stifle competition and create inefficiency within the operation, resulting in overall higher costs of providing the network.

The risks of running municipal bus operations are highlighted by recent experience of Newport Transport.<sup>8</sup> With concerns that franchising in Wales might result in lost business in its home city, the company has looked to diversify, with more coach services for Flixbus and winning local bus contracts in neighbouring Monmouthshire. At the same time, the company saw the ending of Covid-related support, as well as needing to take on agency drivers to meet its commitments. As a result, whilst the company's accounts for 2023/24 record an operating profit for that year, they include a warning that up until November 2024 the company had incurred losses of £2.3m.

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<sup>8</sup> *Financial losses return at Newport Transport, Buses, March 2025*



## 5 Considerations for Oxfordshire

### 5.1 Options

Currently, apart from those areas with Franchising in place (London and Manchester), all areas (except Cambridgeshire and Peterborough) have EPs. DfT requires authorities to either be covered by an EP or Franchising, as a condition of receiving Government funding for bus services. All funded schemes should be set out within an EP Scheme.

Clearly, with the passage of the Bus Services Bill, the landscape may change. More authorities may choose to pursue Franchising. However, DfT acknowledges that partnerships will remain important in other areas. As such, it is reviewing how EPs are working, to develop revised guidance later in 2025. This is drawing on the experience of how EPs have operated over the last 3 years, with views invited from all interested parties.

Those authorities pursuing Franchising are required to undertake a Franchising Assessment, which compares the likely performance of Franchising against other options, including the current position under an EP. A number of authorities that have undertaken assessments also included an option of an EP+, which represents a model that seeks to deliver much of what might be sought through Franchising through an extended EP. In some cases, operators have put forward EP+ proposals as an alternative to Franchising.

The EP+ concept has now been acknowledged by DfT. Within the proposed changes for Franchising Assessments is a requirement for authorities to give operators 3 months from the date of issuing a notice of intent to carry out a Franchising Assessment to put forward a suggested EP+ scheme, setting out the extent to which they would go in partnership as an alternative to Franchising. The authority should then include this option within the Assessment to compare with Franchising.

An EP+ might include:

- More coordinated network and service planning between operators and authority
- Consistent levels of service and regulation of headways
- Frequency requirements for particular services
- Fully interoperable ticketing and a single product range, with capping across the network
- Reinvestment of efficiency savings achieved through the introduction of bus priority or other measures that speed up bus operation.
- Single point of contact for customer and ambitious passenger charter
- Partnership approach to marketing and information provision
- Coordinated route numbering
- Common branding and vehicle livery
- Common driver training standards
- Local authority takes on bus registration powers and responsibilities from the Traffic Commissioner

Whilst these might all be possible to achieve under an EP, they would have to be achieved through negotiation and agreement. This could take time and might involve compromise to secure agreement from all parties, impacting on the intended outcomes. Also, it does not alter the fact that buses continue to operate within a deregulated environment, where new competing operators might enter the local market or where operators might choose to withdraw from certain commitments, again undermining any achievements made under the EP.





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In negotiating an EP+, operators are likely to want to secure some commitments from the local authority, such as additional bus priority measures; changes to car parking policies and charges; or introduction of road charging or workplace parking levies. Again, such demands may be difficult to meet, leading to compromise.

For the above reasons, it is difficult to define exactly what an EP+ might look like. Equally, there are examples where some of the elements listed above have been successfully implemented under EP Schemes, such as interoperable ticketing in Cornwall and common identity and branding in Leicester. In practice, an EP+ is probably more of a notional concept rather than a defined delivery model. Instead, it is best to consider an EP as offering a range of attributes, reflecting local circumstances and ambitions. The success of any partnership is largely influenced by the quality of the relationships between the representatives of the organisations involved, including levels of willingness, trust, respect and what each is able to contribute.

Franchising offers authorities more certainty, with the ability to control and direct all aspects of bus provision, including the ability to plan and design bus services, set fares and define ticketing products, and manage information and marketing. This enables an authority to influence the network to help deliver wider policy objectives. However, taking on more responsibility means taking on more risk and requires more resources (particularly staff) to be available to carry out the additional functions. Therefore, franchising involves more cost, as highlighted in the cost comparisons summarised in the previous section.

Whilst the large Combined Authorities are mainly looking to take full control of all aspects of the bus network in their areas, franchising can involve different approaches:

- Covering part of an authority’s area or particular corridors or types of service (such as DRT)
- Including only currently supported services.
- Shared responsibility, such as depots, vehicles, service planning and review
- Revenue risk could sit with the authority or operators

Clearly, these options provide opportunities to reduce the level of risk and responsibility assumed by the authority. Decisions on what type of Franchising to introduce need to consider local circumstances and consideration of what an authority is seeking to achieve. If there is currently one dominant operator in the area, the intention might be to attract wider competitive interest to keep costs of provision in check. If there are frustrations about current service patterns and duplication, the desire might be to take control to overhaul the bus network.

When discussing the performance of the current EP with operators, the opportunity was taken to ask operators about potential franchising in Oxfordshire. The following issues were raised:

| Issue                  | Points of consideration and implications   |
|------------------------|--|
| Purpose of franchising | <ul style="list-style-type: none"> <li>• Needs to be a reason to consider it. What problems need to be solved? Is there a desire for a more strategic overview and planning of the network, greater service coverage, higher quality, better information and marketing, single product range of tickets?</li> <li>• Desire for taking greater control could result in the loss of third-party funding for buses (NHS, universities, business/science parks), either through direct payment for services or ticketing schemes.</li> </ul> |



|                         |  |
|-------------------------|--|
| Network                 | <ul style="list-style-type: none"> <li>• Need to include a mix of urban and rural services together, to facilitate cross subsidy; there is insufficient money in rural services alone.</li> <li>• Careful consideration needed on cross-boundary services to avoid wider consequences outside of the franchised area.</li> </ul> |
| Depots                  | <ul style="list-style-type: none"> <li>• Current depots are used for more than the operation of local bus services.</li> <li>• More capacity would be needed.</li> <li>• Significant costs in securing depots.</li> </ul>  |
| Purchasing              | <ul style="list-style-type: none"> <li>• Private sector tends to be better at buying things (such as buses) and has more flexibility.</li> <li>• Operators may gain economies of scale, in being part of larger groups.</li> </ul>   |
| Revenue risk            | <ul style="list-style-type: none"> <li>• More incentive for operators if they have revenue risk.</li> </ul>  |
| Reliability/punctuality | <ul style="list-style-type: none"> <li>• These become the authority's problems, so could give an incentive to sort issues of congestion and delays from roadworks.</li> <li>• Authority gains direct benefit from service efficiencies achieved through bus priority and speeding services up.</li> </ul>                        |
| Procurement             | <ul style="list-style-type: none"> <li>• Contracts can't cover all eventualities, so need flexibility to amend services in response to changing needs.</li> </ul>  |
| Uncertainty             | <ul style="list-style-type: none"> <li>• Period of uncertainty during the Franchising Assessment may discourage investment by bus operators.</li> </ul>  |

Municipal bus operation is a further option for consideration. This would involve significant cost in setting up a company, establishing a depot, buying or leasing vehicles and recruiting staff. Within the current deregulated market, it would be difficult to become established and to develop a network alongside incumbent operators. Taking over an existing company and its operation would provide an easier route to becoming established but would still involve significant cost. Once established, the operation could still see competition from other operators. Similarly, under Franchising, there could be risks of losing all or part of the network to a competitor. The only safeguard might come from the ability to directly award a franchise to the municipal operator; however, this removes the ability to ensure value for money in the long term.

## 5.2 England's Economic Heartland

Oxfordshire is one of the authorities within the area of England's Economic Heartland (EEH). In 2024, EEH hosted a Bus Symposium, where authorities and other interested parties came together to consider ways of developing bus networks in the future.<sup>9</sup> The report that accompanied the symposium made a number of suggestions for the future provision of bus networks:

- Develop a regional network model based on urban hub and spoke services, with inter-urban bus lines between urban areas.
- Strengthening of EPs through local authorities taking on bus registration powers.
- Shadow franchising, with the initial conversion of commercial services to franchised services by direct award of franchises to current operators, streamlining the process of franchising.

<sup>9</sup> EEH Bus Symposium 2024 – Delivering Better Buses [England's Economic Heartland Bus Symposium 2024](#)



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- Provision of asset-free demand responsive transport using apps to book transport that is already available.
- Improved integration through mobility hubs and multi-modal ticketing.
- East West Rail 'Door to Door Plus', with last mile connectivity to/from railway stations

### 5.3 Is there a case for change?

To move to franchising, an authority needs to be convinced that there is a case for change. Indicators of this might be one or more of the following:

- The commercial market is failing, with operators unable to maintain services or invest in them, or there is ongoing instability or poor quality.
- There is already a high level of intervention by the authority, where operators are reliant on financial support.
- Poor market conditions result in a lack of innovation.
- Services are considered deficient and not meeting community aspirations.
- An authority's ambitions are not being met by operators.
- Operators are uncooperative and unwilling to work in partnership.
- There is political desire for change.

Similarly, any moves towards municipal operation would need to have similar triggers, with an additional one of poor value due to an existing monopoly provider.

### 5.4 Implications for Oxfordshire

#### 5.4.1 EP+

This option is not necessarily a new option, but merely a development of the existing EP to be more ambitious. It might seek to include the following:

- Joint approach (authority and operators) to network planning and service development.
- Ability for local authority to directly view operators' patronage data, to help in monitoring and service development.
- Simplified range of interoperable ticket products, with multi-operator tap-on/tap-off capping.
- Authority taking on bus registration powers
- Common network identity and branding
- Single source of customer information
- One point of contact for customers and excellent customer service backed by charter commitments.
- Stronger involvement of Highways Team within the EP

It would be straightforward to develop the EP, building on the current governance structures, and could be achieved relatively quickly. However, some of the ambitions could take time to agree and deliver. Given that there are existing concerns around resourcing to deliver and maintain current activities, any heightening of activity would require additional staff resources, estimated at 4 FTEs (with approximate cost of £240k p.a., including on-costs).

Whilst all parties might sign-up to the ambitions of the EP+, there is no certainty that these will be delivered, as they rely on negotiation and agreement, which might not be achievable.



## 5.4.2 Franchising

Once granted the powers to undertake a Franchising Assessment by the Secretary of State, the following process would be taken.

| Process  | Action required   | Timescale        |
|--|---|------------------|
| Overall vision, objectives and strategy  | Translate BSIP ambitions into detailed plan/strategy, demonstrating that Franchising would be an appropriate means of delivering these, due to the deficiencies of the current market/model. Would help formulate the strategic case for the Assessment.  | 5 months         |
| Detailed proposals for achieving the ambitions, including Franchising Scheme details | Market engagement with existing operators and potential new operators. Collation and analysis of patronage/revenue data from operators. Consideration of internal management and resourcing; details of Franchising Scheme and its operation (service packaging and lotting strategy; depots; vehicles; cross-boundary services; risk; roles, responsibilities and accountability; duration and scale of contracts; transition plan; TUPE implications; financing). | 6 months         |
| Outline business case assessment of Franchising compared with EP/EP+                 | 5-case business case assessment based on proposals, comparing delivery via Franchising Scheme or alternative EP or EP+.   | 5 months         |
| Independent assurance report on assessment   | Appointment of independent auditor to provide assurance that guidance adhered to and OBC assessment has used appropriate evidence. Audit report.  | 3 months         |
| Public consultation  | Consultation exercise (public; stakeholders; operators; all documents relating to Franchising assessment put in public domain. Collation, assessment and reporting of responses.  | 5 months         |
| Decision whether to introduce Franchising Scheme                                     | Consideration of all evidence to inform decision whether to introduce Franchising Scheme.   | 3 months         |
| <b>Total:</b>  |   | <b>27 months</b> |

Having reached this point, and assuming no legal challenges, notice would be given to introduce a Franchising Scheme. There would then be a procurement process for the first tranche of contracts (9 months) and mobilisation period (9 months depending on the level of change being introduced). The entire process from commencement to introduction of first tranche services could be 45 months. Further tranches of contracts would be introduced in a further period.

Whilst DfT is looking at ways of streamlining the process, moving to a franchised network is a major undertaking and it is right to carry it out in a careful and considered manner. If new legislation and guidance allows direct award of franchise contracts to incumbent operators, this could speed up the procurement process. However, if this means totally like-for-like service provision, it may not be acceptable, as the purpose of franchising might be to achieve some service enhancements.

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| Timeline for franchising - inception to service introduction (months) |   |   |   |   |   |   |   |   |   |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |   |   |   |   |   |   |   |  |
|---|---|---|---|---|---|---|---|---|---|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|---|---|---|---|---|---|---|--|
| Process element   | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 | 43 | 44 | 45 |   |   |   |   |   |   |   |  |
| Case to Secretary of State  | ■ | ■ | ■ | ■ |   |   |   |   |   |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |   |   |   |   |   |   |   |  |
| Vision/objectives/strategy  | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■ | ■ | ■ | ■ | ■ | ■ |   |  |
| Develop franchise proposal  |   |   |   |   | ■ | ■ | ■ | ■ | ■ | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■  | ■ | ■ | ■ | ■ | ■ | ■ | ■ |  |
| OBC assessment  |   |   |   |   |   |   |   |   |   |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |   |   |   |   |   |   |   |  |
| Independent audit   |   |   |   |   |   |   |   |   |   |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |   |   |   |   |   |   |   |  |
| Public consultation   |   |   |   |   |   |   |   |   |   |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |   |   |   |   |   |   |   |  |
| Decision to franchise   |   |   |   |   |   |   |   |   |   |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |   |   |   |   |   |   |   |  |
| Depot/service procurement   |   |   |   |   |   |   |   |   |   |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |   |   |   |   |   |   |   |  |
| Mobilisation  |   |   |   |   |   |   |   |   |   |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |   |   |   |   |   |   |   |  |
| Franchised network introduced   |   |   |   |   |   |   |   |   |   |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |   |   |   |   |   |   |   |  |

Making the case for franchising would incur additional costs on the authority. Initially, exploring options, gaining consent from the Secretary of State and developing a detailed plan and strategy could cost £60k. Moving forward in developing detailed proposals for achieving the Council's ambitions through Franchising might cost a further £50k. The most significant costs would come in carrying out the Franchising Assessment, commissioning the assurance report and undertaking a major public consultation exercise and production of consultation response report (estimated at around £420k). If the authority decided to franchise, there could be additional procurement and mobilisation costs (perhaps £350k), dependant on the nature of the Franchising Scheme.

There would also be additional on-going costs associated with additional staff (estimated at 7 full time equivalent posts, although this would be dependent on the type of franchising and the level of additional responsibilities and risk taken on) to continually plan, manage and monitor the network. This represents a cost of £420k p.a., including on-costs. Furthermore, there may be a need to purchase a depot site and provide a depot. Such a facility would offer additional capacity and help to level the playing field for bidders and allow companies from outside the area to tender for contracts. Provision of a depot could cost £20m.

| Estimated costs if franchising was pursued in Oxfordshire |                             |   |                |
|---|-----------------------------|---|----------------|
| Type of cost  | Element                     | Description   | £              |
| One-off   | Case for change             | Development of detailed franchising plan and case for change (to feed into Strategic Case)  | 60,000         |
|   | Franchising Scheme proposal | Detailed proposals for franchising, including depot and fleet strategies, split of roles and responsibilities, and allocation of risk | 50,000         |
|   | Franchising assessment      | Undertaking 5-case franchising assessment, independent assurance and consultation exercise to inform final decision                   | 420,000        |
|   | Implementation              | Franchise procurement and mobilisation costs  | 350,000        |
|   |                             | <b>Total one-off costs</b> (excluding any requirement for the purchase of assets such as depots)                                      | <b>880,000</b> |
| On-going  | Additional staff            | Staff to manage and plan whole bus network, including monitoring of network   | 420,000 p.a.   |

One of the aims of franchising would be to achieve network efficiencies and create some cross-subsidy. If it is assumed that the total vehicle fleet for the Oxfordshire network is 300 buses and that the cost of provision averages £250k p.a. per bus, then the overall value of the network might be £75m p.a. Assuming that half the fleet is deployed on fully commercial services (valued at £37.5m p.a.), then with a profit level of 12%, there would be total profit of £4.5m. Under franchising, profit might be limited to 6%,



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which would leave £2.25m p.a. for cross-subsidy of existing supported services or to fund further service enhancements.

The cost of the franchised network would be determined by the prices submitted by operators in the procurement process. These would be influenced by many factors, including:

- Level of market interest and potential competition
- Ability of new operators to enter the Oxfordshire market (influenced by factors such as availability of depot facilities and scale and scope of franchise contracts)
- Attractiveness of the proposition
- Quality of data made available to operators to help formulate their bids
- Levels of perceived risk for operators, which would influence operators bidding strategies and pricing
- Ability of operators to meet the authority's specifications and requirements
- Resource and cost implications for operators in participating in the procurement exercise

With these uncertainties, there would be no guarantee that any efficiencies would be achieved in the provision of a franchised network. Whilst early indications from Greater Manchester suggest that costs have been lower than budgeted for, time will tell whether this remains the case over the duration of the contracts. Equally, there is no evidence that similar cost efficiencies could be achieved in a shire authority, where the nature of the bus network is quite different from a large conurbation.

Prior to making the case to the Secretary of State, it would be important to identify a source of revenue to provide the necessary funding to both finance the franchising assessment process and support improvements to the bus network. Equally, consideration will be needed to how any capital costs for depots and vehicles might be met (if these are to be provided). The affordability of the franchising option is a key consideration for the auditor. This work itself could take several months, as it might include consideration of revenue generation through increased car parking charges, workplace parking levy, road user charging or increased Council Tax.

Careful consideration would need to be given to various aspects of franchising and how they would be applied in Oxfordshire:

- **Contract packaging** – balance between large contracts, offering economies of scale, that may attract outside interest, and offering smaller packages suitable to maintain the interest of existing local operators.
- **Nature of contract** – suitable duration to be attractive, provide stability and encourage investment; partnership approach (authority/operator) to co-design and manage the network and share risk (as in Jersey and the Netherlands), versus total control and risk approach (like London and Greater Manchester).
- **Depot** – important consideration in attracting new operators.
- **Fares revenue** – if the authority wishes to set fares and define ticketing products, it may need to accept responsibility for fares revenue. However, if good data on patronage and revenue is available for a reasonable time period and can be shared with bidders, it would be possible to have franchising where operators take responsibility for fares revenue. If data is not sufficiently detailed and comprehensive, operators will have less confidence when bidding and build greater margins into their costings to cover risk.

It is important to note that franchising alone would not address all the issues facing the bus industry, such as problems of wider traffic congestion, delays due to roadworks, or revenue funding pressures for the provision of bus services. Equally, the same would be true for municipal bus operation.



### 5.4.3 Municipal bus operation

It would be operationally impractical to establish a municipal operation to provide the entire Oxfordshire bus network. It would be more feasible to develop an operation to focus on operating services in a particular area based on one depot location.

A fleet of 75 buses might be sufficient to secure suitable economies of scale, in terms of spreading the overheads. The cost of buying and fitting out a suitable depot site might cost £20-25m. Purchase of vehicles might require a further £23m. Management, engineering and driving staff would need to be employed. There would also be legal and administrative costs in setting up a new company.

Assuming turnover of £250k p.a. per vehicle (total of £18.75m for the fleet), then (based on Reading Transport's quoted figures) £2.25m of additional benefit might be available to invest back into the network.

There are pros and cons of municipal operation, as set out in the table below.

| The positives and negatives of establishing a municipal bus operation  |  |
|--|--|
| Positives  | Negatives  |
| <ul style="list-style-type: none"> <li>Any profits retained for reinvestment.</li> <li>Potential for greater influence over the nature of the operation and services provided.</li> <li>May moderate the market and increase competition for contracted bus services.</li> </ul> | <ul style="list-style-type: none"> <li>Additional responsibilities on Council, including need for licence holder and Transport Manager.</li> <li>Significant set-up and operating costs.</li> <li>Requirement for the provision of depot(s), vehicle cleaning and maintenance facilities.</li> <li>Financial risks of uncertain fares revenue.</li> <li>Risk of commercial competition undermining services and revenue.</li> <li>Scale of operation may fail to attract economies of scale, making it less viable and competitive in the market.</li> </ul> |

Once established it would be expected that operating costs would be met by a combination of fares revenue, concessionary travel reimbursement, Bus Service Operator Grant and contract payments. However, there would be a risk to the operation remaining viable if any of these revenue sources reduced.

### 5.4.4 Local government review and devolution

Recent years have seen the establishment of Combined Authorities in various parts of the country, which have then become Mayoral Combined Authorities. Each of these has involved a bespoke negotiated devolution deal with Government, agreeing the powers and responsibilities to be assumed by the authority. A key element of the deals has been the taking on of powers to improve and integrate local transport, along with the ability to introduce bus franchising. This has meant that combined authorities have become responsible for transport strategy (i.e. development of Local Transport Plan) and for the support and development of bus services (with powers to subsidise services and manage concessionary travel schemes). In combined authority areas where there also remains two-tier local government, there may be concurrent powers to carry out transport functions between the combined authority and county authorities. In these instances, it has generally been agreed that public transport responsibilities will be taken on by the combined authority as a whole, making more sense than being split between the two. However, one concern in such cases has been the potential loss of coordinated planning of public and



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home to school transport (with the possible loss of joint planning economies), as the latter continues to be the responsibility of the constituent authority.

Government is now looking for all areas to be covered by strategic (combined) authorities. Furthermore, those areas with two-tier local government are being asked to look to move to unitary authorities. Clearly, these will have implications for Oxfordshire, currently having two-tier authorities and with discussions about the potential formation of a combined authority whose area would include Oxfordshire and other neighbouring authorities. Following the pattern of other established combined authorities, it is likely that a new combined authority including Oxfordshire would assume powers for transport policy and public transport provision, including bus franchising. However, these powers might be wholly with the combined authority or held concurrently with constituent authorities, depending on the agreed arrangement. Any moves towards the formation of a combined authority would then widen the consideration of what the most appropriate delivery model (or models) would be for that wider area, either in its entirety or for certain parts.

A further consideration during such reform is how to maintain integration between different types of transport, where local bus responsibilities transfer to a combined authority but the planning and provision of home to school transport remains with the constituent authorities. Similarly, there could be a greater distancing of joint working on highways matters, with those responsibilities remaining with constituent authorities.

#### **5.4.5 Meeting customers' priorities**

During the formulation of the BSIP for Oxfordshire, public and stakeholder engagement was carried out to identify what people's priorities were for bus services. These were:

- Faster and more direct buses
- More reliable buses
- More buses generally
- Better value fares
- Better information about bus travel



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These are quite general areas of service improvement. The following summarises how alternative bus delivery models might help meet these ambitions.

| Priority                            | EP  | EP+  | Franchising  |
|-------------------------------------|---|--|--|
| Faster and more direct buses        | Necessary to negotiate and gain agreement with commercial bus operators. Unable to subsidise parallel service that might undermine commercial services. | Joint service planning arrangements may exert more influence over network development.   | Control over network enables new or direct services to be provided, but this may come at additional cost.  |
| More reliable bus                   | Level of bus service may be reduced to extend journey time to improve punctuality.  | Incentive on authority to introduce measures to improve reliability and punctuality. Equally, services may be reduced to extend journey times. | Incentive on authority to introduce measures to improve reliability and punctuality; otherwise, may increase costs to authority, with the provision of more vehicle resources. |
| More buses generally                | New services can be introduced with additional funding. Reinvest in services from efficiencies achieved.  |  | Cross-subsidy might enable more buses to be provided. Easier to enhance frequencies with control offered by franchising.   |
| Better value fares                  | Multi-operator ticketing alongside individual operators' tickets.   | Ability to achieve consistent product range and interoperability.  | One consistent product range of fares/tickets across the network. Ability to subsidise or discount fares.  |
| Better information about bus travel | Achievable under all models with agreement on individual or joint responsibility and appropriate funding.   |  |  |



## 6 Conclusion

This study has considered alternative models for delivering bus networks and what the implications of each might mean for a shire authority like Oxfordshire.

Much attention is currently being given to how bus services might be provided in the future. Government is promoting the ability for local authorities to have more control over buses, either through municipal operation or franchising. However, recognising that different models will be appropriate in different areas, DfT is reviewing and updating guidance for EPs, based on experience over the last 3 years.

It will be for each authority (or authorities working together) to determine the best way forward in their area. In summary, key considerations will be as follows:

- EP represents the current position and provides some structure around partnership working between an authority and operators. Much can be achieved where parties are willing and when funding is available. However, improvements are achieved through negotiation and agreement, so can take time and may need some compromise. Buses still operate in a deregulated environment, where operators can decide on route, timetable and fares, and can change services as they wish. The authority is responsible for those services that need financial support and operate where there are gaps in commercial provision. The authority has limited influence over the commercial network.
- EP+ represents a position of a partnership with greater levels of commitment and requirements than an EP. It might include arrangements for joint planning of services, full multi-operator and interoperable ticketing. However, the more significant requirements may take longer to negotiate and agree. Ultimately, ambitions may be compromised, such that an EP+ offers little more than a good EP. Again, buses continue to operate in a deregulated environment, where operators can decide on routes, tickets and fares and change services as they wish. **EP+ might require 4 additional staff at a cost of £240k p.a.**
- Franchising is where the authority has control over the bus network, defining routes, timetables and fares. It procures services through contracts with operators. Clearly, this involves the authority assuming more risk and responsibility and requiring more resource to manage and monitor the network. **Franchising may require 7 additional members of staff at a cost of £420k p.a. There would be estimated one-off costs of £880k in making the case, undertaking the assessment and consultation. The authority may need to provide a depot to encourage operators to bid for contracts.**
- Municipalisation is where a local authority runs its own bus company or in-house fleet to provide local bus services. Whilst it has more influence over the service provided and can run services to achieve greater social value, in a deregulated environment the operator could be subject to competition from commercial operators and be undermined. It may also need to review and reduce services where income is not covering costs. Also, in a franchised environment, the municipal company may not be guaranteed success in winning contracts. **Establishment of a municipal operation would incur significant capital costs for a depot and buses, as well as costs of setting up a company. On-going running costs would be met by fares and other income.**

Any move away from the current situation requires careful consideration as follows:

1. Identify any **problems** that exist and why things need to change.
2. Identify the **aims and objectives** of the bus network and consider which options might help achieve these.



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3. Consider carefully what the **implications of introducing an alternative delivery model**, including the costs and benefits and the extent to which each would help meet strategic objectives.
4. Ensure **stakeholders and interested parties are involved** throughout and the process is transparent.
5. Set out the **outcomes** sought and define the structure and system to achieve these.
6. Undertake a **detailed assessment to compare the performance of different delivery models** in achieving the desired outcomes.

The Oxfordshire Bus Enhanced Partnership has facilitated good collaborative working and successfully delivered improvements across the network. It is difficult to assess how much of this success can actually be attributed to the EP itself. Indeed, it is likely that much would have been achieved through a simple voluntary partnership, because the partners recognise the importance of joint working, have a good working relationship and all want to achieve improvements. Equally, success has been underpinned by the award of funding to introduce many improvements. As with any organisational structures, it is recognised that there is room for improvement and the EP Board is looking to evolve how it works.





## Appendices

### Appendix A: Experience elsewhere

#### Franchising

Very useful insights were received through the various meetings with those organisations already with areas that have franchised bus networks or are pursuing that model. The findings are set out in this section.

#### Transport for London

Whilst the bus market across Britain was deregulated in 1986, London was excluded and its bus services remained under public control. This led to a system of franchising, whereby Transport for London (TfL) specifies routes, service levels and fares, in line with the Mayor's Transport Strategy and fares setting. It is also responsible for passenger infrastructure (bus stops and bus stations) and information provision. Contracts are awarded to commercial operators to provide the services as specified. There is a strong, well recognised brand and identity – red buses and the TfL roundel.

In summary, TfL plans, specifies, procures, incentivises, enforces, monitors and collaborates. Meanwhile, operators devise rotas, operate and maintain buses, recruit and train staff, and supervise operations.

London Boroughs are generally responsible for highways, traffic management measures and bus priority.

Scale of the bus network:

- 9,000 buses (of which 1,000 zero emission) – average age 6 years
- 77 bus depots (majority owned or leased by bus operators)
- 7 bus operators currently hold contracts
- 19,000 bus stops
- Buses operate 486m km per year
- 6.2m passengers travel per day

Contracts and procurement:

- Specified and let on a route-by-route basis
- TfL assumes revenue risk, leaving operators to focus on the provision of good quality services that meet TfL's requirements
- 7-year duration, with 3.5-year break clause (either party) and 10 months' notice
- Review and procurement of contracts takes 18 months
- Quality Incentive Contracts (QIC) involve incentive payments for good performance and penalties for poor performance.
- Different performance management measures for high and low frequency services
  - High (>5 buses/hr) – excess wait time
  - Low (<5 buses/hr) - % on time



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#### Learning points:

- Having a strong Bus Action Plan (2022)<sup>10</sup> in place, which relates to the Mayor's Transport Strategy, provides a clear vision for bus; it helps to promote the way forward and encourage sign-up.
- Contracts were previously 5 years + 2 years extension for good performance; however, moved to 7 years to provide certainty for operators when investing in zero emission buses.
- Whilst contracts are awarded on a route-by-route basis, the network is looked at as a whole.
- Single route contracts help provide opportunities for small and medium operators; they also promote competition from operators who have depot capacity and want to maintain a critical mass of activity.
- Risk management is important to the successful maintenance of the network. Therefore, the QIC is always under review to get the right balance between incentivising and penalising operators; TfL wants operators to do well for passengers and not to fail and cease operations.
- Considering ways of streamlining data collation and analysis to create realistic performance targets for services.
- Currently looking at depots – partly to increase capacity for electric buses (either because charging infrastructure may require more space, or because current depots do not have access to suitable grid connections) and partly, in certain areas, to encourage more competition from other operators for contracts.

Separate to the discussion with TfL officers, an operator provided some insights into operating services on behalf of TfL:

- With TfL taking fares risk, the operator can focus on providing the best possible service.
- Whilst the market is competitive, bids are realistic to ensure that services can be run in a way that meets TfL's requirements fully, including the target performance standards and will avoid penalties being incurred. Given the value of the contracts, it's important that operators get their bids right, taking account of possible increasing costs due to congestion or maintaining reliability.
- Procurement process is thorough; TfL staff will question bidders on aspects of their bids through the shortlisting process. Previous performance is also taken into account.
- QICs include tight targets – operators have to work hard to meet them, and it is increasingly difficult to achieve incentive bonuses.
- Every 4-week period involves a meeting with TfL to discuss performance and other issues.
- TfL publishes league tables regarding the performance of different operators.

## Greater Manchester

Greater Manchester Combined Authority is the first authority to have fully introduced bus franchising under the provisions of the Bus Services Act 2017. Since January 2025, all services have been franchised, operating under the Bee Network brand with buses in a standard yellow livery. The journey to franchising was lengthy, reflecting that Greater Manchester was the first area to undertake the process and wanted to avoid any pitfalls.

There had been a long-standing ambition for better buses in Manchester, with a desire to overcome network fragmentation, particularly in north Manchester, and to be able to improve integration between buses and Metrolink. Devolution in 2014 offered the chance to introduce bus franchising.

#### Case for change:

- Declining bus market that needed invigorating

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<sup>10</sup> [Bus action plan](#)



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- To improve the offer to bus users, including bus/Metrolink integration
- Increasing congestion
- A desire for more influence and control over the network, reflecting the significant public funding
- Political desire for change

### Franchising assessment:

- Based on the authority (Transport for Greater Manchester – TfGM) controlling all aspects of network provision and to own the relationship with customers. This included taking revenue risk, given the desire to be responsible for setting fares.
- The control of depots was seen as important to attracting new operators to the area.
- Buses remain the responsibility of operators, with TfGM having a residual fleet mechanism in place to help maintain buses in the area and facilitate transfers between operators with surplus buses and those operators needing more buses.
- Forecast transition costs of £122m over a 6-year period, including £20m for resource costs (staff/contractors).
- Estimated that 57 additional staff would be required (cost £2.1m p.a.).
- Estimated depot costs £85.7m.
- Benefit Cost Ratio – 3.1 (Franchising); 3.7 (Ambitious Partnership).

### Consultation:

- Two consultations undertaken (due to amendments to the Assessment post-Covid) - 12,500 responses. The initial consultation showed 83% supporting franchising.

### Franchising implementation:

- Not looked to try and change the network at the same time as introducing franchised services, as there was already significant change in terms of operators, services and depots. However, now the franchised network is in place, TfGM is starting to undertake area reviews.
- 25 main contracts plus school services, procured through three tranches. Larger franchises have been let for 5 years and may be extended by 2 years for good performance. Smaller contracts are for fixed periods of 3-5 years, with no opportunity for extension.
- During Tranche 3 there was significant capital investment pressure on operators and TfGM did step in and purchase some vehicles for operators.
- Bee Network Committee (consisting of the Mayor and representatives of the 10 districts) is the public body responsible for strategic decision-making. A Bus Steering Group (chaired by TfGM's Managing Director) meets every 2 weeks and works closely with the Combined Authority. A number of sub-groups report to the Steering Group; these deal with specific aspects of network provision and meet frequently (some weekly) to make decisions.
- Cross-boundary services – some are included within franchise contracts, because they operate from Manchester depots; others covered by Service Permits, which set out requirements on vehicle standards (Euro VI emissions) and fares and ticketing.
- Bee Network has seen patronage growth; patronage and revenue are both higher than originally forecast.
- Requires significant additional staff resource – the Bus Team has doubled in size to 70 people. However, bus operators no longer require commercial and marketing teams.
- The move to franchising was led by a separate programme team, ensuring that good progress was made and that it didn't distract those staff dealing with the deregulated network right up the end of the transition.

### Next steps:



- Having completed the introduction of the franchised bus network, the desire is to achieve greater integration with Metrolink tram network and trains. First step is the inclusion of Metrolink into the capped, contactless payment system with daily and weekly charges automatically calculated and capped with two scales covering bus only or bus and tram use.

#### Learning points:

- In doing the Franchising Assessment, the strategic case (and case for change) is what people really get behind. The commercial case is crucial in understanding how best to intervene in the market and achieve best value through increased competition.
- Recognised that there are some things that it is best to leave with operators, such as on-bus CCTV systems.
- Important to have a reasonable mobilisation period (9 months) to ensure a smooth transfer.
- In being accountable for the whole network and owning the customer interface, there is significant reputational risk. However, TfGM now has a much closer relationship with customers and there is a single place for customers to provide feedback.
- Authority becomes far more involved in all operational aspects, from dealing with lost property through to investigations following accidents involving buses. It is starting to have more regular contact with the trade unions. It is considering what its future role might be in improving driving standards.
- Providing capital investment can play a part in reducing ongoing revenue requirements.
- The Bee Network brand has created public interest and does raise the bar in terms of the delivery of good service. There is equity across the network.
- The importance of getting the right balance between incentives and penalties on contract performance – this is constantly being reviewed. Operators need to feel that continuing operation is worthwhile.
- Things take longer than originally envisaged.
- Summary points of learning:<sup>11</sup>
  - Undertake franchising in stages
  - Set out a clear path with firm timescales and milestones
  - Acknowledge the complexity of moving to franchising

## Liverpool City Region

The Liverpool City Region Combined Authority (LCRCA) is currently implementing franchising, with the first procurement round commencing March 2025. The aims of franchising are to deliver a better service for customers, including greater integration of services across the transport system (bus and rail; first and last mile), and to achieve modal shift away from the car. The Mayor wants to see a 'London-style' service offer.

#### Franchising Assessment (completed April 2023):

- Started process 2018 with notice of intent and request to operators for data.
- Based on delivering the Vision for Bus (2019) and desire to address bus patronage decline (passenger journeys per head of population 79 in 2009/10 and 68 in 2018/19).
- Total bus fleet (2021) of 1100. Market share (2022/23 passengers) – Arriva 66%; Stagecoach 22%). 400 different services provided by 17 operators.
- Average cost per bus (2018/19) £139k p.a. [note: this is now significantly higher]

<sup>11</sup> *Completing the Hive: Manchester's Bee Network,, Buses, March 2025*





- Assumed CA would take control of service design, depots, fleet, customer service, and would take revenue risk (£100 revenue p.a.). Depot strategy for acquisition and building £56m (assumed 8 depots acquired)
- Buses and depots owned by CA and provided to operators, to reduce revenue costs
- Assumed would be 7.5% profit margin on franchised services.
- Five contract rounds over 3 years, with different sized lots including smaller ones aimed at small and medium operators.
- Estimated implementation costs £27.4m (of which £14m provision for risk)
- Additional headcount required of 81.5 FTE (26 of which would transfer from operators). Total staff – core team of 210 (cost £4.092m); support teams 11.5 (cost £0.345m).
- Appraisal period of 40 years.
- Assessment conclusion:
  - Strategic – full control of bus network provides the ability to achieve strategic objectives.
  - Economic – both Franchising and an Enhanced Partnership offer benefits (benefit cost ratios ranged from 1.7 – 3.3 for franchising and 1.4 – 2.6 for EP, depending on rate of patronage recovery post-Covid and different funding scenarios).
  - Commercial – authority able to influence the market; control and/or ownership of depots and vehicles needed to attract competition and create a level playing field.
  - Financial – Franchising could deliver better value for money for the authority. Development of a financial model important to demonstrating affordability.

#### Consultation:

- 6,200 responses received.
- Franchising supported by 69% public responses and 89% stakeholder responses.

#### Franchising implementation:

- Originally envisaged to be 2025 – 2028 but now planning to have a fully franchised network in place by the end of 2027.
- 12 workstreams covering all aspects of operations (network; fleet; depots), customer experience (fares and ticketing; engagement; communications) and commercial considerations (finance; procurement).
- Programme Delivery Group – meets weekly to check progress of workstreams. The Group reports to the Bus Franchising Steering Group (officers), which in turn reports to the Bus Franchising Executive Programme Board (which is delegated to make some decisions on behalf of Merseytravel and the Combined Authority).

#### Contracts and procurement:

- Since undertaking the assessment, changes have been made to the procurement plans, partly to accelerate the process and partly in response to feedback through market engagement sessions. The number of individual franchise contracts has been rationalised (smaller number of larger contracts) and the number of procurement tranches reduced from 3 to 2.
- Each tranche will see the invitation of Expressions of Interest (6 weeks), then an invitation to negotiate. Following contract award there will be a 9-month mobilisation period.
- Tranche 1 will have two Category 1 (large) contracts. Tranche 2 will have three Category 1 contracts. Contracts will be geographically based with fleets of 86 to 208 vehicles. Operators will be limited to being awarded one contract per tranche, in order to ensure a spread of at least 3 and no more than 5 operators overall.
- Smaller contracts (Category 2) will include 6 lots, with each contract based on services to/from particular schools with fleets of 6 to 22 vehicles. There will be two separate bidding opportunities, with feedback provided to operators after the first to improve their bids in the second.



- Contracts will be awarded for 5 years with potential 2-year extensions.
- Operators required to pay staff Real Living Wage, commit to Fair Employment Charter, appoint a dedicated safeguarding lead and agree to additional social value commitments.

#### Fleet and depot strategies:

- These are crucial elements and have significant capital funding implications, therefore important to give them careful consideration.
- Guiding principles for fleet – emission standards; fleet replacement plans; ownership model. Need to determine what vehicles are required, how these will be funded and how they will be acquired (purchase; lease; special purpose vehicle – SPV – mix capital/revenue; supplied by operators).
- Requirement for a total of 682 buses.
- Vehicles and the availability of vehicles can influence the outcome of the procurement process (bidders may withdraw if uncertainty around getting suitable vehicles).
- Depots are important to creating a level playing field for operators wanting to bid for contracts.
- Combined Authority looking to buy 7 or 8 depots from operators and to establish one further depot. PVR at each depot ranges from 34 to 123 buses.
- The aim is to purchase the depots through negotiation and voluntary agreement (but contingency of compulsory purchase if necessary). The authority will own all depots serving large franchise contracts.<sup>12</sup>
- Operators will lease depots at a peppercorn rent and take responsibility for day-to-day maintenance of buildings, fixtures and fittings, insurance, security and utilities.
- Those operators successful in Tranche 1 contracts, will not be able to use those depots as a base for gaining Tranche 2 contracts, because of the competitive advantage it would provide. Neither will operators be permitted to use the depots for the provision of other activities (e.g. coaches and private hire).

#### Network strategy:

- Lack of comprehensive data makes it difficult to make significant service changes at the same time as introducing franchising. However, there are significant expectations of what franchising might provide, so there will be some enhancements included in franchise contracts, including consistency in the span of when services operate.
- Day 1 of franchising – continuity and stability of service are most important.
- Service reviews will be undertaken once franchised services are up and running (12 months post-implementation).
- Network principles:
  - Population within 400m of a service
  - Consistent network
  - Comprehensive service from early morning to late evening
  - Facilitates interchange (bus/bus and bus/rail)
  - Provides access to key locations
  - Takes account of new development
  - Coordination with neighbouring authorities on cross-boundary services.
- Will be 4 agreed service change dates per year, which is the same as current arrangements.

#### Expected benefits of franchising:

- Authority will have ownership of data about the network and its performance, which will help in future planning and management.
- Will generate competition in the market.

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<sup>12</sup> *Passenger Transport, issue 332, 7 March 2025*



## Learning points:

- Important to be clear on what the authority wants from franchising.
- Significant time and resources are necessary – the assessment, independent audit and consultation cost £5.3m).
- Useful to learn from the experience of others.
- Needs to be robust programme management throughout to ensure decisions taken at the right time and inter-dependencies are identified. It is important to remember that all the different aspects of franchising (procurement/lotting; network design; vehicles; depots) impact on one another, so all need to be considered in parallel.
- Strategic and commercial cases of the assessment are important to making the final decision.
- Importance of taking all interested parties along with you on the journey towards franchising. For example, there has been on-going market engagement with operators, firstly to inform assessment proposals (2021); secondly, on procurement process, fleet and depot strategies and performance regime (April 2024); thirdly, to inform about the changes to the timing and sequencing of the procurement (November 2024).
- Importance of regular updates and engagement with the Mayor and other elected members, including briefings prior to meetings.
- Realisation that some operational aspects are better to remain with operators, such as CCTV on vehicles.
- Important to consider depots and vehicles early on, as they impact on many other considerations.

## West Yorkshire

West Yorkshire Combined Authority (WYCA) went through the Franchising Assessment process relatively quickly, having learned from the experience of Manchester and Liverpool. It published a notice of intent to assess franchising in 2021, carried out the Franchising Assessment (2022-23), passed the assurance in summer 2023, and undertook consultation in late 2023. The Mayor took the decision to go ahead with franchising in March 2024.

## Franchising Assessment:

- Overall bus network operated by 1,800 buses.
- Declining bus market and network; patronage 167.7m (2011/12) to 92.3m (2021/22); miles operated 60.9m (2011) to 46.3m (2021/22)
- Objectives of bus reform – to consider the whole journey and to focus on improving customer experience.
- Challenges for the network (in doing nothing):
  - Service reductions
  - Declining passenger satisfaction
  - Lack of bus priority
  - No single point of customer information
  - Confusing fares and ticketing
- Options considered:
  - Enhanced Partnership (reference case)
  - EP+
  - Proposed Franchising Scheme
- Franchising based on the authority taking control of all aspects of the planning and delivery of the bus network, fares and ticketing and customer interface.
- 10 strategic depots, which the CA would look to take over. Vehicles will also be owned by the authority.



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- Small and medium operators are important in West Yorkshire, particularly in the provision of contracted services. Therefore, engaged with them throughout the process. It is intended that franchise contracts will resemble current contract documents that those operators will be familiar with.
- Contracts will be 7 years duration.
- Considered options of EP+ and Franchising against the existing EP.
- EP+ included:
  - Qualifying Agreements with operators specifying route requirements, such as frequency.
  - Bus registration powers transferred to CA.
  - Partnership network planning (through Network Planning Group)
  - Further fare capping and standardisation of ticketing products.
  - Joint operator/CA marketing and branding.
  - Single point of customer contact.
  - Alignment of bus priority with EP+ schemes, with partnership working through a Bus Priority Oversight Group.
  - Agreement on shared new vehicle specification.
- Resourcing requirements would increase from current 194 staff (FTE) to 219 for EP+ and 262 for Franchising.
- Benefit Cost Ratios – EP+ 5.4; Franchising 4.3
- One-off transition costs to franchising estimated at £15.1m over four years (covering consultancy, mobilisation and IT). There would be an additional £5.3m transition management costs.
- Assessment carried out by internal reform team of 9 staff, with external support on the economic case and legal advice, along with the public consultation.
- Cost of undertaking the assessment £2.1m (including audit and consultation).
- Decision focused mainly on the strategic and commercial cases. However, the economic and financial cases are necessary (and linked), the latter being important in demonstrating affordability.

#### Consultation:

- 1,245 responses received.
- 82% of respondents supported franchising.

#### Franchising implementation:

- Core workstreams taking the work forward:
  - Customer
  - Assets
  - Contracting
  - Data
  - Network planning and management
- Three tender rounds are envisaged, the first procurement getting underway later in 2025, with the first franchised services introduced in 2027. All services will be franchised by the end of 2028.
- Franchising will be put in place without changing services – too much to do all at once and insufficient data to undertake detailed network planning. Branding and network ticketing will be in place from day 1.
- A report to the Combined Authority Board in January 2025 confirmed that 10 depots would be acquired and refurbished, with a likely cost of £67m. It also confirmed that a new overall network brand and identity would be devised.



## Learning points:

- Given the complexity of what has to be done and the importance of the decision regarding franchising, it is unlikely that the process could have been done any quicker, without compromising the quality or integrity of the work.
- Franchising guidance doesn't indicate what the balance should be in terms of doing upfront work to develop the assessment and doing work that looks as if it pre-empt the final decision (for example, amount of engagement with operators that might wish to enter the local market).

## Cambridgeshire and Peterborough

The Cambridgeshire and Peterborough Combined Authority (CPCA) issued a notice of intent to consider bus franchising in mid-2019. The Assessment was disrupted by the Covid-19 pandemic and recommenced in 2021, with the collection of new data and a revised business case, following the publication of a new Bus Strategy, which reflected the ambitions for bus as set out in a new Local Transport and Connectivity Plan. The Assessment was completed in early 2024 then audited. In summer 2024, the decision was taken to undertake a public consultation. The Mayor made the decision to introduce franchising in February 2025. It is intended to introduce the first franchised bus services in September 2027.

CPCA is quite different in geography and character to the metropolitan Combined Authorities. It has two medium sized cities and a large rural hinterland. This also dictates a different pattern of bus network, with different challenges, particularly in respect of a desire to improve connectivity across the rural parts of the area. With this in mind, the franchising proposal for the area differs from that in the larger, more urban combined authorities.

Franchising Assessment:<sup>13</sup>

- Overall goals of looking at change:
  - Enhance and integrate the bus network
  - Coordinate services, integrate ticketing, stabilise services and provide better information
  - Bus services that contribute to wider economic, social and environmental goals
  - Maximise value for money and the benefits from investing in the bus network
- Change is viewed as necessary to help achieve the key objectives of the Bus Strategy – doubling of bus passengers and 15% reduction in miles driven on the roads.
- CPCA only area of the country with no EP in place; assessment compares two options – an EP and Franchising.
- Highlights that certain attributes could be more easily or more fully achieved through Franchising, rather than an EP, such as:
  - Network planning and coordination, regulation of headways on parallel services and increasing frequencies on existing services.
  - Network stability – route and service levels.
  - Coordinated management of fares, products and pricing.
  - Introduction of single livery and brand.
  - Consistent driver training and standard driver uniforms.
  - Passenger charter and compensation.
  - Reinvestment of efficiency savings into the network.
- Based on franchising the whole area. However, looking for some sharing of responsibilities/risks between authority and operators. Operators to retain depots, with CA looking to facilitate two new depots in Peterborough and Cambridge) – viewed as important by operators not currently operating in the area.

<sup>13</sup> Bus Centre of Excellence Webinar: The road to better buses in Cambridgeshire & Peterborough, 24 February 2025



- Operators to be responsible for vehicles; the authority does not envisage managing a residual vehicle scheme, given the additional risk and financial burden involved.
- Initially, the CA will take revenue risk (given that there is insufficient data to support minimum subsidy contracts); however, it could be possible to move to operators assuming revenue risk at a later stage, giving an incentive to grow use and revenue.
- Contract lots of 1 to 60 vehicles are envisaged, with the aim of providing opportunities for operators of all sizes. In the consultation, there were some comments as to whether 60 vehicles was too small a number to encourage larger external operators to enter the market.
- Contracts of 7 or 8 years' duration envisaged, to provide stability in service provision and certainty for operators in making investment decisions. Intend to have a strong performance management approach, along with flexibility to amend and review services during the contract period.
- The CA acknowledges the importance of small and medium operators and has indicated that it wants to support and encourage their involvement in the future franchised network, by having some smaller lots, by allowing subcontracting to larger operators (or specifying that large operators should subcontract a proportion of activity to smaller operators) and in ensuring the procurement process is not overly onerous, but proportionate to the relative contract size.
- Introduction of an EP will require 8-10 additional staff. Franchising will require 15 additional posts; additional staff costs are estimated at £1m p.a. and IT costs £0.5m p.a. In addition, the estimated one-off investment needed to meet the cost of transition over a 3-4 year period is £1.42m.
- Summary conclusion of the 5 cases:
  - Strategic – franchising would provide the ability to plan and deliver the bus network in a comprehensive and coordinated manner.
  - Economic – both franchising and EP offer value for money - Benefit Cost Ratios of 2.38 (EP) and 2.54 (Franchising); franchising costs more but offers higher value in terms of Net Present Value and Benefit Cost Ratio.
  - Commercial – franchising offers greater control and flexibility to manage resources deployed, backed by a performance management regime; however, it comes with more risk.
  - Financial – franchising is affordable, relying on stable sources of funding available to the authority (such as Mayoral Precept)
  - Management – more resources needed for both EP and Franchising; however, franchising offers the ability to achieve more coordination and a seamless network.
- Consultation included qualitative research amongst targeted under-represented groups. The consultation received 1,653 responses – 63% supported franchising and 12% were opposed; amongst organisations responding, support rose to 75%.

#### Franchising implementation:

- Being taken forward through 8 workstreams:
  - Customer relations and customer research
  - High quality data management
  - Infrastructure
  - Network development and performance
  - Commercial and procurement
  - Safety
  - Finance and resources
  - Policy and governance
- Workstreams will be overseen by a Project Board, which will in turn report to Transport and Infrastructure Committee and then to the CA Board.
- Intention is to have a separate team delivering franchising, leaving the existing team to manage and maintain the existing network.



#### Learning points:

- Plan and define the Franchising Assessment carefully to avoid uncertainty and smooth the process through the independent assurance. Make clear that the Assessment represents a moment in time.
- Quality of data is important to carrying out effective economic modelling.
- Important to keep all interested parties informed throughout the process, in order to manage expectations.
- Consultation is very technical to meet the requirements of the guidance. Significant effort needed to ensure it meets the needs of different audiences (public and stakeholders).
- Allow plenty of time to analyse the consultation responses and report on them, showing how they have been taken into account.

## South Yorkshire

The South Yorkshire Mayoral Combined Authority (SYMCA) started its journey towards franchising in 2022 and completed its bus reform consultation in January 2025. This generated 6,600 responses. The Mayor is due to take the decision on franchising in mid-March 2025.

#### Franchising Assessment:

- Market share 2022/23 (mileage) – First 43%; Stagecoach (40%); TM Travel (7%).
- Network includes 300 supported services, including 80 dedicated school services.
- Franchised network assumes a fleet of 745 buses (653 excluding spares) operating 26.7m miles.
- Considered various scenarios (EP, EP+ and Franchising) with or without depot and vehicle ownership by SYMCA. All options included the authority taking revenue risk. Ultimately, the preferred option was for full control with depots and vehicles owned by the authority.
- Depot investment estimated at £85m. Fleet investment over years 2027/28 – 2031/32 estimated at £257m.
- Current bus and travel concessions teams have 16 FTE staff. Franchising would require 34 FTEs, of which 6 would be involved in performance management, 2 looking after depots and 2 on network planning.
- Strategic case – the case for change is based around the need to stop the spiral of decline in bus use and provision, integrate more with the tram, invest in the fleet and achieve more value for money from the public monies going into bus provision.
- Economic case – gave a benefit cost ratio of 1.88 for EP+ and 2.25 for Franchising.
- Commercial case – considered that if operators retained depots, they would have great advantage over new entrants. This would reduce competition and offer poor value for money to the CA. Concluded that risk is best sitting with the party who is best able to influence or manage it (i.e. SYMCA).
- Want to encourage small and medium operators to participate in tendering. Looking at whether large operators could be awarded social value points in the procurement process for subcontracting to smaller operators.
- South Yorkshire has some rural areas, where there will be less opportunity for any cross-subsidy between services.
- Financial case suggests that franchising is affordable, based on the availability of CRSTS funding until 2031/32.
- 3 tranches of contracts envisaged, with contracts based on all services from a depot.
- Whilst services will largely stay the same under franchising in the first instance (because of the lack of information on which to base change), the opportunity may be taken to reduce some duplication of services and to improve links with the tram.



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#### Learning points:

- Franchising Assessment is useful for comparing EP and Franchising, but not necessarily at setting out the detail of how change will be delivered.
- Important to recognise the need to keep constituent authorities happy. As they provide a levy to the CA to fund its activities, they see themselves exposed to greater risk.

## West Midlands

The West Midlands has a successful partnership approach and was one of the pioneers of an Enhanced Partnership. However, there has still been patronage decline and significant amounts of public funding have been supporting the network (only about a half of income is from fares). The Franchising Assessment was undertaken to assess alternative approaches. It commenced early 2020 and was completed January 2022, with a full business case following that using updated data from the operators. The current Mayor, elected May 2024, wanted to see franchising, so the completed Assessment provided the opportunity for him to push forward with the audit and then to consultation in early 2025. The Mayoral decision is due in May 2025.

Franchising is seen as providing the opportunity for the public sector to align the benefits from its funding, such that it can achieve its outcomes, particularly with the significant amounts of public funding going in to support the network. Equally, to achieve more accountability, with a direct relationship between users and the authority.

#### Franchising assessment (2024):

- Bus worth £4.4bn to the local economy.
- 232m passenger boardings in 2023/24
- Total fleet of 1,389 buses (increasing to 1,556 with spares). A further 400 buses operate into the West Midlands from outside (cross-boundary services).
- 14 bus operators, but National Express is very dominant (74% of fleet, 85% of bus km and 93% of passengers).
- Based on franchising the entire area, taking full control of services including depots. Investment in depots £44.8m. This element seen as vital in creating competition in the market and attracting new entrants.
- Assessment based on meeting the 9 main objectives of the Vision for Bus (2019). It considered what could be achieved (or how much network would be provided) through either an EP or Franchising. For the same funding, franchising achieved 10% more network, mainly through reduced margins for operators.
- Franchising alone will not stem decline; however, it provides the opportunity to control and influence things and better achieve the CA's objectives. There is still a need for long-term, sustained investment.
- Whilst franchising brings new risks for the authority, there are risks of doing nothing, with further decline of services and usage.
- Much can be achieved through an Enhanced Partnership – success is down to capacity, capability and the motivation of organisations and individuals. There is still a lack of accountability in a partnership and a lack of trust in the system.
- Commercial case – relies on the ability to generate strong competition for contracts. 3 tranches of contracts envisaged.
- Management case – highlighted the significant uplift in resources and staffing to implement franchising. 165.8 FTE additional staff required at cost of £10.3m p.a., of which 108 roles would transfer from operators.





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- Service Permits for cross-boundary services – these will include conditions on ticketing, discounted travel, vehicle standards, customer service and operational standards.
- Assessment cost £1.5m to carry out. Transition costs estimated at £22.5m over a 3-year period.

Learning points:

- It is important to keep other interested parties (e.g. constituent authorities and elected members) engaged and informed throughout the process.
- The Assessment itself demands a lot of attention, however there are many different aspects to consider either outside of this or to inform it. However, there is a balance on how much work can be done without being seen to be pre-empting the outcome of the Assessment.
- Significant work is undertaken to inform the decision, but little work on implementation until the decision to franchise has been made.
- Robust governance structures will be needed, particularly with the authority taking the revenue risk (£500m p.a.)
- The DfT might be able to streamline the Franchising Assessment process by requiring only an outline assessment to establish the case for franchising. Having established that franchising is the preferred option, more detailed business cases could be required for specific elements, such as depot strategy.

## North East

The new Mayoral North East Combined Authority (NECA) was established in May 2024, replacing two previous combined authorities. The Authority undertook a detailed options report which recommended undertaking a Franchising Assessment, recognising the enormity of what would be involved in carrying this out. This is just getting underway, and a 12-month timescale is envisaged. This will be followed by audit (5 months) and consultation (6 months). A Mayoral decision might be made in February 2027, with the first franchised services introduced autumn 2029.

Options report<sup>14</sup>

- Backdrop of decline; 2022/23 106m passenger journeys, down 36% since 2010.
  - Significant public sector funding for buses (£103.8m) – 43% of all bus operator income.
  - Included consideration of an EP+, which pushed the boundaries of what could be achieved through a partnership approach, but recognising that the legal context (deregulated market) remains as with an EP.
  - An EP+ likely to see a push for more bus priority measures. Also, more staff resource would be needed to negotiate and implement, although not as great as additional resources for Franchising.
- Risks associated with EP+:
- Uncertainty of securing operators' cooperation and agreement, which could result with compromise.
  - Authority still responsible for funding non-commercial services, with potential rising costs over time. Network still not cohesive.
  - Operators' own tickets may continue alongside integrated ticketing, creating confusion.
  - Operators fail to comply with commitments, but authority has only blunt enforcement measures, such as asking Office of the Traffic Commissioner to cancel bus service registration.
- Considered public ownership of bus operation (new municipal operation or taking a private bus operator into public ownership – either in-house or arm's length company), which could run within a deregulated or franchised environment. Authority may need to meet significant capital costs

<sup>14</sup> North East Combined Authority Cabinet Report 30 July 2024 – Improving and reforming buses



(vehicles and depots); critical mass of operation needed to achieve economies of scale. However, opportunity to reinvest any profits. Risks include:

- Revenue decline
- Reputational damage to the organisation
- Operation could be subject to competition from private operators (on-road in deregulated environment and for contracts in a Franchised market)
- Franchising regulates the bus market and removes on-road competition (there is competition for the market). However, risks associated with Franchising:
  - Authority assumes more responsibility and risk, including revenue and reputational risk
  - Legal challenge
  - Network instability and lack of investment during Franchising Assessment and transition
  - Lack of interest from external operators
  - Difficulties in getting adequate staff resources and capabilities
  - Lose small and medium operators from the area
- Deregulation – bus operators bound by competition law and can limit cooperation on ticketing and network planning, resulting in fragmentation of network, inconsistencies and possible duplication of services (separate commercial and supported bus networks). As such, the deregulated model fails to support wider strategic objectives (such as growth, environment, development, employment, housing, leisure, health and well-being).
- Challenge for EP is the need to secure agreement of operators, which can:
  - Limit the level of ambition and commitment
  - Result in the need for public funding to cover operator risk
  - Limit cohesion
  - Be limited by the quality of individual relationships within the Partnership
- Emerging consensus that there needs to be more integration of bus with other modes; more service reliability and services that are more responsive to the needs of communities.
- Key drivers for change:
  - Current bus services not meeting aspirations
  - Need for modal transfer and reduced congestion
  - Decarbonisation and air quality
  - Risk of not changing, with continued patronage and revenue decline

#### Franchising Assessment:

- Bus network operated by fleet of 1,250 vehicles.
- Still to determine the details of the potential Franchising Scheme, but it will cover the whole CA area.
- Case for franchising mainly based around the current fractured market and other market failings.
- Assessment will be written by the Bus Reform Team (9 staff), with external support on the economic case. Also engaged specialist external legal support.
- Commenced the data collection from operators.
- Budget of £8.5m set aside for the Assessment, audit and consultation (covering three financial years 2024/25 – 2026/27).

## Jersey

Jersey has had a franchised bus network for many years, which has provided it with significant learning and the ability to amend its model of provision over time. Over the last 2 years, the Government has re-procured the contract which covers the entire island's network of public and school bus services for 10 years plus 3 single year extensions (depending on assessed performance after years 3, 5 and 7. This will come into effect from April 2025. Management of the contract is overseen by 1.5 FTE staff.



The contract coming to an end in March 2025, was based on a model of provision that was quite different to what had been in place before. Risk moved from the Government to the operator, which became responsible for fares revenue and provision of vehicles. The desire was to allow the operator to act commercially, by being incentivised to grow patronage and revenue, and at the same time achieve best value for the Government. Therefore, a long contract duration was given to provide stability for operators to be able to invest. This model has then been developed further for the new contract.

| Responsibilities  |  |
|---|--|
| Government  | Operator   |
| Provides bus depot (and electrification)  | Operates and maintains depot   |
| Provides bus interchange  | Manages of bus interchange   |
| Defines network and levels of services, and makes suggestions for service changes and improvements  | Operates the specified network and makes suggestions for service changes and improvements                      |
| Sets out vehicle specifications and age profile   | Provides vehicles to meet requirements at various points through the contract period                           |
| Specifies fares and tickets   | Applies specified fares and tickets; retains revenue and shares with Government if grows above set targets     |
| Specifies concessions and discounts   | Accepts passes for travel without any reimbursement  |
| Specifies information and marketing requirements  | Produces annual marketing plan; provides network map and timetable information, including bus stop information |
| Sets key performance targets and performance monitoring, including data reporting requirements; applies penalties where service standards not met | Reports on performance and provides data to Government   |
| Meets monthly with operator to discuss all aspects of operation   | Meets monthly with Government to discuss all aspects of operation  |

#### Procurement process:

- Important to take time in developing the specification (about 6 months), to ensure it is comprehensive, includes everything that is required and that won't result in any unintended consequences. If something isn't in the specification at the start, it may be difficult to add it in during the procurement process.
- Important to be able to provide bidders with comprehensive and detailed information on which they have confidence in developing their bids and better pricing for the Government.
- Various stages to the procurement:
  - Invitation to tender – prequalification stage
  - Stage 1 – specification provided to those bidders who passed the prequalification stage; word count and weightings for responses set out; clarification questions submitted by bidders; Teams call and face-to-face meeting offered to bidders to help their



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- understanding of requirements and to develop their bids. Stage 1 bids received and scored for cost (40%) and quality (60%).
- Stage 2 – best scoring bidders from Stage 1 invited to bid based on updated specifications, data, property leases and KPIs. Opportunity for bidders come to Jersey for a tour of properties and to ask questions. As part of bids, operators required to make a presentation. Evaluation leads to decision on preferred bidder.

Feedback from bidders about the procurement process was that it had been a positive experience and represented good practice. The opportunities for engagement had been beneficial in bringing the aspirations of the contract to life.

Learning points:

- It is important for the procurement process and contracting to evolve over time. In the recent re-procurement, about half of the specification was similar to the last contract. However, the contract itself was new.
- Having an independent party do a shadow bid in parallel is useful in testing the adequacy of the tender specification and supporting information, as well as giving an indication of the tender prices that might be expected. This allows questioning of any operator bids that are very different to this, potentially highlighting errors or misunderstandings.
- A longer-term contract with the right incentives encourages investment and innovation.
- Specification requires an experienced and pre-vetted transport manager. Also transparent data sharing and accounting, with the ability for the Government staff to directly access and view all patronage and revenue data.
- Important to ensure a smooth transfer from one operator to the next, and then look to implement any service changes at a later stage rather than at the same time. As such, it is important to manage expectations throughout.

## Decisions not to pursue franchising

### Cornwall

Cornwall Council considered whether franchising provided an option for its network, but decided that it would seek to achieve its objectives of improved services through a partnership approach, in line with its One Public Transport System for Cornwall (OPTSfC) initiative.

It should be noted that the authority had maintained significant levels of financial support for bus services, with responsibility for about half of network mileage, providing it with reasonable influence. Between 2009/10 and 2018/19, bus patronage grew by 1.4m journeys (13.5%). The proportion of concessionary travel journeys reduced from 42% to 32%, indicating strong growth in fare-paying journeys. Furthermore, over the same period, the number of passenger journeys per head of population rose from 19.7 to 20.8. Pre-Covid, Cornwall was unusual in being a mainly rural authority that achieved both general patronage growth and an increase in the average number of passenger journeys per head of population. Other areas that have had similar success are cities, which have generally pursued supportive measures for public transport over a long time, such as Nottingham and Brighton and Hove.

Cornwall Council pursued an approach to redefine and redesign the supported service network and to re-procure it through a large retendering process, with the award of a single contract for 8 years to GoAhead. This represented a commitment of £192m of funding over that period. Introduction of the contract in 2020 saw increased levels of service and over 100 new buses, together with a roll out of Transport for Cornwall (TfC) branding and marketing.



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As well as benefitting from a Government Devolution Deal, Cornwall Council also received £23.5m in grant from DfT for a Bus Fares Pilot (commencing Spring 2022) whereby fares were subsidised to assess the impact on encouraging bus use.<sup>15</sup>

## Tees Valley

The Tees Valley Combined Authority (TVCA) considered franchising, following an announcement in 2018 by its Mayor that a different approach would be considered to look at whether a regulated system would work better for the area. A report to the TVCA Cabinet in July 2019 highlighted that:

- Franchising would be a complex process, taking up to 3 years from inception to delivery of franchised operations.
- Total estimated cost of implementing franchising would be £4m.
- There would be benefits in terms of integrated fares and ticketing (but the value for money case for this was easier to make in large urban areas, rather than rural areas where bus provision is poor and usage low).

Therefore, it proposed continued dialogue with operators around a new partnership agreement and to pursue significant provision of new demand responsive transport (DRT) services (introduced as Tees Flex).

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<sup>15</sup> [Bus Improvement Plan 2021 \(cornwall.gov.uk\)](https://www.cornwall.gov.uk/transport/buses/buses-improvement-plan-2021)