



Department
for Transport

Bus Franchising Manual

Advice to local transport
authorities on the bus
franchising process

January 2026

This Manual is the result of collaboration between many people from Arup, the Department for Transport, several local transport authorities, and the wider bus industry. We extend our sincere gratitude to everyone who contributed to its development.

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Abbreviations

ASR	Appraisal Specification Report
BCoE	Bus Centre of Excellence
BCR	Benefit-Cost Ratio
BRT	Bus Rapid Transit
BSIP	Bus Service Improvement Plan
BSOG	Bus Service Operators Grant
CA	Combined Authority
CCA	Combined County Authority
CCS	Crown Commercial Service
CPT	Confederation of Passenger Transport
DfT	Department for Transport
DIA	Distributional Impact Assessment
DPO	Disabled People's Organisation
DRT	Demand Responsive Transport
ENCTS	English National Concessionary Travel Scheme
EP	Enhanced Partnership
EV	Electric Vehicle
GCM	Government Construction Metrics
KPI	Key Performance Indicator
LABCo	Local Authority Bus Company
LABG	Local Authority Bus Grant
LGFS	Local Government Finance Settlement
LTA	Local Transport Authority
LTP	Local Transport Plan
MCA	Mayoral Combined Authority

MCDA	Multi-Criteria Decision Analysis
MHCLG	Ministry for Housing, Communities and Local Government
NAP	Network Accessibility Plan
NDA	Non-Disclosure Agreement
NPV	Net Present Value
O&M	Operations & Maintenance
PAYG	Pay-As-You-Go
PHV	Private Hire Vehicle
PPA	Power Purchase Agreement
PSED	Public Sector Equality Duty
PVR	Peak Vehicle Requirement
QBR	Quarterly Business Review
RTPI	Real-Time Passenger Information
SMART	Specific, Measurable, Achievable, Relevant, Time-bound
SMO	Small and Medium Sized Operators
TAG	Transport Appraisal Guidance
TCR	Transport for City Regions
TRO	Traffic Regulation Order
TRSE	Transport-Related Social Exclusion
TUPE	Transfer of Undertakings (Protection of Employment)
UDM	Utilities Dynamic Market
VCIS	Vehicle Charging Infrastructure Solutions
VfM	Value for Money
ZEB	Zero-Emission Bus

Introduction

Commissioned by the Department for Transport (DfT) and prepared by Arup, this Bus Franchising Manual ('Manual') is a practical guide aimed primarily at local transport authorities (LTAs) in England, outside London, that have **taken an initial view that franchising is the preferred approach to deliver their local transport ambitions¹**.

This Manual aims to help LTA officers and leaders to engage stakeholders, to develop and assess the franchise option(s) that suit local needs and local risk appetite, and to implement bus franchise operations. It outlines the range of potential franchise options, key risks and benefits, and provides best practice insights to support efficient and cost-effective delivery of a bus franchising scheme. It also sets out considerations to ensure evidence-based decisions are made and the functions required to deliver bus services through franchising are understood and can be planned and funded accordingly.

This Manual supports the [DfT Franchising Guidance](#) ('Guidance') as a supplementary resource. The Guidance is the main resource for understanding the overall statutory process, how statutory obligations should be applied and understood, and the requirements for implementing bus franchising. The Manual may be consulted for additional practical advice related to the implementation of the statutory process, and applied examples and best practice advice on each stage of the franchising process. Both the Manual and the Guidance should be read alongside relevant parts of the [Bus Services Act 2017](#) (which amended the [Transport Act 2000](#)), [The Franchising Schemes \(Franchising Authorities\) \(England\) Regulations 2024](#), and the [Bus Services Act 2025](#). LTAs must obtain suitable legal advice on their local franchising requirements. DfT is also preparing an advice note offering analytical advice on franchising appraisal and evaluation, designed to support development of the franchising assessment Economic Case and evaluation plans.

1. The 'Models for Delivery of Local Bus Networks Handbook and Toolkit' developed for Confederation of Passenger Transport (CPT) by Frontier Economics is a tool that can support LTAs to consider their options for local bus service provision to meet passenger needs in their local area.

The Bus Services Act 2025 has reduced the amount of time required for LTAs to franchise their bus services and introduced further flexibilities to make franchising easier, including:

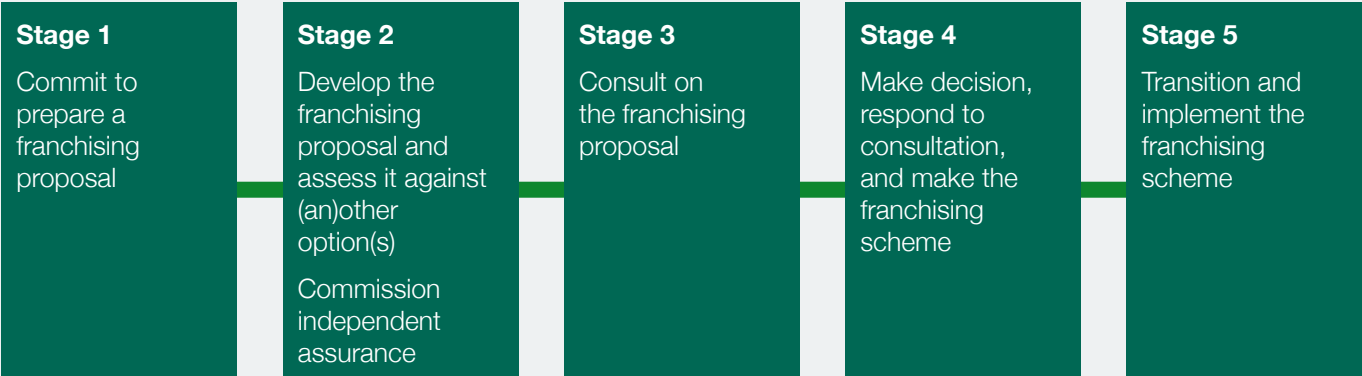
- Removing the need for Secretary of State approval, so all LTAs can access franchising powers directly.
- Allowing LTAs to direct award initial franchise contracts to incumbent bus operators (under net cost contracts), to simplify and speed up the initial transition to franchising.
- Removing the six-month minimum period between making of a franchise contract and commencing services, so improvements can begin sooner.
- Expanding who can carry out independent assessments of proposed franchising schemes, making the process more flexible.

Bus franchising is a shift to a regulated bus system that, in its various potential forms, enables LTAs to take accountability and control of all or part of their bus network. Franchising can be implemented in any way that suits the local context, based primarily on the desired level of control and willingness to take on financial risk.

The design and implementation of a bus franchise should place people at its core, supporting accessible and inclusive travel for all. It should also catalyse better connected communities, provide more value for money for passengers, and improve journey opportunities within a more coherent and integrated network. Success of bus franchising will rely on collaboration between a range of stakeholders using data to guide local decisions and optimise outcomes for passengers.

The statutory process for implementing franchising is summarised in the following diagram.

Required Statutory Stages



Pre-Assessment

Before committing to prepare a franchising assessment, it is recommended that LTAs conduct some pre-assessment feasibility work. This should focus on gathering information needed to make an informed and evidence-based decision on suitable franchise option(s), reflecting the local context. Figure 1 summarises the recommended pre-assessment processes. Details on each of these processes can be found in Annex A.

Undertaking these processes is not a legislative requirement. Each LTA will likely have their own processes and requirements for demonstrating the case for change or investment within their local governance arrangements to inform a decision to progress with preparing a franchising assessment. The ‘Models for Delivery of Local Bus Networks Handbook and Toolkit’ developed for CPT by Frontier Economics may also assist at this stage.

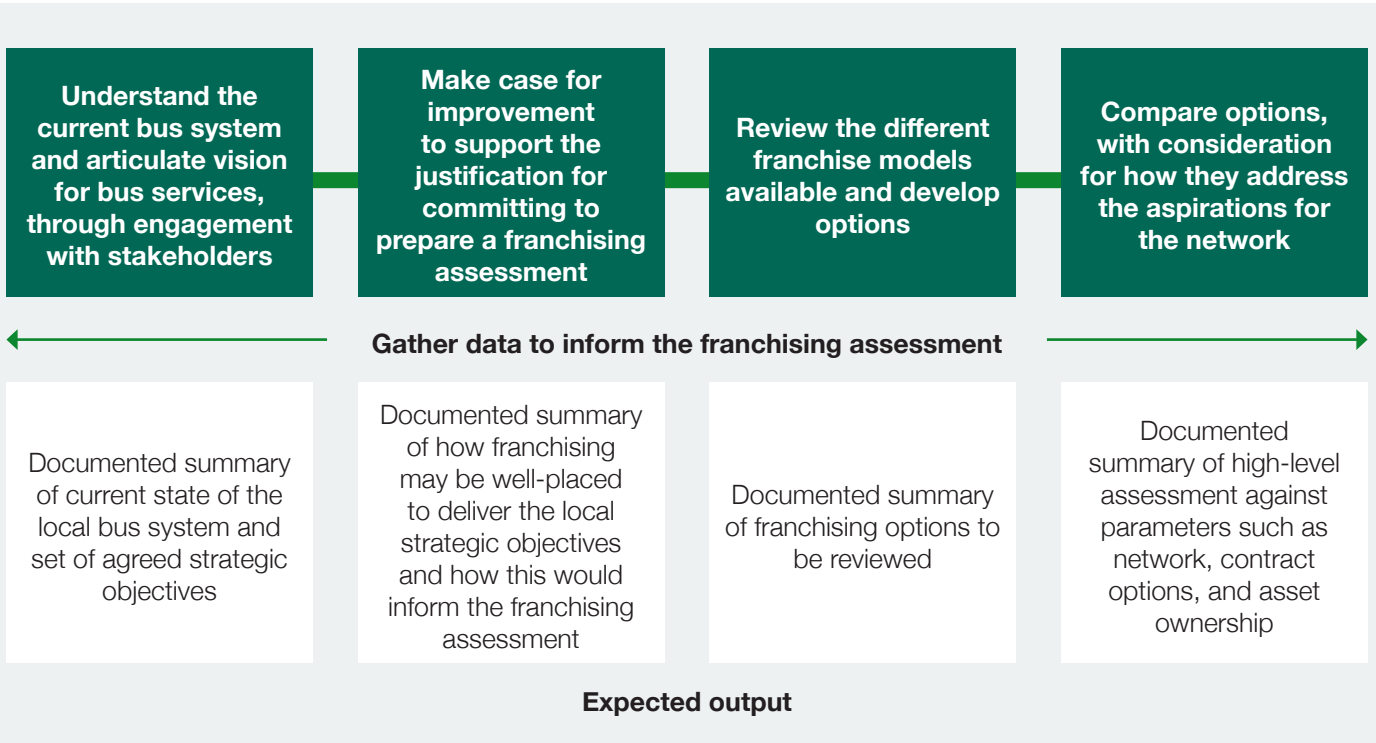


Figure 1: Overview of recommended pre-assessment processes before committing to developing the franchising assessment

Equalities considerations:

The Public Sector Equality Duty (PSED) requires public authorities to consider the effects of their decisions on people with protected characteristics and to take steps to advance equality (Equality Act 2010). Understanding who uses bus services is essential to fulfilling the PSED. Bus patronage often includes a high proportion of people from protected groups, such as older and disabled people¹, women, people from ethnic minorities, and those on lower incomes who may rely more heavily on public transport. The development of a franchising proposal provides an opportunity to consider the accessibility of the local bus network from first principles, and LTAs considering franchising have an important role in ensuring that bus services enable all people to travel with ease, confidence, and dignity. This not only supports compliance with the Equality Act 2010 but also helps deliver better outcomes for people who depend on public transport the most.

- Early and sustained engagement with local disabled people and organisations representing them is likely to help ensure that the:
- Needs of disabled people are understood from the start.
- Process of shortlisting franchise options and specifying a franchise embeds accessibility considerations that will genuinely benefit disabled people.
- Delivery of the franchising scheme results in the accessibility benefits intended, noting that a more accessible bus service is generally more attractive to all passengers.

Developing an Equality Impact Assessment is considered good practice to proactively identify ways to advance equality of opportunity for protected groups and to actively mitigate any potential negative impacts. Key things that need to be considered and addressed when designing a franchising scheme include:

- Information should be presented accessibly and include information on the accessibility of services.
- Street, bus station, and bus stop designs should consider disabled people's needs.
- Bus drivers and other staff should provide effective assistance.
- Vehicle designs should cater for a range of needs.
- Effective complaint processes to obtain redress when things go wrong should be in place.

The Bus Services Act 2025 includes a number of provisions to help improve the accessibility of local bus networks. The DfT is also developing a charter for accessible transport, to improve the consistency of service experienced by disabled passengers. It is recommended that LTAs require franchised operators to adopt and comply with the charter, once it is published.

1: In this Manual we refer to “disabled people”, consistent with the Social Model of Disability, rather than “persons with disabilities” as specified in the Bus Services Act 2025. We intend the term to refer to the same people, namely people who are disabled in accordance with Section 6 of the Equality Act 2010, which states: “a person has a disability if they have a physical or mental impairment that has a substantial and long term adverse effect on their ability to carry out normal day to day activities.”

The Social Model adopts the premise that disabled people are disadvantaged by factors in society, such as policies, procedures and products, rather than by the nature of their impairments. As such it can provide a powerful lens through which to consider the impact of provision within the control of LTAs or transport providers, and we recommend its use when considering the impact of franchising schemes on disabled people, and the use of appropriate language in documents referring to them.

Choosing the Franchise Option(s) to Assess

Relevant section of the [DfT Franchising Guidance](#) is “Potential types of franchise”

Before commencing the franchising assessment, it is recommended that LTAs conduct a high-level review of the range of different franchise options and how they could apply to the local context. This will allow a smaller number of franchise options to be taken to the formal franchising assessment, based on logical rationale. The selected option(s) should aim to deliver the LTA's strategic objectives and should respond to the LTA's approach to funding and risk, broader policy, and the plans of neighbouring authorities.

Figure 2 introduces the components that make up a franchise option. More detail is provided on each of these components in the following sub-sections.



Figure 2: Components of franchise options

Franchise Models

The following are the main bus franchise models that LTAs could consider – however this is a non-exhaustive list, and LTAs may develop other models based on their context and strategic objectives.

- **All network franchise model:** Franchising all services, likely in a rolling phased programme with an intention to complete the whole LTA network within a set period.
- **Partial network franchise model:** Franchising some services within the LTA network. An Enhanced Partnership (EP) would be in place for any part of the LTA area that is not within the franchised area. Examples of partial network franchises could be:
 - Services within a specific area to ensure service provision responds to both current and future demand.
 - Specific services or corridors (micro-franchise) to maximise localised opportunities related to investment in bus priority measures or bus rapid transit (BRT).
 - Current tendered services to improve the value for money of the LTA-supported network.
 - Services within an area where demand responsive transport (DRT) is an integral part to take advantage of cross-subsidy opportunities.

Each of these models can be contracted through a net cost contract, a gross cost contract, or a contract. Similarly, each of these models can be implemented with the LTA providing assets (fleet, depots, on-bus technology), the operator providing assets, or a mix of LTA and operator providing assets. More details on each of these are provided on pages 29-32 (contract types) and pages 33-37 (asset provision).

The DfT franchising pilot programme is testing various approaches to implementing these models.





All Network Franchise Model

What is it?

All (or the majority of) services operating within the LTA boundary would be franchised. A permit may be granted to operators of cross-boundary services.

Who may this be useful for?

The all network model can support LTAs that want maximum control of buses across the whole of their geography. This would particularly benefit LTAs with strong ambitions to integrate buses with other public transport modes, such as trams and rail, and wider local development policies.

This model is also suitable for LTAs with small geographies, where there are limited logical ways to split the network into smaller area- or route-based franchises. It may also be suitable for LTAs where there is one dominant operator, as the risk of the operator pulling out of the area under a partial franchise model may be higher, or for LTAs whose neighbouring authorities are franchised / developing franchising proposals.

Depending on the contract type, there will be a significant shift in responsibility of the network from operators to the LTA including, but not limited to, planning, contracting and monitoring of operations, delivery of key customer interfaces and outcomes, and implementing fares and ticketing propositions. The level of change will be dependent on where key responsibilities are to sit across the LTA and operator, which should be determined based on risk, capability, and funding.

Benefits:

All network bus franchising gives LTAs accountability to the public for the bus network. This means LTAs can have greater control over whether the bus network is meeting broader local priorities such as social inclusion, economic growth, and decarbonisation, rather than being shaped solely by commercial demand. All network franchising provides the flexibility for LTAs to reinvest savings (e.g. operating cost savings, reduced subsidy due to increased revenue, etc.) back into services, target improvements where they are most needed, and guarantee minimum service standards across the whole geography. It also enables easier implementation of consistent branding, vehicle quality, accessibility standards, and passenger information, giving users a simpler and more reliable offer.

All network franchising makes it easier to deliver truly integrated public transport networks, aligning bus services with rail, tram, and active travel networks, and to implement multimodal ticketing that works seamlessly across modes and operators.

By having visibility of and control over the entire network, LTAs can also respond more quickly to changing travel patterns, ensuring that services remain efficient, equitable, and financially sustainable.

Depending on the size of the LTA, an all network franchise model will likely be a phased rolling programme with an agreed date to have transitioned the whole network to a franchise. This will ensure that the transition is managed effectively and with limited disruption compared to implementing a whole system change at once.

Key considerations:

- The LTA could take on fare revenue risk (under a gross cost contract or shared risk cost contract), meaning income and the net cost of operating the bus network could be affected if passenger numbers fall. This can be mitigated through careful network design and demand forecasting, performance management, appropriate fare propositions, and reinvestment of net cost savings to cross-subsidise network improvements.
- If operating costs increase, for example due to fuel costs being higher than forecasted, the LTA would have increased financial risk. This can be mitigated by ensuring that contracts have appropriate annual inflation adjustments and other indexation in place.
- Long-term contracts can provide stability for operators and passengers, but they also risk locking in service patterns that may not fully reflect future travel demand or policy priorities. This can be mitigated by designing flexible contract change mechanisms that allow services to adapt over time (e.g. to respond to a new development).
- While franchising encourages competition at the bidding stage, there is a risk of reduced innovation across the network compared to a fully commercial market if contracts are not structured effectively. LTAs can address this by incorporating outcome-based incentives and performance measures in contracts that encourage operators to innovate and continuously improve.
- Transitioning to all network franchised operations is a major undertaking that, if not carefully managed, could lead to short-term service disruption. With robust mobilisation planning, early and ongoing engagement with operators and staff, and clear communication with passengers, LTAs can minimise risks and ensure a smooth transition that builds public confidence in the new system.
- Franchising the whole network is an opportunity to positively develop the bus network to meet customer needs. It may also allow for faster transition to a zero-emission bus (ZEB) network. Development should be data-led and in consultation with key stakeholders, and expectations should be set and communicated about the pace in which significant changes can be made within financial constraints.

- LTAs that have adopted this model in England have often been supported with the increased responsibilities by transferring expertise from external sources such as operators and consultancies. Going forward, this can be embedded more sustainably through proactive workforce planning and skills development within LTAs. The scale of resource required is in a lot of ways proportionate to the scale of the bus network and the scale of the accountability change which can be phased or matured based on risk tolerance, capability and budget. An organisational operating model design phase should be undertaken before confirming any change in responsibilities to ensure that the LTA has the capability and capacity in resourcing, data, process, and technology to successfully deliver the franchised network. A failure to do so could limit the outcomes achieved by bus franchising if the risk and control is not appropriately allocated or the LTA is not prepared for the scale of the change.
- Franchising of the whole network may require significant upfront capital investment in depots and potentially fleet, if the LTA opts to provide these assets, as well as a budget for one-off transition costs.

Equalities considerations:

- **Opportunities to enable a more equitable distribution of access:** Full control allows LTAs to actively rebalance service provision between high-demand and low-demand areas, but this requires political will and robust data on unmet needs. Overlaying with data on vulnerability could also unlock opportunities for addressing Transport-Related Social Exclusion (TRSE). For reference, Transport for the North published a report on the impact of transport issues on life chances and social participation in the North.
- **Risk of overlooking local needs:** Without strong community engagement, a fully centralised model may overlook hyper-local needs, especially for marginalised groups.
- **Opportunities for meaningful participation:** Embedding citizen panels or lived experience advisory groups into network design could strengthen procedural inclusion and legitimacy of service improvements.



Partial Franchise Model

For example services within a specific area

This model is being investigated through the DfT franchising pilot programme.

What is it?

Services within a specific area of the LTA's geography would be franchised to ensure service provision responds to both current and future demand. The initial franchised area might include, for example, urban centres with high demand but poor service quality, or rural areas where services are sparse and commercially unattractive but socially necessary.

Over time, as the LTA gains experience and demonstrates the benefits of the approach, the franchising scheme could be extended to cover a wider geography, with new phases introduced as funding, resources, and political priorities allow.

A service permit regime would allow commercial services outside the initial franchised areas to operate within the area, with conditions applied to ensure they complement rather than undermine the franchised network. This flexibility allows the LTA to balance local priorities, manage risk, and ensure a smooth transition to full franchising if that is the long-term objective. This model would sit alongside an EP in non-franchised areas.

Who may this be useful for?

This model could be a practical option for an LTA that wishes to focus first on the areas of greatest need, before expanding coverage more widely across its geography. Under this model, franchising would initially be applied to specific towns, corridors, or localities where the current network is underperforming, where market failure is evident, where there is the most significant LTA subsidy, or where there is the greatest potential to deliver improved outcomes aligned with local strategic objectives. This targeted deployment allows the LTA to concentrate resources, demonstrate early success, and build franchising capability incrementally without taking on the full scale of the bus network from the outset. It also allows the case for change to be tested and proven with documented lessons learned before embarking on further investment in franchising. The size of the franchise would influence the scale of additional resource required by the LTA. If only a small number of routes are franchised, it is likely to require a manageable increase in skills and resources compared with existing levels.

This model could also be useful where the LTA would be expected to subsidise services for a defined area (such as a market town) to be accessible by bus. The benefit of franchising an area, rather than subsidising a number of services in the equivalent area, is greater certainty for sustained and coordinated service provision and potentially better value for money for the LTA.

Benefits:

Partial franchising in this way offers an LTA the opportunity to address identified issues within a specific area, especially if it does not have the capacity, funding, or need to franchise the whole of its bus network, or it would be required to subsidise several services in the area.

It could also be the first phase of a longer-term plan to franchise more of, or the whole of, the network, but in the shorter term allows the LTA to identify the area(s) which would benefit from early franchising. This model can allow an LTA to gain valuable experience of implementing and managing bus franchises before expanding across its network.

Key considerations:

- This model allows an LTA to address specific current or future issues in a targeted area; however, it can affect the commercial viability of surrounding services, particularly lower-performing or marginal routes, and potentially cross-boundary services. LTAs should consider mitigation measures such as service permits, contractual safeguards, or allowing flexibility for operators to run non-competing routes, alongside coordinated planning with remaining commercial operators.
- Partial franchising has implications for wider strategic coordination. Integration with ticketing schemes, cross-boundary services, and existing EP arrangements needs explicit planning to ensure consistency with network-level objectives. Contractual obligations and monitoring should ensure that services align with long-term strategic goals.
- Commencing with partial franchising as a transition to a fully franchised network can, if managed carefully, reduce the risk of service disruption for passengers compared with an all network transition. This model could be a much more incremental transition than all network franchising delivered in phases.
- If contracted through a gross cost contract, the LTA would retain fare revenue and reinvest any savings. This would help to ensure that the benefits from future development within an area can be put back into service improvements. It is a practical intermediate step that gives LTAs financial leverage to shape outcomes and capture growth benefits, without requiring full network control from the outset.
- Depending on the contract type, the LTA may take on some fare revenue risk, meaning income could be affected if passenger numbers fall. This can be mitigated through careful network design and demand forecasting, marketing campaigns to grow patronage, and reinvestment of savings to cross-subsidise network improvements (under a gross cost contract or shared risk cost contract).
- The franchising of a specific part of the network offers the LTA the opportunity to develop and mature its skills and capabilities in delivering franchised services with reduced risk.

- While franchising can introduce competition, it may reduce innovation compared with a fully commercial environment, if contract incentives are weak. LTAs can address this by incorporating outcome-based incentives and performance measures in contracts that encourage operators to innovate and continuously improve.
- Depending on the size of the incumbent operator currently operating within the selected area, a partial franchise could result in that company withdrawing from the rest of its market, impacting on some of the non-franchised services. An LTA would need to be aware and consider the stakeholder and reputational impact of such a decision.
- Franchising services that will serve new developments may be beneficial as LTAs are likely better placed to develop these services in conjunction with new developers as they are part of the planning process.
- If not carefully managed, a partial franchise model can lead to a fragmented and confused user experience, mainly around ticketing, branding, and customer services. This can be challenging for existing and potential bus passengers, and especially for some disabled passengers.
- This model requires the LTA to manage both an EP and a franchise concurrently, including requiring the LTA to become the Permitting Authority for EP or cross-border routes running into the franchised area. This is an additional legal and operational requirement to deliver with resource and time implications. It does, however, also present an opportunity for the LTA to use the service permit regime to create a more holistic network through service permit conditions related to, for example, branding, ticketing, etc.
- Fleet and depot ownership can present challenges in a partial franchise model. Retaining ownership within the private sector can reduce upfront costs to the LTA and simplify mobilisation. However, this may limit competition in future franchise rounds by giving incumbents an advantage. LTAs should consider hybrid models or lease / access conditions to ensure fair market entry and maintain long-term flexibility. More information on this is provided on pages 33-37.

Equalities considerations:

- **Opportunities to test inclusive design:** This model allows LTAs to pilot inclusive service features (e.g. accessible vehicle specifications, real-time audio information) before scaling.
- **Risk of uneven service quality:** If not carefully managed, disparities may emerge between franchised and non-franchised areas.
- **Opportunities for place-based innovation:** Partial franchising can be used to co-design services with local communities, especially in areas with distinct social or mobility needs.
- **Perceptions of inequalities across network:** Residents in non-franchised areas may perceive unequal treatment, so clear communication and transparency are essential.





Partial Franchise Model

For example current tendered services

This model is being investigated through the DfT franchising pilot programme.

What is it?

Only services which the LTA would otherwise expect to tender are franchised. The aim of this is to prevent any future profitable services (because of LTA investment) from being ‘cherry picked’ by operators who then operate them on a commercial basis in a way that may not contribute to local strategic objectives. Any commercially viable services within the defined area would be brought under the franchise, potentially improving the affordability and value for money of the LTA-supported network. A service permit regime would be established for commercial services that the LTA believes will not have an adverse effect on the local services in its franchised network. These would continue to be operated under an EP (for services not included in the franchise scheme).

Who may this be useful for?

This model is most likely applicable where an LTA already has an established network of tendered services. Bringing these together into a more coherent franchise contract(s) may provide a more efficient way to manage those services while complementing remaining commercial operations. The LTA could also then start to benefit from savings associated with those services.

Franchising existing tendered services may be useful where the LTA envisages significant development across part of its network and wants to ensure that the level of service provided meets their overall vision. This could help ensure that new developments have an attractive and appropriate level of bus service as residential or commercial development progresses – as well as stopping commercial operators ‘cherry picking’ emerging profitable services.

This model could also be beneficial when there is an expectation that the residual commercial network within a specific area will continue to decline. Early intervention in that part of the network could help ensure a stable bus network going forward, which meets local expectations in terms of bus service provision.

As this model is an evolution of the current bus network provision through the supported services model, it is likely to be within the capabilities of the existing public transport team within the LTA, although some expansion of resources may still be required.

Benefits:

This model offers benefits to an LTA if full network bus franchising is seen as a long-term aspiration, but it is considered too risky or challenging in the short-term to franchise the whole of bus network. Franchising of the existing tendered services could be the first stage in a longer-term transition to full franchising. This would allow the LTA to develop their existing in-house skills in a more gradual, sustainable way.

This model is also more financially achievable in the short-term as cost of operation should be fairly similar to the existing tendered network. In saying this, fewer contracts covering the tendered network may allow more focused contract management and potentially less administration for the LTA.

Contracts can be evolved to respond to changes in the commercial network, as opposed to the current tendered services model which tends to step in on a contract-by-contract basis. This will likely lead to a more coordinated approach to tendered services through this model.

Key considerations:

- Where services are only partially tendered, such as evenings and weekends, there is a risk that the benefits of competition are limited. This can be addressed by bundling these services with daytime contracts or designing packages that encourage bids across the whole week.
- Franchising part of the network, especially around new developments, may affect the viability of remaining commercial services. LTAs should anticipate potential displacement and plan for future tendering or franchising of affected routes. While service permits can help manage integration, LTAs should also assess whether a phased approach or complementary EP in adjacent areas could better preserve network stability and commercial viability.
- Routes outside the franchise area may no longer be commercially viable for operators during the contract period, but LTAs can mitigate this risk by establishing contingency funds or reserving capacity within franchise contracts to cover any displaced services.
- Fleet and depot ownership can present challenges in a partial franchise model. Retaining ownership within the private sector can reduce upfront costs and simplify mobilisation. However, this may limit competition in future franchise rounds by giving incumbents an advantage. LTAs should consider hybrid models or lease / access conditions to ensure fair market entry and maintain long-term flexibility.

- Depending on the contract type, the LTA may take on some fare revenue risk, meaning income could be affected if passenger numbers fall. However, this can be mitigated through careful network design and demand forecasting, marketing campaigns to grow patronage, and reinvestment of savings to cross-subsidise network improvements (under a gross cost contract or shared risk cost contract).
- This model requires the LTA to manage both an EP and a franchise concurrently and requires the LTA to become the Permitting Authority for EP and cross-boundary routes running into the franchised area. This is an additional legal and operational requirement to deliver with resource and time implications. It does, however, also present an opportunity for the LTA to use the service permit regime to create a more holistic network through service permit conditions related to, for example, branding, ticketing, etc.
- If there is one dominant operator there is potentially a higher risk of them pulling out of the area. LTAs can help to mitigate this by designing the franchise lots to be large enough to attract new operators into the area. These may then be willing to backfill any future gaps left by the current dominant operator.

Equalities considerations:

- **Safeguarding public investment:** This model protects LTAs from losing control over services they've helped make viable, but it requires strong legal and contractual frameworks.
- **Opportunity to embed social value through procurement:** As contracts expand, LTAs can include requirements for community engagement and apprenticeships, among others.
- **Risk of reactive planning:** If expansion is driven by commercial viability rather than social need, vulnerable areas may be left behind.
- **Strategic alignment with areas of growth:** LTAs can use this model to unlock growth and ensure new developments are served by inclusive, future-proofed transport from the outset.



Partial Franchise Model

For example network incorporating Demand Responsive Transport (DRT)

This model is being investigated through the DfT franchising pilot programme.

What is it?

Services within an area where DRT is an integral part are franchised. This will allow the LTA to subsidise the DRT service using revenue from profitable fixed-route services in the franchised area. A service permit regime would allow any services which traverse the franchise zone to continue to run, where they align with the DRT and fixed-route network and the LTA objectives for connectivity.

Who may this be useful for?

DRT could be particularly impactful in areas where traditional fixed-route services are not viable or do not meet passenger needs. Franchising an area that includes a DRT scheme is well-suited to LTAs that have identified a cross-subsidy opportunity between a DRT scheme and profitable fixed-route services in a particular geographic area, or LTAs wanting to trial franchising in their area with the long-term aim of franchising more of the network.

Benefits:

This model allows the LTA to incorporate profitable fixed-route services in the franchised area to support the financial viability of a DRT scheme that feeds the fixed-route network from harder-to-serve areas. It also presents opportunities to make adjustments to the fixed-route services to better align with LTA objectives and improve the feeder nature of the DRT scheme or for the DRT and fixed-route services to better complement each other.

DRT has a number of benefits, some of which are listed below. Improving the affordability of a DRT scheme through cross-subsidy, to provide sustainable public transport provision to harder-to-serve areas, is the critical benefit of this model, alongside allowing for a more complementary and cohesive network consisting of fixed-route and DRT services. DRT:

- Improves transport provision in rural, peri-urban, or low-demand areas.
- Delivers services offering a wider choice of destination and travel time compared to limited fixed-route provision.
- Provides opportunities to connect with the wider fixed-route network, railway services, and other transport hubs to provide onward connectivity, support access to employment, education, health and leisure services.
- Provides access to locations with spikes in demand at certain times such as business parks, commercial estates, or employment hubs.
- Provides public transport access for the early stages of new housing developments which cannot yet support a fixed-route service.

More detail on DRT can be found in the [DfT DRT Best Practice Guidance](#).

Key considerations:

- This model allows the LTA to use revenue from any franchised fixed-route profitable services to subsidise the DRT scheme. This would improve the affordability of the DRT scheme, ensuring more sustained public transport provision for areas where DRT is deemed as being the optimal service method.
- DRT schemes can include flexible bus, taxi, or private hire vehicle (PHV)-based services. Depending on the type of service that LTAs want to provide, the DRT scheme can be operated under several different regulatory frameworks. Each framework has varying regulatory implications, including those related to the type of vehicles to use, driver licensing, service areas, taxation, and insurance. A DRT scheme using vehicles operating on a PSV-O licence can be included in a franchise, but those operating on a Section 22 community transport permit cannot formally be included. However, Section 22 operated services can run in the franchised area without a service permit and Section 22 services are by their nature supported services.
- LTAs will need to consider how contracts can adapt to changing demand and service formats.
- LTAs will need to decide on the method and model for procurement – whether to contract to a single provider who then subcontracts elements, or whether to directly contract separately with software providers, operators, call centre providers, etc.

- LTAs with neighbouring authorities also with DRT operations could explore opportunities to join the neighbouring LTA's existing software contract, and possibly customer call centre contract, to reduce costs for both LTAs (e.g. overheads, technological investment, etc.).
- Depending on the contract type, the LTA may take on some fare revenue risk, meaning income could be affected if passenger numbers are very low. However, careful network design and demand forecasting, the ability to flex and adapt stops based on demand and feedback, marketing campaigns to grow patronage, and reinvestment of savings to cross-subsidise network improvements will all help improve passenger numbers (under a gross cost contract or shared risk cost contract). Adjustments to the software algorithm parameters can help improve aggregation.
- This model requires the LTA to manage both an EP and a franchise concurrently and requires the LTA to become the Permitting Authority for EP and cross-boundary routes running into the franchised area. This is an additional legal and operational requirement to deliver with resource and time implications. It does, however, also present an opportunity for the LTA to use the service permit regime to create a more holistic network through service permit conditions related to, for example, branding, ticketing, etc.

Further, implementing a DRT-based franchising scheme introduces unique challenges, particularly around use of technology and diverse stakeholder engagement. More details on this can be found in the [DfT DRT Best Practice Guidance](#).

Equalities considerations:

- **Digital exclusion risk:** DRT schemes tend to offer a mix of ways to book, including apps, online booking, and a call centre. Relying solely on an app and website could exclude older adults, or people with cognitive impairments. Services provided by public sector bodies must be accessible by law. The LTA may consider working with disability groups to improve platform accessibility and run inclusive outreach campaigns to promote use among these groups.
- **Responsible data use:** DRT generates rich travel data that can inform service improvements and investment. LTAs should ensure data is anonymised, used transparently and securely in accordance with the law, and governed by clear policies that protect user privacy while enabling public benefit.
- **Flexible employment models:** DRT may enable more flexible driver roles, but LTAs should monitor for gig-economy risks and ensure fair working conditions.
- **Wheelchair accessibility:** When using a mixed fleet, the LTA will need to ensure there are sufficient wheelchair accessible vehicles to enable a wheelchair user to book and travel as needed.
- **Concession tickets:** DRT is not part of the English National Concessionary Travel Scheme (ENCTS) so the LTA needs to ensure concessions are provided in some way.



Partial Franchise Model

For example specific services or corridors (micro-franchise)

This model is being investigated through the DfT franchising pilot programme.

What is it?

Specific services would be franchised to maximise localised opportunities related to investment in bus priority measures or BRT. An EP would remain in place across all non-franchised areas. Service permits may be granted for any routes not included in the franchise scheme but operate within the defined area.

Who may this be useful for?

This type of franchise could be useful where the LTA has invested in bus priority and other bus infrastructure in that part of the network, e.g. BRT or routes on a busway scheme and wants to ensure that the level of service provided meets their overall expectations. This model could help ensure that the benefits of the capital investment are fully realised by the LTA, bus users and the local community. This model is more suited to gross cost contracts to ensure that the LTA accrues the benefits of revenue growth.

This model is a consideration for LTAs with limited experience and resources who have identified a specific issue or opportunity with part of the network but are willing, at least in the short term, to leave the rest of the network to be provided under the current system.

The size of the micro-franchise would influence the scale of the change in roles and responsibilities and the additional resource required. Most LTAs would be likely to be able to manage the scale of resource required with only a small uplift in in-house capacity and capability.

Benefits:

Micro-franchising offers real benefits to an LTA, especially when developing a business case to deliver bus priority and other bus infrastructure improvements, as it ensures the benefits, especially in terms of operating cost savings, are being accrued by the LTA. It also allows for consistent quality of service delivery and ensures service improvements are driven by local priorities rather than purely commercial demand. It also makes implementation of multimodal ticketing easier to integrate with other local public transport modes.

Key considerations:

- This model offers the opportunity for LTA investment in bus priority and supporting infrastructure to be captured by the LTA and reinvested into the bus network or onto a particular bus corridor.
- Stand-alone micro-franchises can potentially have unintended consequences on the viability of the surrounding commercial services. This could be mitigated by franchising local parallel routes as part of the scheme.

- Depending on the contract type, the LTA may take on some fare revenue risk, meaning income could be affected if passenger numbers fall. However, this can be mitigated through careful network design and demand forecasting, marketing campaigns to grow patronage, and the ability to reinvest savings to cross-subsidise network improvements.
- Micro-franchising BRT services allows LTAs to safeguard the benefits of capital investment in infrastructure. However, it may also bring a potentially higher risk of operators removing themselves completely from an area as the BRT routes can negatively impact on the commercial viability of the operator's residual network in the area. This is most likely to be an issue in areas where the profitability of the commercial network is marginal.
- Requires the LTA to manage both an EP and a franchise concurrently and requires the LTA to become the Permitting Authority for EP and cross-boundary routes running into the franchised area. This is an additional legal and operational requirement to deliver with resource and time implications. It does however, also present an opportunity for the LTA to use the service permit regime to create a more holistic network through service permit conditions related to, for example, branding, ticketing, etc.
- If there is one dominant operator there is potentially a higher risk of them pulling out of the area. LTAs can help to mitigate this by designing the franchise lots to be large enough to attract new operators into the area. These may then be willing to backfill any future gaps left by the current dominant operator.

Equalities considerations:

- **Opportunity for local ownership:** Smaller contracts could be designed to support community transport providers or (SMOs), enhancing local economic value.
- **Monitoring equality impacts and return on investment:** Because of their limited scope, micro-franchises offer a controlled environment for evaluating the social return on transport investment, e.g. changes in access, patronage, or user satisfaction.
- **Risk of fragmentation:** Micro-franchises may create a patchwork of inconsistent service and user experiences, mainly around ticketing and branding, but this can be mitigated through strong integration mechanisms.



Franchise Contract Types

Regardless of the franchise model, a contract will be required with an operator to deliver the services. The LTA specifies the services to be delivered under a franchise agreement and pays an operator to deliver these within an agreed set of operating conditions.

The contract would define aspects such as:

- Bus routes with specified frequencies.
- Performance metrics and any performance regime based on operational performance and / or service quality measures, such as customer complaints.
- Quality and customer care requirements.
- Financial arrangements and risk allocation, including inflation provision.
- Approach to depots, fleet and technology.
- Fares structure and forecast revenue (for net cost contracts).
- Social and environmental requirements.

The duration of bus operating contracts is typically five to seven years, although they could be up to 15 years to reflect the economic lifetime of most new buses.

Typical types of contracting bus services are as follows:

- **Net cost contract:** The operator submits a tender price based on the operator retaining all the fare revenues. For unprofitable routes, the LTA pays a top-up fee to the operator, and conversely for profitable routes, the operator would pay a fee to the LTA. In both cases the fee between the LTA and the operator is based on the tender bid submitted by the operator and will incorporate the degree of risk the operator is willing to take on future revenue.
- **Gross cost contract:** The LTA keeps all fare revenues and pays the operator a service fee for delivered services (mostly per vehicle kilometre). The operational cost risk is taken by the operator, and the revenue risk is borne by the LTA, which is typically responsible for devising the bus network, fares and revenue. Operators can also be incentivised with performance / quality of service payments.
- **Shared risk contract:** A variation of a net cost contract where the operator and LTA share the revenue risk. Examples of how shared risk contracts can be structured are:
 - If revenue falls below a certain amount, then the LTA compensates the operator, and if revenue exceeds a certain amount, then the operator shares the excess revenue with the LTA. This provides operators with a degree of stability while allowing the LTA to benefit from strong performance.
 - The operator receives a base payment for operating the service plus a negotiated percentage of the fare revenue and the LTA receives the remaining revenue. This creates a mutual incentive for both parties to encourage higher patronage and revenue protection.

Under all three types of contracts, it is possible to incentivise the operator to develop service improvements and thereby obtain additional payments through greater ticket revenue (for net cost contracts and shared risk contracts) or through performance-related bonus payments (for gross cost contracts).

The organisational requirements, both resource capacity and capability, and also in technology and processes, to support the different contract types may vary, especially in the area of revenue management. Regardless of the contract type, capability and capacity to manage the contract, performance, revenue management, customer services, etc. will be required. For net cost contracts, despite not retaining the revenue, the LTA still needs to forecast revenue at the point of tendering and whenever service changes are made.

Table 1 summarises some key considerations related to contract types. Choosing the right contract type should be based on a combination of strategic fit with policy goals, affordability and financial risk appetite, market and operator landscape, overall appetite for risk, and governance capacity.



Table 1: Key considerations related to contract types

Contract type	Consideration						
	Revenue risk	Operator incentive	LTA role	Cost control	Network specification	Fleet and depot provision	Contract management
Net cost contract	Borne entirely by the operator.	Fully incentivised to maximise patronage and revenue.	<p>Forecasts revenue at point of tendering and when major service changes on incumbent or parallel routes are made.</p> <p>Sets parameters for service changes / fares changes.</p>	<p>Operator focuses on controlling costs and increasing revenue. Any savings benefit the operators, not the LTA, so are unable to be reinvested in the network.</p>	LTA defines the network / services to be operated with the operator having some control over service changes given the revenue risk they are taking.	LTA provided, operator provided, or a mix of LTA and operator provided, is possible under all contract types.	<p>Operator payments relate to the difference between cost and revenue when operators bid.</p> <p>Performance related payments are considered separately.</p> <p>There may be increased potential for contractor claims associated with the impact of external circumstances such as roadworks. To mitigate this, a clear and agreed contract variation process should be in place.</p>

Table 1: Key considerations related to contract types (continued)

Contract type	Consideration						
	Revenue risk	Operator incentive	LTA role	Cost control	Network specification	Fleet and depot provision	Contract management
Gross cost contract	Borne entirely by the LTA.	Primarily incentivised to deliver a reliable bus service to avoid penalty payments and to control operational costs, as their payment is fixed.	Manages all fare revenues, sets all fares, and pays the operator for service. Accountable for revenue protection with appropriate front-line support from operators.	Operator focuses on controlling costs due to fixed payment. LTA is accountable for managing the net costs of operating the network and any savings could be reinvested into the network.	LTA defines the network / services to be operated. Operator can suggest service changes, but it is the decision of the LTA whether to make service changes.	LTA provided, operator provided, or a mix of LTA and operator provided, is possible under all contract types.	Operator is paid according to delivery of services – with bonus / penalty applied according to performance indices. Contract can provide operators with financial incentives to develop network proposals. Any revenue variation is for the LTA to manage, leading to a less complicated contract with the operator.
Shared risk contract	Shared between the LTA and the operator.	Incentivised to improve service to increase patronage and share of revenue. Incentivised to proactively manage revenue protection.	Manages a portion of the revenue and oversees service quality.	Both parties have incentives to control costs. LTA can reinvest any savings into the network.	LTA defines the network / services to be operated with the operator having some control over service changes given shared revenue risk they are taking.	LTA provided, operator provided, or a mix of LTA and operator provided, is possible under all contract types.	Operator payments depend on the structure of the contract – i.e. formula based, or based on an established financial ceiling and floor. Can be more complex to structure and manage.



Asset Provision Options

In moving to bus franchising, LTAs must consider their approach to asset provision, particularly in relation to fleet, depots and on-bus technology. Table 2 sets out key considerations related to this.

Direct award to incumbent operators may help to reduce transitional risks when implementing a franchise model as incumbent operators already have the necessary vehicles, infrastructure, and staff. This may help with service continuity and likely result in a smoother transition. More detail on the use of direct award contracts is provided in the [Bus Services Act 2025](#) and on pages 94-95 of this Manual.

Table 2: Key considerations related to fleet and depot provision

Asset provision option	Consideration		
	Competition	Cost	Operations
Operator provides fleet	Reduces potential size of the market (compared to LTA provided fleet) as it requires operators to have sufficient fleet to service the network.	No upfront investment in fleet required by the LTA (significant cost saving). Fleet ownership costs will need to be covered by the LTA through the franchise payment.	LTA can still specify fleet standards through the franchise contract.
Operator provides depots	Likely to limit market due to the need for initial capital investment and is highly likely to advantage incumbent operators as any new entrant will find it more challenging to develop a competitive bid and / or secure an appropriate depot. To mitigate impacts on SMOs, smaller franchise contracts could be aimed at SMOs where they would use their own depots, or larger franchise contracts could allow or require larger operators to subcontract SMOs and allow use of their depots.	No upfront investment in depots required by the LTA or ongoing maintenance capital (significant cost saving). Depot ownership costs will need to be covered by the LTA through the franchise payment.	LTA does not have landlord responsibilities, but it could potentially impact any future expansion opportunities, and / or decarbonisation investment plans.

Table 2: Key considerations related to fleet and depot provision (continued)

Asset provision option	Consideration		
	Competition	Cost	Operations
LTA provides fleet	<p>LTA fleet provision encourages highest levels of competition due to removing a key barrier to entry.</p>	<p>Significant upfront investment in fleet required by the LTA. This could be through outright purchase, or leasing.</p> <p>Leasing involves lower upfront costs and greater flexibility which may make transition to a franchise quicker. The risk with leasing is the LTA needs to be satisfied that the investment in the vehicles is justified in relation to the length of the lease.</p> <p>LTAs will often find it preferable to capitalise fleet costs to support overall affordability in the early life of franchising.</p> <p>LTAs may also use a residual value mechanism, where the LTA requires the new operator to purchase used vehicles from the incumbent operator at pre-agreed residual values. In this option the LTA does not have any upfront costs but agrees to buy back the fleet at the end of the term or agrees a value that the next operator will need to pay for the fleet, should it be at the age specification to operate. The LTA may also choose to sell the fleet.</p> <p>The other option is shared, where the LTA purchases a significant amount of the fleet via lease, purchase or residual value but leaves a proportion of the fleet to be secured by the operator.</p> <p>LTAs need to consider their fleet specification including maximum age and their fleet mix in terms of used and new vehicles.</p> <p>The ongoing franchise payment will be lower, however costs within the LTA for the operational costs of owning the fleet and managing the lease will be higher.</p>	<p>Can result in greater operational control, flexibility in contract management, and the ability to ensure consistent standards across the network.</p> <p>A lease to the new operator will be required to be put in place and managed. LTAs will likely give responsibility to operators for maintenance but a regime of auditing and key performance measures will be included in the lease to ensure fleet value is retained through maintenance and servicing. A transfer process for fleet will also need to be put in place if a contract changes to another operator in the future.</p> <p>The above will require LTAs to develop the skills and capability within the LTA for vehicle procurement, engineering, asset management and lease management.</p>

Table 2: Key considerations related to fleet and depot provision (continued)

Asset provision option	Consideration		
	Competition	Cost	Operations
LTA provides depots	<p>LTA depot provision encourages the greatest amount of competition due to removing significant barrier to entry.</p> <p>To mitigate impacts on SMOs, the decision may be taken as part of the lotting strategy to provide depots for larger packages and leave ownership of depots to operators for smaller packages.</p>	<p>Significant upfront investment in depots required by the LTA. This could be through outright purchase, or leasing. Leasing involves lower upfront costs and greater flexibility which may make transition to a franchise quicker. The risk with leasing is the higher long-term cost, reduced control (e.g. limiting / slowing ability to install electric chargers), risks if depots change ownership, and no benefit from depot appreciation or investments.</p> <p>LTAs will often find it preferable to capitalise depot costs to support overall affordability in the early life of franchising.</p> <p>The ongoing franchise payment to operator(s) will be lower but there will be increased operational and landlord costs for owning the depots, which could be significant.</p> <p>Depot acquisition can be challenging and costly. Evidencing value for money with operator purchase price expectations is a challenge along with dilapidation and upgrade costs to the depot and fixture and fittings.</p>	<p>Can result in greater operational control, alongside flexibility in contract management. Yet can potentially also introduce complexities, e.g. around future decarbonisation plans, environmental requirements around fuel storage, etc.</p> <p>LTA will need to invest in a depot and fleet strategy aligned to longer term strategic objectives from franchising as development of depot capacity and / or decarbonisation can take a significant number of years. Investment should be supported by the longer-term strategy for growth, land development, and decarbonisation.</p> <p>Maintenance of the depot and management of the lease could require significant facilities and asset management capabilities and capacity within the LTA.</p>

Table 2: Key considerations related to fleet and depot provision (continued)

Asset provision option	Consideration		
	Competition	Cost	Operations
Operator provides supporting on-bus technology assets	N/A	No upfront investment in technology assets required by the LTA (major cost saving).	<p>LTA can set standards for assets such as ticket machines but would not have to take on the set up and maintenance requirements. May make network-wide ticketing more complicated to introduce if operators select different ticket machine suppliers.</p> <p>If operators procure the on-bus technology without a single system for each technology being defined, it could lead to inconsistency in quality offer and inconsistency of data, leading to performance, reporting, and reconciliation challenges.</p> <p>A mixed landscape of technology could lead to challenges with completing handover of vehicles at contract end.</p>
LTA provides supporting on-bus technology assets	N/A	Upfront investment in technology assets required by the LTA.	LTA would have to take on the set-up responsibilities and maintenance requirements (which may be via the operator).

Technology

There are many different options for on-bus technology assets, and the LTA should consider the use-case for ownership during their design phase alongside cost and operational capability. For example, automatic vehicle announcements is now a legal requirement as part of the [Public Service Vehicles \(Accessible Information\) Regulations 2023](#). The hardware would be maintained by the operator, but the software and data feeds would be maintained by the LTA to ensure one version of the truth for passengers. For CCTV however, the LTA would set a minimum standard, procure for new buses and hand over all other responsibility, including data, to operators.

Depot ownership and neighbouring authorities




If a key depot used by routes which are part of an LTA's franchising scheme are either located in neighbouring LTA areas or currently also run services into the neighbouring LTA area (and are not part of the proposed franchising scheme), then careful planning of the depot strategy will be required. In the first instance the intentions of the neighbouring LTA should be clearly understood as coordinated franchising might be a way forward. Forcing non-franchised services out of the depot might result in reputational risks for the LTA, especially if it leads to the withdrawal of services or increased costs for the neighbouring LTA.

Transition to ZEBs

The [Bus Services Act 2025](#) includes a measure to accelerate the decarbonisation of bus services, by placing a requirement on bus operators not to use new non-zero emission buses on local bus routes in England. The date from which new non-zero emission buses cannot be used on English bus services will be specified by the Secretary of State in secondary legislation. It will not be any earlier than 2030. This will provide time and confidence for manufacturers to shift production and to operators and LTAs to plan the fleet transition. However, prior to this date, the Government expects LTAs to have a clear fleet decarbonisation strategy in place and not to purchase new non-zero emission buses unless there is a compelling operational case for them to do so.

Case Study Examples

Greater Manchester:

Franchise model	Contract type	Asset provision
 <p>All network franchise model</p>	 <p>Gross cost contract</p>	 <p>LTA & operator provided fleet and depots</p>

Overview

Strategic driver: Bus use in Greater Manchester had declined by 45% between 1986 and 2018, the network was shrinking, there was a large and fragmented operator market, and fares were increasingly expensive. Over 150 ticket types existed and there were limited transfer options. Greater Manchester Combined Authority wanted control over bus routes, fares, and standards, and wanted to integrate buses with the wider transport system. To ensure this, Transport for Greater Manchester (TfGM) has franchised all ~580 bus routes across the Greater Manchester bus network.

Franchising was introduced in three phases between September 2023 and January 2025. As part of the Bee Network, operators are responsible for service delivery, cost risk (shared), performance risk, employment of staff, and maintenance of fleet. TfGM are responsible for bus stops, interchanges, information, fares / ticketing, local concessions, service frequency, revenue / risk, cost risk (shared), performance monitoring, branding and marketing, network design, customer relations, specification and deployment of fleet, large depot ownership and on-bus technology.




TfGM have introduced a mixture of large and small gross cost contracts to enable small operators to continue to participate. For large contracts, TfGM supplies the depots and vehicles where these are required; for smaller contracts, operators supply both depots and vehicles. The transition to franchising included a significant investment into improving the bus fleet. This included an uplift from 2% ZEBs to circa 20% ZEBs provided by TfGM and leased to operators, and new Euro VI buses provided by operators with an overall position of 60% new fleet and five depots partially electrified. TfGM have purchased eight depots and leased a further two as part of the large franchise contracts which operators now use to operate Bee Network services.

Many parts of Greater Manchester are served by buses that originate from outside of Greater Manchester. Operators of these services are required to apply to TfGM for a service permit to run bus services into Greater Manchester. Permits require operators to meet TfGM’s operational standards (e.g. environmental, accessibility, safety, etc.), provide appropriate levels of passenger information that can integrate with Bee Network systems (e.g. real time information), and accept and sell Bee Network tickets within the Greater Manchester boundary. Services seeking a permit must also be judged to benefit bus passengers within Greater Manchester and not have an adverse effect on franchised services.

Outcomes

- To date, the costs for franchise contracts have been competitive, particularly when compared to the costs of tendering individual services.
- Reliability has improved: services in the first franchised area are now routinely exceeding Greater Manchester’s 80% punctuality target, compared to 66% pre-franchising. Changes have been made to over 75 routes to provide earlier, later, more frequent and better-connected services.
- Greater Manchester’s communities are better connected: as of June 2025, 84% of residents were within a five-minute walk of a half-hourly daytime weekday service, compared to 78% in November 2022.
- The first and second franchised areas have seen a 12% and 14% increase in year-on-year patronage, respectively.
- Decarbonisation of the fleet has resulted in approximately 20% being cleaner, quieter ZEBs, supporting the region’s Clean Air Plan.

Jersey:

Franchise model	Contract type	Asset provision
 All network franchise model	 Shared risk contract	 Operator provided fleet and depots

Overview

Strategic driver: The Government of Jersey (GoJ) has been in control of the Jersey bus network since 2002. It has been refined since then to the model currently present in Jersey. The major change it has implemented in this time is a transition from a gross cost contract to a shared risk contract. GoJ found that this would incentivise operators to deploy entrepreneurial skills to increase revenue, reduce costs, and improve and increase bus service provision and patronage to meet the targets in its Sustainable Transport Policy document (issued in 2010). Jersey’s franchised bus system is today delivered by the successful bidding operator, LibertyBus, in partnership with GoJ.

The GoJ and the operator work together on an action plan to grow patronage. The GoJ has control over specification of a minimum network, but the operator has some flexibility to adjust services to maximise efficiency, within the framework set by the GoJ. New routes or frequency changes can be proposed by the operator but require GoJ approval. This reduces the capacity and capability requirements on the GoJ bus planning team, as they are also drawing upon the operator’s network planning skills. The GoJ sets the timetables and fares and ensures that public transport objectives are met.

The shared risk contract means financial risk is shared between GoJ and the operator. LibertyBus keeps fare revenue, but a profit share arrangement is in place which encourages the LTA to implement bus improvement interventions. LibertyBus deploy their local knowledge and commercial creativity to boost passenger numbers, and the contract incentivises them to increase revenue and/or reduce operating costs. The shared risk contract ultimately reduces the financial risk for the GoJ compared to a gross cost contract. The contract provides for negotiations around the extent to which GoJ subsidises LibertyBus if the fare revenue falls below the cost of operation, but LibertyBus shares any incremental revenue with GoJ above a certain level. GoJ has access to patronage and cost data as smart ticketing, trackable vehicles, and open book accounting were all specified. The contract includes extension clauses linked to performance targets, such as punctuality and customer satisfaction.




In the first phase, a model network, based on the existing network, was tendered for, but operators were invited to bring forward proposals for profit share with the LTA and other shared incentives. In a second phase of the process, the final bidders were invited to propose variations on the model network which would deliver the LTA’s strategic objectives for bus.

GoJ spent a significant amount of time developing the right contracts and used a shadow bid process before going out to tender to check that they were content with the approach. Value for money and delivery of a range of service improvements factored highly in the recent winning submission from LibertyBus when the contract in Jersey was re-tendered. Across the life of the new 10-year contract (from April 2025), LibertyBus will completely renew the existing fleet in alignment with the GoJ’s carbon-neutral strategy.

Outcomes

- 47% increase in bus passengers across Jersey since LibertyBus took over the service in 2013.
- LibertyBus has introduced five new routes.
- Rising passenger satisfaction and reduction in car dependency during peak hours.

Theoretical Case Study 1:

Franchise model	Contract type	Asset provision
 Partial franchise model services within a specific area	 Net cost contract with operator incentives	 Operator provided fleet and depots

Overview

Strategic driver: An LTA is generally satisfied with the commercial bus network but has concerns with access to a key market town. There are currently minimal, infrequent commercial services to the market town, and bus mode share in the area is very low. The LTA is putting a significant amount of public subsidy into the current commercial services to obtain the desired service provision. The LTA therefore decided to set up a partial franchise, where services within the residential areas and commercial core of a specific market town are franchised. This would ensure service provision responds to demand and also would allow the LTA to generate some revenue that may provide further benefit, rather than simply outlaying as they currently are through subsidising specific services. The LTA has long-term strategic plans to franchise the whole network; however, the LTA does not want to delay realising the benefits of franchising this area while making plans for future wider franchising.

The contract was designed to create a long-term partnership between the operator and the LTA, incorporating performance incentives including revenue share above pre-agreed annual targets. This incentivises the operator to grow patronage.




To limit LTA investment required, the contracts require the operator to provide both the fleet and depots. In conducting the procurement process, consideration was given to how to facilitate SMO involvement, including:

- Having small franchises with a Peak Vehicle Requirement (PVR) that is proportionate to SMO size and experience.
- Reducing bid requirements in terms of page limits and financial tests.
- Briefing sessions designed primarily for SMOs to guide them through the procurement process.

Outcomes

- Better services are provided and therefore greater value for money for the LTA's investment than assumed to be provided by the current market (even if subsidised).
- Increased attractiveness of bus as a transport option for the town, contributing to broader LTA strategic objectives.

Theoretical Case Study 2:

Franchise model	Contract type	Asset provision
 Partial franchise model – current tendered services	 Net cost contract	 Operator provided fleet and depots

Overview

Strategic driver: An LTA has an increasing number of tendered services covering part of its network which has developed and evolved over time due to the decline in commercial services. The LTA plans to use their Bus Grant to fund a series of improvements, including bus priority measures and improved marketing, but are concerned that this may lead to some operators ‘cherry picking’ some routes and operating them on a commercial basis in a way that does not contribute to the LTA’s strategic objectives. For example, operators may only operate services at certain times of the day / days of the week, or may not provide sufficient capacity, thereby not aligning with the LTA’s objectives to provide a comprehensive service. The LTA therefore decided to franchise these existing tendered services to ensure they are delivered as a coordinated network to consistent standards, and to allow cross-subsidy from any future profitable tendered routes to the non-profitable ones. The LTA is expecting significant housing development within the area covered currently by its tendered services and therefore envisages working with the franchised operator to develop the bus network as the development is delivered. Potentially some of this development could lead to the establishment of future profitable services, the benefits of which would help offset the loss-making routes within the franchise.

The tendered services in the area of concern have been operated by the one operator for several years. The net cost contract allows for direct award to this incumbent operator which will significantly reduce the resources involved in the tendering process. The operator will also continue to provide the fleet and depots to run these services. When the contracts are re-let in the future, the LTA may consider the potential to move the contracts from a net cost to gross cost regime and set consistent fares and ticketing requirements across the franchised network.




The LTA will build up their franchising capacity gradually and then may consider expanding to cover all services over time.

A service permit regime was established to allow some commercial services that would not have an adverse effect on the franchised network to operate within the franchised area. The commercial services are run by a different operator to the franchised services so the LTA put a condition on the service permits for the operators to accept specified tickets.

Outcomes

- Two commercially viable services within the franchised area have been brought under the franchise, improving the affordability and value for money of the LTA supported network. This establishment of a single coordinated franchise enables consistent service standards and protection of socially necessary routes, which could have been more vulnerable under conventional tendering.
- More sustainable service provision for current and future residents.
- Public investment in bus priority measures, marketing, and service improvements is effectively captured within the franchised network, ensuring that the benefits of these investments are retained locally and contribute directly to service quality and patronage growth.

Theoretical Case Study 3:

Franchise model	Contract type	Asset provision
 Partial franchise model – network incorporating DRT	 Gross cost contract	 LTA & operator provided fleet and operator provided depots

Overview

Strategic driver: An LTA is generally satisfied with the commercial bus network within its area but has concerns about the level of service being provided to a cluster of rural and peri-urban villages in the south. In order to provide public transport services to these communities, the LTA implemented a DRT scheme. The DRT scheme is providing high social value but the level of LTA subsidy required is looking difficult to maintain with tightening LTA budgets. The DRT was designed to complement the wider network as a feeder into high frequency core fixed-route services. To optimise this, some modifications would ideally be made to the fixed-route services to create a more streamlined service for passengers. The LTA has therefore decided to implement a franchise scheme area equivalent to the DRT zone. This includes the DRT scheme and a number of currently tendered and commercial services. Doing this will allow the LTA to use revenue from the profitable fixed-route services to subsidise the DRT scheme and to adjust the fixed-route services slightly in line with their ambitions and ensure the DRT and fixed-route services complement each other. This will improve the affordability of the DRT scheme, ensuring more sustained public transport provision for their rural communities. Some other commercial services have been granted service permits to operate within the franchised area, such as cross-boundary services. There are currently very long-term strategic aspirations to franchise the whole bus network.

The scheme runs on a gross cost contract basis, funded through a combination of Section 106 contributions and LTA budget. There is currently no profit for the LTA from the DRT component of the franchise but there is modest profit generated by two of the core high-frequency profitable routes. This is being used to subsidise the DRT services through the franchised arrangement.

The operator is responsible for all operational management costs associated with the DRT with the exception of customer service and contract management costs which are funded by the LTA. The operator of the DRT services and the fixed-route services provide their own depots.




The LTA provides the DRT fleet and the operator provides the fleet for other routes within the franchise scheme area. The DRT fleet is currently mostly diesel vehicles, but the LTA is planning to use future Bus Grant funding to procure electric minibuses as part of a wider ambition to decarbonise the local bus fleet. In planning for this, the LTA is exploring potential opportunities for agreements with operators who have electrified depots and other local facilities close to the DRT zone to ensure charging requirements will be achievable.

The LTA was able to deliver the franchise using existing staff. The LTA also negotiated with the neighbouring authority that also has a DRT scheme to join their existing software contract. This has reduced costs for both LTAs. Integrated ticketing is a long-term aspiration that is being explored by the LTA.

Outcomes

- Residents of the rural communities now have access to a more frequent and reliable service that is likely to be more financially sustainable and therefore less likely to be de-funded.
- The LTA staff are increasing their capabilities with respect to bus franchising, which may mean that future franchising aspirations will be more streamlined.

Kent Fastrack:

Franchise model	Contract type	Asset provision
 Partial franchise model - specific services or corridors (micro-franchise)	 Gross cost contract	 Operator provided fleet and depots

Overview

Strategic driver: Kent County Council identified that a fast, reliable public transport system was needed to support the development of the Kent Thameside and Ebbsfleet Garden City areas. It therefore decided to invest in a BRT system, known as Kent Fastrack, along strategic corridors that protects buses from the traffic pressure of the wider road network. Although major investment was required, Kent Fastrack delivers the capacity and speed of a light rail system with the lower costs, simplicity, and flexibility of a bus system. Kent County Council implemented a micro-franchise to ensure the opportunities associated with this investment were maximised.

Kent Fastrack services are operated under a gross cost contract. Depots and buses are provided by the contracted operator, Go-Ahead. Kent County Council retain the revenue and pay Go-Ahead a fixed gross cost contract for operation. There is also an incentive of a 50/50 profit share agreement built into the contract should minimum passenger growth thresholds be met annually.

Tendering of the contract in 2024 led to the award of a 15-year gross cost contract to Go Ahead based on the operator supplying 28 tram style electric buses. The contract length was chosen to help support the vehicle and EV infrastructure investment. The operating contract was also designed to create a long-term partnership between the operator and the LTA, incorporating performance incentives including revenue share above pre-agreed annual targets in excess of operating costs. This incentivises the operator to grow patronage.

This micro-franchise is providing Kent County Council with good insight into bus franchise operations which is particularly relevant as they consider future wider bus franchising plans.

Outcomes

- Since its establishment, passenger numbers have increased from ~743,000 journeys per year in 2005/06 to ~2,860,000 journeys per year in 2024/25.
- Kent Fastrack is a commercially viable operation, and it is also contributing to faster journey times because it can deliver infrastructure schemes through developer contributions that are channelled into the Fastrack service.



Enhanced Partnership Comparison Option

Relevant sections of the [DfT Franchising Guidance](#) are “Overview of range of options” and “Detailed assessment of franchising and the operator-tabled EP option”

A key part of the franchising assessment is to compare the preferred franchise option to the best EP option. The best EP option should be the best EP that the LTA believes is realistically achievable. There is no legislative requirement to assess the franchising proposal against a strengthened EP, however LTAs may choose to if they see benefit in doing so, as long as the strengthened EP is indeed realistically achievable.

LTAs should consider whether local ambitions for buses can be achieved under an EP Scheme and whether this would provide greater value for money. LTAs need to be clear how their local EP can deliver the strategic objectives and set this out clearly in the Strategic Case. It should be noted that while certain outcomes may be possible under an EP, measures to achieve these outcomes may only be implemented with the agreement of the EP Board, which is not guaranteed. Therefore, if a strengthened EP is assessed and deemed to be the way forward, rather than franchising, it is recommended that there be a review point to determine whether the EP has indeed achieved the intended objectives.

Considerations to be mindful of when developing the EP comparison are:

Network

- The LTA may decide whether to conduct the franchising assessment based on the existing network or a revised network. If the LTA decides to assess a revised network, they should be comfortable that it is realistically achievable through an EP.

Fleet

- Include future assumptions regarding the changes to a ZEB fleet. This should consider any known operator aspirations for a transition to a ZEB fleet under the EP.
- A similar fleet upgrade profile over time could be applied to both a franchising scheme and EP for the purposes of the assessment.
- Consider whether the level of funding that could be committed to ZEB upgrades under a franchising scheme could realistically be committed under an EP.
- Commercial arrangements for ZEB upgrade and vehicle ownership should also be considered for the EP and be set out in the Commercial Case.

Ticketing and fares

- The approach to ticketing and setting fares under an EP can, in practice, mirror that which is achievable under a franchising scheme, if this can be agreed through the EP Board.
- The main difference would likely be that under franchising, a single point of sales can be provided (as bus operators would likely want to consider selling tickets themselves under any form of EP). EPs also cannot prevent operators from selling their own tickets at their chosen price point, so long as fares are below the maximum fare level.

Depots

- The EP proposal does not need to make an assumption on depots as it would be expected that operators would retain ownership of depots under the EP.



Service Permits

Relevant section of the [DfT Franchising Guidance](#) is “Implementation and operation of a franchising scheme”

A service permit regime ensures that services which do not form part of a franchising scheme are able to operate within the franchising scheme boundary. This includes cross-boundary services, i.e. services where the route extends beyond one LTA’s boundary, as well as services operating entirely within an LTA area that enter a franchised area (either because the network is being franchised in phases or because only part of the network is franchised).

A service permit regime can also assist LTAs that are adopting a franchise model that includes only part of their network to create a more holistic network by requiring non-franchised services to comply with specified terms.

The process

When developing a service permit scheme, the franchising authority must consult operators of local services, any neighbouring authorities affected by the proposed permits, and other relevant stakeholders. Services operating under service permits will play an important role in enabling seamless bus travel within the LTA area (if only partly franchising) and across local authority boundaries. Close collaboration between neighbouring LTAs and local operators is essential to ensure that cross-boundary and non-franchised services remain sustainable, cost-effective, and responsive to passenger needs.

[Section 123\(Q\) of the Transport Act 2000](#) outlines the application process for a service permit.

- Broadly, it is for the franchising authority or authorities to determine the process and required information for an application for a service permit by an operator.
- The authority or authorities may request an application fee be paid for a service permit to cover administrative costs associated with processing the application, but the fee amount must be determined in accordance with [The Franchising Schemes \(Service Permits\) \(England\) Regulations 2018](#).
- The granting of a service permit by the authority or authorities are currently based on whether the application satisfies the following:
 - The proposed service will benefit persons making journeys on local services in the area to which the franchising scheme relates.
 - The proposed service will not have an adverse effect on any local service that is provided under a local service contract in the area to which the franchising scheme relates.
- If the service permit is not granted, notice must be given of the reasons to the applicant within a period of ten days beginning with the date on which they decide not to grant the service permit.
- Service permits present an opportunity for the LTA to create a more holistic network through service permit conditions. These may include commitments to comply with specified branding elements, to accept specified tickets, etc.

Considerations for two neighbouring LTAs developing franchising schemes

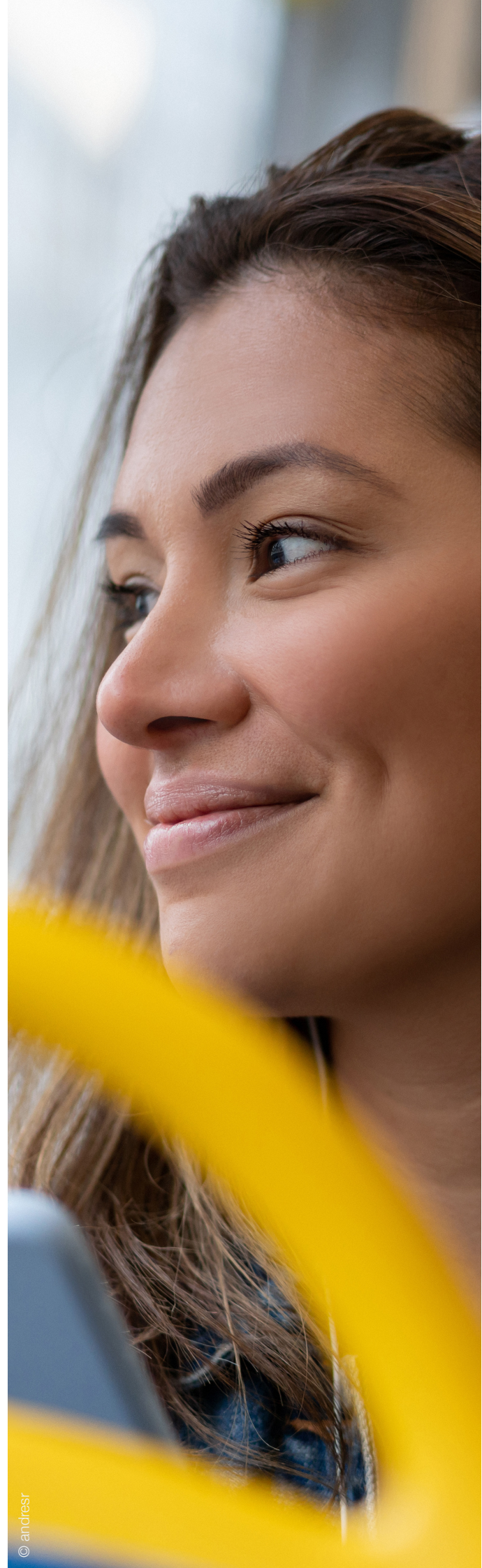
- Engagement with relevant neighbouring LTAs on cross-boundary services is essential. Engagement will be particularly important where a neighbouring LTA is also progressing with a franchising scheme to ensure that no services are excluded from both franchising schemes, as this could impact on the ability to operate routes in the future.
- Where two neighbouring authorities each have their own franchising scheme, they may wish to establish joint agreements or governance arrangements to manage cross-boundary services between their franchised areas, resolve operational issues, and reduce administrative burdens.
- In line with the [DfT Franchising Guidance](#), each franchised authority will be subject to neighbouring franchised authorities' service permit rules where their services stop within another franchised area.
- If a key depot(s) used by routes within a franchising LTA's area are located in neighbouring LTA areas, there is a risk that the neighbouring LTA may look to take control of that depot under their potential franchise. A clear strategy will need to be developed in conjunction with neighbouring LTAs to mitigate this.

Other key considerations

- The franchising authority needs to decide which cross-boundary services are to be included in the franchising scheme.
- Typically, cross-boundary services that are predominantly within the LTA boundary or are currently operating as tendered services with a small proportion of the route operating outside of the LTA boundary should be included within the franchising scheme. Cross-boundary services that are predominantly operating outside of the LTA boundary or are operating as tendered services procured by a neighbouring LTA should not be included in the franchising scheme.
- Section 123(R) of the Transport Act 2000 allows for conditions to be attached to service permits. Different conditions can be attached for different circumstances, or for different sorts of services. For example, the franchising authority may apply a straightforward set of conditions to services which have a limited number of stops in the franchised area but may apply more strict conditions to services which operate wholly within the franchised area to ensure they integrate effectively with the network of franchised services. Example conditions that could be attached to service permits are included in Annex B.
- The Bus Services Act 2025 provides an exemption for heavy and light rail replacement services to hold a service permit. This will save the operator and the franchising authority time and money in applying for and granting a permit for these services, respectively.

Case study: Cross-boundary services

The X43 (Burnley Rawtenstall – Manchester), operated by Transdev Burnley, provides links into Greater Manchester from parts of East Lancashire, including those areas that have poor or no rail links. This service is not included in a TfGM franchising lot as the majority of the service is outside Greater Manchester. It instead operates under a service permit regime. Outside Greater Manchester they set their own fares, however within Greater Manchester, Bee Network fares and ticketing apply, including selling Bee Network products such as the network day ticket. A reimbursement mechanism is in place to facilitate this.



Small and Medium Sized Operators

Various sections of this Manual include advice on how to ensure that SMOs are appropriately considered throughout the franchise assessment scheme development and tender process. This section collates the key points related to SMOs for ease of reference. Annex B includes an overview of how South Yorkshire Mayoral Combined Authority are facilitating involvement of SMOs throughout the franchising process.

Engagement

- All operators, including SMOs and their employees, are key stakeholders in the franchising process, and so it is important they are in the key stakeholder group engaged – not least to avoid network or business instability, but also to ensure ongoing proactive and positive engagement with and collaboration throughout the process.
- LTAs should bear in mind that some SMOs may require more lead time or extra resource to provide data due to capacity constraints.

Franchise development

- Lots may be designed to include smaller contracts suitable for SMOs. For smaller lots which have been designed for SMOs, it is important that the procurement pack and submission requirements reflect the size and capabilities of the SMOs bidding for these lots of work.
- LTAs should consider how they want to encourage participation of local SMOs in the tender process, for example by specifying a certain percentage of the tender that must be sub-contracted and operated by SMOs, or by including SMO participation in the evaluation criteria.
- SMOs can bring resilience through diversity of the market. LTAs should assess the equality impacts of market concentration, checking if the proposed franchise option might unintentionally favour large incumbents and reduce diversity in service delivery, and consider what would need to be different in the approach in order to be inclusive of SMOs.
- It is a requirement for LTAs to include how they will facilitate the involvement of SMOs in the provision of services through their procurement processes in the Consultation Report.

Procurement

- It is important that framework agreements are accessible and terms and conditions are appropriate to local SMOs.
- The tendering process for smaller franchise lots needs to be appropriate to SMOs in terms of the amount of work required to develop and submit a tender.

Depot and vehicle provision

- **If the franchise option requires operators to provide depots:** to mitigate impacts on SMOs, smaller franchise contracts could be aimed at SMOs where they would use their own depots, or larger franchise contracts could allow or require larger operators to subcontract SMOs and allow use of their depots.
- **If the franchise option requires LTA to provide depots:** to mitigate impacts on SMOs, the decision may be taken as part of the lotting strategy to provide depots for larger packages and leave ownership of depots to operators for smaller packages.
- **If the franchise option requires operators to provide buses:** the LTA needs to give consideration to the ability of SMOs to fund and procure the vehicles required and whether this will act as a barrier to their participation.



The Statutory Process

Once the LTA has developed a draft case for changing or improving the current bus delivery model, identified the most suitable franchising option for the local area, and obtained necessary internal approvals and resourcing, it can move forward to the statutory process.

Section 123 of the Transport Act 2000 outlines the procedure that any LTA must follow to implement bus franchising within its area. The process is summarised in Figure 3.

The following sections provide further support on the five statutory stages.

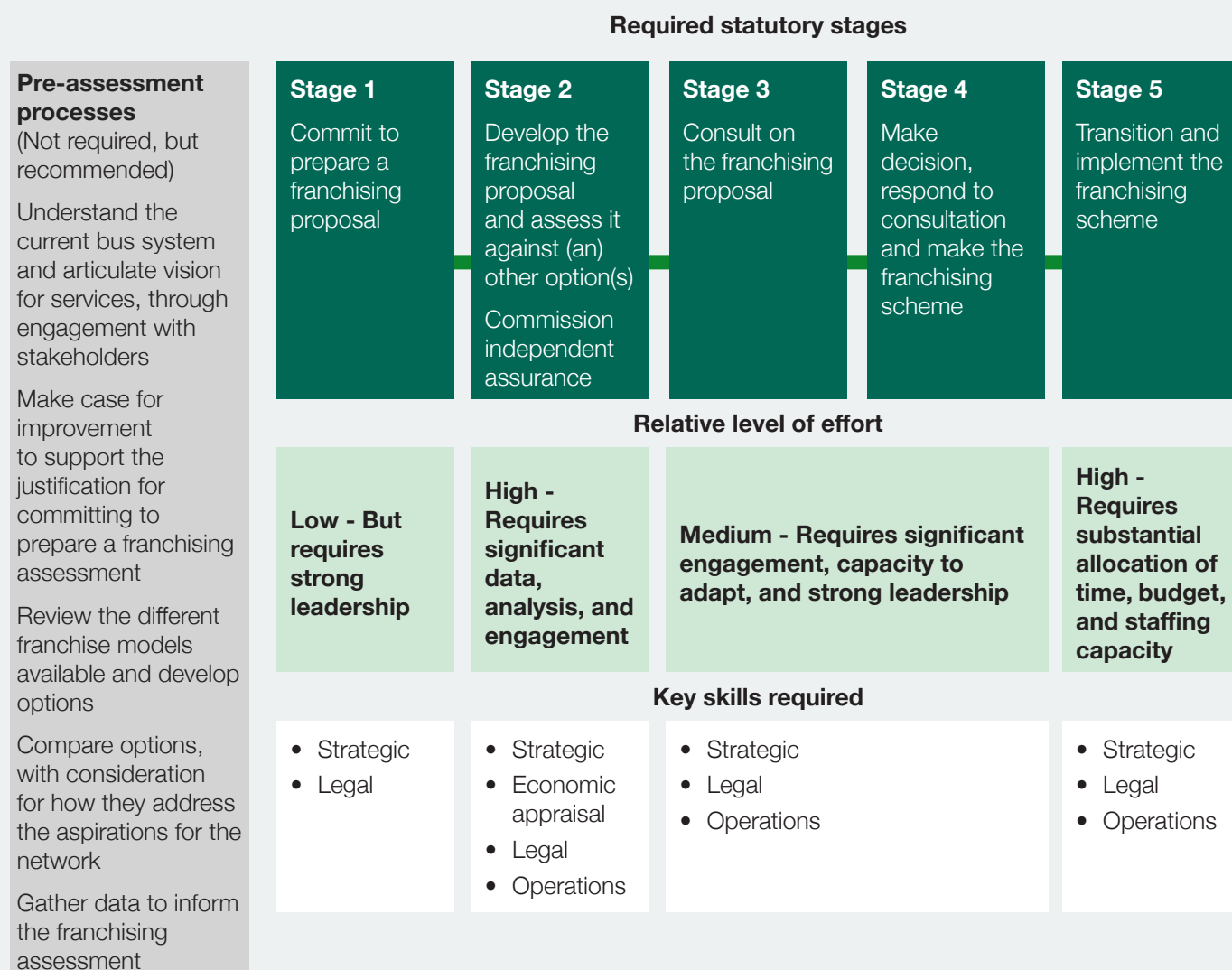


Figure 3: Overview of required statutory stages to implement franchising

Stage 1: Commit to prepare a franchising proposal

The [Bus Services Act 2025](#) provides automatic access to franchising powers to all LTAs. All LTAs must simply publish a notice that they intend to prepare a franchising assessment. There is no specific form mandated by the Transport Act 2000 for the assessment notice.

Example notices from [Cambridgeshire and Peterborough Combined Authority](#), [Greater Manchester Combined Authority](#), [North East Combined Authority](#), [South Yorkshire Mayoral Combined Authority](#), and [West Yorkshire Combined Authority](#) can be found online.

In some cases, and depending on the governance arrangements of the LTA, some level of pre-assessment work may be required to allow a decision to be made on whether to progress to the publication of the notice that they intend to prepare a franchising assessment. For example, a Mayoral or Strategic Authority may require Board Approval. This would draw on any pre-assessment feasibility processes undertaken, including the draft case for change and some level of work on the options that are to be taken forward to the assessment. The pre-assessment process outlined in Annex A should provide the LTA with the necessary information to issue a notice of intention to prepare an assessment of a proposed franchising scheme, however any steps prior to this Stage 1 are not required by law.

Ensure you can clearly articulate:

- A clear vision for improving buses.
- The franchise option you want to pursue.
- The resources that are able to be committed to the assessment process and available budget to support the work (including the budget for external advisers).
- The plan to develop the franchising assessment (including consultation) and support required from the DfT.
- The particular office holder at the LTA who will take responsibility for the development of the bus franchising scheme.
- A high-level cost estimate of what the cost of conducting the franchising assessment may be. Information to inform this is provided in pages 84 of the Manual.

While there is no specific timeline for when work on the franchising assessment should begin after the assessment notice has been published, it would be prudent for the LTA to have procured relevant external advisers, if required, to assist with the franchising assessment prior to the publication of the assessment notice. It is recommended that technical, financial, and legal advisers are procured at this stage if they have not already been procured.

Stage 2: Develop the franchising proposal and assess it against (an)other option(s)

Conduct a franchising assessment

Relevant section of the [DfT Franchising Guidance](#) are “Setting franchising in a strategic context” and “The 4 additional business cases”

As a major decision, this assessment is equivalent to a business case. As such, it follows the Treasury’s five-case model: Strategic Case, Economic Case, Commercial Case, Financial Case, and Management Case. The purpose of the assessment is to:

- Set out the suitability of the different franchise options, with reference to those described on pages 12-37, and identify what sort of franchise the LTA will deliver.
- Explain how far it will deliver improvements to bus service outcomes.
- Confirm that it is affordable and deliverable.
- Allow an informed decision to be taken whether to proceed by comparing it to the best EP that has been tabled by operators.

Independent assurance throughout franchising assessment

LTAs are encouraged to appoint the independent assurer (see pages 83-85 for further details) early in the development of the franchising assessment so that they can work with the LTA as the assessment progresses. This will help accelerate the process as points of issue will be picked up throughout, rather than solely at the end of the process.

Engagement with operators and data gathering to inform the franchising assessment

Operators and their employees are key stakeholders in this process, and so it is important that they are engaged – not least to avoid network or business instability, but also to ensure ongoing proactive and positive engagement with and collaboration throughout the process. Beyond informing the operators, a positive relationship will support the collection of data. This data will be useful to inform any pre-assessment feasibility work, but is ultimately required to inform the franchising assessment. Section 143A(7) of the Transport Act 2000 allows an LTA to inform a traffic commissioner if an operator fails to take all reasonable steps to provide required information. It is recommended that LTAs proactively engage with operators prior to making data requests so that:

- Operators feel that the process is collaborative and thus engage with the request in good faith.
- Operators understand what data is needed and what it will be used for.
- LTAs understand the format and type of data that can be provided, as well as the likely (realistic) timescales for doing so. This will help LTAs to determine an alternative approach to obtaining data that operators may not be able to provide.

The LTA should set out the minimum requirements in terms of data collection as well as timescales (recommended to be no less than four weeks). The data that may be requested, as well as the reasons it may be required are set out in Table 3 (noting the level of data required would vary depending on the franchise model and contract type being considered). It is recommended that a non-disclosure agreement (NDA) be established between the LTA and the operators for data protection purposes.



Table 3: Operator data requirements

Data required	Rationale for use	Relevant case(s)
<p>Bus patronage</p> <p>Request patronage data by:</p> <ul style="list-style-type: none"> • Service • Ticket type • Time period (peak hour, daily, weekly, monthly, annually, etc.) 	<p>To understand current usage of the bus services to be franchised. This will also be required (along with fare revenue) to determine an average fare yield for application in the assessment.</p>	<p>Economic Case Financial Case</p>
<p>Revenue</p> <p>Request revenue data by:</p> <ul style="list-style-type: none"> • On-bus fares • Off-bus fares • Non-fare revenue, e.g. advertising income 	<p>To understand the current revenue generated by the services to be franchised to allow a forecast of future revenue to be developed. This will also be required (along with patronage) to determine an average fare yield for application in the assessment. Non-fare related revenue should also be provided to allow LTAs to undertake a full appraisal of revenue generated by the bus system.</p>	<p>Economic Case Financial Case</p>
<p>Funding</p> <p>Request funding data by:</p> <ul style="list-style-type: none"> • Concessionary support • BSOG • Tendered service support • Other 	<p>To understand any funding currently provided to operators as part of the appraisal of affordability. It will also ensure that the LTA identifies gaps in funding that may arise, depending on the franchise option chosen, e.g. concessionary support from other neighbouring LTAs</p>	<p>Financial Case</p>
<p>Fleet requirements</p> <p>Request fleet requirement data by:</p> <ul style="list-style-type: none"> • PVR per service • Spare vehicles 	<p>To understand the number of vehicles required to operate the network to be franchised to understand operating costs. This may also be required to understand the capital costs of fleet replacement during the life of the franchising scheme, if the LTA choses to acquire fleet as part of its franchising scheme.</p>	<p>Economic Case Financial Case Commercial Case</p>
<p>Fleet details</p> <p>Request fleet details data by:</p> <ul style="list-style-type: none"> • Vehicle age • Vehicle type • Fuel type 	<p>To understand the current fleet profile in terms of size and type of vehicles, which vehicle types operate on which services, proportions of ZEBs vs diesel buses as well as fleet age, to inform an assessment of the potential capital costs if the LTA choses to acquire fleet as part of its franchising scheme or the impact of operating costs if the fleet is provided by the operators.</p>	<p>Economic Case Financial Case Commercial Case</p>

Table 3: Operator data requirements (continued)

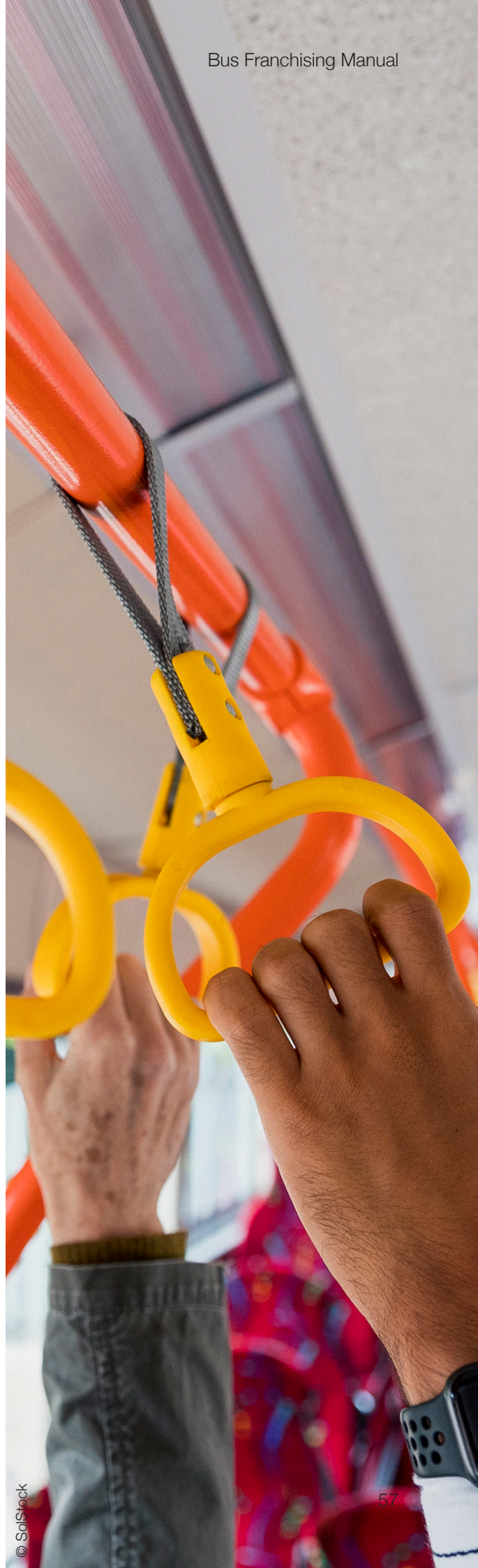
Data required	Rationale for use	Relevant case(s)
<p>Fleet mileage</p> <p>Request fleet mileage data by:</p> <ul style="list-style-type: none"> • Scheduled mileage • Operated mileage • Dead mileage • Mileage split per authority area for cross-boundary services 	<p>To understand the operating costs and lost time when buses are not in service as part of understanding the operating costs.</p>	<p>Economic Case Financial Case</p>
<p>Fleet costs</p>	<p>To inform the costs of fleet acquisition (irrespective of whether the LTA or operator owns them as it will be reflected in the operating cost).</p>	<p>Economic Case Financial Case Commercial Case</p>
<p>Staff costs</p> <p>Request staff cost data by:</p> <ul style="list-style-type: none"> • Number of staff • Staff salaries • Staff pension costs • Employers' National Insurance costs 	<p>To inform the staff costs associated with delivering bus services as part of the franchising scheme, including costs associated with pensions, training costs, and payroll costs.</p>	<p>Management Case Economic Case Financial Case</p>
<p>Service operating costs</p> <p>Request cost data by:</p> <ul style="list-style-type: none"> • Maintenance costs • Fuel costs • Administration costs • Electrification infrastructure costs • Driver training • Other 	<p>To inform the operating costs for the franchising scheme.</p>	<p>Economic Case Financial Case</p>
<p>Depot operational and maintenance costs</p>	<p>To inform the costs of operating and maintaining depots (irrespective of whether the LTA or operator provides them as it will be reflected in the operating cost).</p>	<p>Economic Case Financial Case Commercial Case</p>

In programming timescales for the franchising assessment, LTAs should make an allowance for the data request period, as well as for engagement with bus operators once the data has been provided to allow clarification requests and / or for supplementary data to be provided if needed.

Data should be requested from all bus operators, but LTAs should bear in mind that some SMOs may require more lead time or extra resource to provide data due to capacity constraints.

In addition to requesting data from operators, it would be prudent to start gathering best practice examples of different aspects of franchising contract design that could, with no or minimal changes, be applicable to the local context. Likely examples of this will be baseline safety and environmental requirements, reporting requirements, contract management structures, etc. Streamlining these types of activities will save time and make the transition process more cost-effective and efficient.

The Bus Centre of Excellence (BCoE) will be a useful resource to lean on for this as more places franchise and provide more examples of how to do things at varied scales and with varied approaches. The DfT franchising pilot programme will provide case studies and templates for each franchise option tested that will also be useful to draw on.



Strategic Case

Questions to be answered: How does franchising align with local and national policy goals? What type and scale of change is needed? How could the available options deliver that change?

A lot of the inputs to the Strategic Case may have been gathered and developed as part of any pre-assessment processes. The Strategic Case should include:

Policy context: This section should summarise the key stated goals for the local area, as well as neighbouring authorities where cross-boundary services operate. For this, consider the objectives, targets and committed initiatives included in existing and emerging Local Transport Plans (LTPs), other relevant strategies (e.g. net zero, inclusive growth, economic, etc.). This should also be as part of broader plans for investment in transport and any new revenue generated. This may include integrating complementary demand management measures such as, but not limited to:

- Traffic management measures – to manage and mitigate traffic impacts on local streets and / or to prioritise bus movements over general traffic.
- Changes in the cost and availability of parking – to increase the relative attractiveness of public transport travel and generate revenue for sustainable transport. This may include workplace parking levies.
- Congestion charging zones – to reduce traffic volumes and improve bus journey times and reliability.
- Clean air zones – to improve air quality and incentivise modal shift to public transport.

These measures can create the conditions necessary for franchising to succeed by making bus travel a more attractive choice. Whilst the case for any of these measures would need to be demonstrated separate to the franchising assessment, LTAs should co-develop franchising plans in tandem with their LTPs to ensure alignment with broader transport, environmental, and economic objectives. This will help to minimise the financial risks of franchising as well as to maximise the benefits and support sustainable growth in bus patronage.

Transport context: Provide a high-level summary of the current transport situation, identifying the most prominent issues and challenges with the existing network and operations. This should build on the case for change that will likely have been developed prior to commencing the assessment, and may include:

- Patronage trends
- Bus and overall mode share
- Punctuality and reliability performance
- Network coverage and connectivity gaps
- Quality of customer experience
- Accessibility of services for disabled people
- Stability of the existing network including subsidised routes as a % of commercial routes
- Existing operator market share and market profile

Case for change: Identify the gap between the baseline (current state) and the desired future state. An outline case for change would likely have been developed before commencing the franchising assessment to obtain internal approval to proceed to the assessment. This should build on work already done to develop the rationale to commence the assessment, for example the processes outlined in Annex A.

- Strategic objectives and priorities should be defined through clear success criteria expressed as SMART objectives (Specific, Measurable, Achievable, Relevant, Time-bound) so they can be monitored and evaluated over time. For example, increase route reliability from 90% to 95% by 12 months post-implementation.
- The Transport Appraisal Guidance (TAG) [spending objective analysis guidance](#) recommends linking SMART objectives to government or organisational strategic priorities. This can feed into the case for change based on how franchising will meet objectives and can inform the options assessment based on the extent to which options meet objectives.
- In some business cases a do-minimum option is considered. For franchising assessments, the do-minimum is not taken forward as a delivery option but may be used as a baseline comparator.

Equalities considerations:

In alignment with the PSED, public authorities should understand the different ways in which changes could impact people with different protected characteristics. This requires having a clear picture of current conditions for these groups and assessing how each option could reduce barriers or improve access. An Equality Impact Assessment should be started at the stage of developing the case for change and should be updated throughout the assessment process through public consultation, engagement, and as more findings become available.

Ensuring balanced and inclusive representation in the evidence base is key to meeting this duty, and effective consultation is an integral part of this process. The [Gunning Principles](#) provide guidance on conducting public consultation in a fair and lawful manner.

Options: Describe the range of options under consideration. A narrative should be provided on why options were progressed or not, based on shortlisting of options likely done prior to commencing the statutory process and assessment. At this stage, the franchise model is likely to be confirmed, and the options being tested would be more around contract type and asset provision options. A full list of things to include for each option are noted in the [DfT Franchising Guidance](#). A summary of key points is included below:

- A clear definition and scope
- Alignment with the success criteria
- Expected service levels
- Multimodal integration
- Journey times
- Fares and payment methods
- Complementary passenger transport services (e.g. community transport, school services, demand responsive services, dial-a-ride services, etc.)
- Branding and information provision
- Asset provision

Where relevant, the assessment should reference other parts of the business case. For example, if value for money is a success criterion, refer to the outcomes of the Economic Case.

Consultation on Strategic Case

With the public:

The views and needs of the public, including both existing and potential bus users, are critical in ensuring that decisions on implementing a franchising scheme deliver clear benefits for passengers. Early engagement helps to identify priorities, concerns, and expectations, enabling the Strategic Case to present a fair and accurate reflection of the issues and to ensure that the case for change and franchising objectives are targeted at delivering passenger and wider public benefits.

The public will have the opportunity to provide formal feedback during the consultation period, however every effort should be made to ensure the Strategic Case is informed by the perspectives of current and potential future passengers from the outset.

Public engagement can take several forms, including but not limited to:

- Feedback in the annual Transport Focus Your Bus Journey survey or other local bus survey.
- Existing bus user groups.
- A dedicated bus user survey designed specifically for informing the franchising assessment.
- Existing customer services and / or complaints processes that the LTA has in place.

Disabled people: The Bus Services Act 2025 requires LTAs to consult specifically with disabled people and / or with organisations representing them. This ensures that franchising schemes are shaped by a clear understanding of the existing challenges and priorities of passengers with disabilities, so that service provision can better meet their needs. The consultation should seek the perspectives of disabled people with a range of impairments, including, physical, sensory, cognitive learning and mental health, as well as neurodiverse people and people with both visible and less visible impairments.

It is important to recognise that many disabled people, and individuals in other protected characteristic groups, may not currently be regular bus users, and therefore may be under-represented in existing datasets. It is part of the LTA's duty to engage proactively with these groups to ensure their perspectives are fully considered when developing the scheme. LTAs should only engage with national organisations where they have been unable to engage with local disabled people and local organisations representing them.

Whilst consultation at set points in the development of the approach to franchising can help ensure that it is reflective of the experience of disabled people, it is recommended that wherever possible LTAs adopt a co-design approach to the development of policy impacting disabled people, so that their needs can be built in from the beginning. This will help to ensure that service provision works for as many people as possible.



With constituent districts or local authorities:

Where a franchising scheme is being promoted by an LTA which comprises constituent districts or local authorities, engagement with these districts or local authorities will be critical to ensuring buy-in for the scheme, including as part of governance and / or decision-making processes. This will ensure that informed decisions are made and limits the likelihood of delays to the process at the latter stages of the assessment. Officers responsible for delivering franchising assessments should clearly set out the expectations for decision-making at the outset and ensure this is agreed.

Engagement with transport and highways officers (where they are not part of the LTA) may also offer benefits to the assessment process, particularly in terms of understanding where there are specific issues with the operation of the highway network which may affect bus punctuality or reliability. There may also be a benefit in engaging with transport and highways officers on potential depot locations, if the franchising scheme promoter is considering an option to acquire and / or develop new depots.

With neighbouring local authorities:

All neighbouring local authorities must be consulted during the franchising assessment process. This is required to ensure that the Strategic Case includes an assessment of the franchising scheme proposals against the policies and plans of neighbouring authorities, and to allow for any unintended consequences to be identified, and if practical, mitigated.

A key focus of the engagement with neighbouring authorities will be the consideration of cross-boundary services and whether they should be included in the franchising scheme or not. Neighbouring LTAs should also be consulted on which bus services may be required to operate under a service permit regime, where they are not intended to form part of the franchising scheme.

More information relating to cross-boundary services and service permits is provided on pages 46-48. Where a neighbouring LTA is also seeking to bring forward a franchising scheme, coordination will be required so that all cross-boundary services are captured in one of the schemes as either a franchised or service permit route, and that no services are omitted. Depending on the number of cross-boundary services and the interdependency of the services operating between two areas, the LTAs may want to consider a combined, single franchising scheme.

Neighbouring local authorities should also be engaged to discuss the impact on operations where a depot, either within or outside of the franchising LTA's boundary, serves two or more LTA areas (by the same bus operator). The impact on the operations of such depots, if it is intended that the franchising LTA acquires or develops its own depots, or some of the franchised routes are taken out of this depot, should be considered both in terms of the impact on the depot operation itself and the operation of residual bus services. More information on asset procurement considerations is provided on pages 33-37 and Annex D.

Economic Case

Questions to be answered: What are the benefits for passengers and communities? Is franchising good value for money? How does it compare economically to the best EP and other options (where relevant)?

The Economic Case should align with the [HM Treasury Green Book](#) and relevant units from the TAG, which will be supported by a forthcoming DfT advice note on franchising appraisal and evaluation. All assumptions and alternatives used should be documented, as well as:

- A description of the approach to economic appraisal, including key assumptions on the approach (such as the appraisal period, benefit decay, and fare growth assumptions).
- A description of the approach to any transport modelling, including modelling of the bus network.
- Details of the patronage used to inform the assessment, including baseline demand and any forecasting that has been undertaken to understand future growth. This could be undertaken simply using industry standard forecasts (e.g. from the National Trip End Model) and / or using an elasticity-based approach (e.g. to capture increases in demand due to reductions in journey times or simplified ticketing systems).

Costs: While costs should align with the Financial Case in terms of overall approach, the costs in the Economic Case will be re-based to 2023 prices (or to a year that accords with TAG or equivalent at the time of the assessment). A full list of costs to consider are included in the [DfT Franchising Guidance](#) (operating costs, capital costs, bidding and administration costs, implementation costs, environmental impacts, etc.) Additionally, the social value 'mapping potential negative impacts' considerations included in Annex C includes a list of possible costs to society which should be acknowledged.

Benefits: Consider to what extent the following could be realised (non-exhaustive list):

<p>Level 1 impacts: Direct user and provider benefits</p>	<p>Primary benefits experienced by transport users and providers:</p> <ul style="list-style-type: none"> • Travel time savings and improved journey times, e.g. through integrated network planning, improved routing, and transport efficiencies. • Improved reliability and punctuality. • Simplified fares and ticketing. • Improved comfort and accessibility. • Better passenger information and customer service, including branding, marketing, real-time updates, and feedback mechanisms (where valuation is possible). • Accessibility improvements. • Benefits for operators, such as consistent profit margin. • Potential ZEB benefits (from a potentially accelerated ZEB rollout programme, depending on the LTA's approach to fleet acquisition).
<p>Level 2 impacts: Wider impacts</p>	<p>Benefits that may arise from improved transport connectivity and efficiency and which may benefit non-transport markets (e.g. labour, land, etc.):</p> <p>Wider economic impacts</p> <ul style="list-style-type: none"> • Agglomeration benefits: Such as increased productivity, enabling markets to function more efficiently, for instance enabling businesses to access a wider catchment of suppliers, customers, and labour pool. • Labour supply impact: Employment impacts resulting from increased accessibility to jobs and opportunities. This may be related to an increased catchment, reduced journey times, support for shift workers and more flexible travel patterns, increased productivity, reduced costs in accessing employment, etc. <p>Environmental impacts</p> <ul style="list-style-type: none"> • Reduced greenhouse gas emission changes from mode shift and rapid fleet decarbonisation. • Air quality improvements from reduced vehicle emissions. • Noise reductions from reduced road traffic and zero emission fleets. <p>Social and distributional (equity) impacts</p> <ul style="list-style-type: none"> • Accessibility benefits for disadvantaged areas or groups. • Safety improvements (e.g. reduced collisions, improved perceptions of personal security, etc.). • Health benefits from increased active travel as part of multimodal trips. • Journey quality improvements for non-users indirectly affected (e.g. less congestion, cleaner streets, etc.). <p>For a longer list of potential benefits, refer to Annex C.</p>

It is important to note that while in some instances, the benefits described above could be achieved by the implementation of a franchising scheme, additional measures may be required to achieve some of the benefits. For example, while there will be some reliability benefits as a result of a franchising scheme, wider policy measures such as clean air zones or parking levies may be required to address congestion issues and improve bus reliability.

It is also worth noting that the benefits of an LTA investing in the future of the bus network through a franchising scheme (such as reduced operating costs and increased revenue generation) can be captured by the LTA and allow for investment in bus priority measures to assist with reliability issues.

Additional considerations

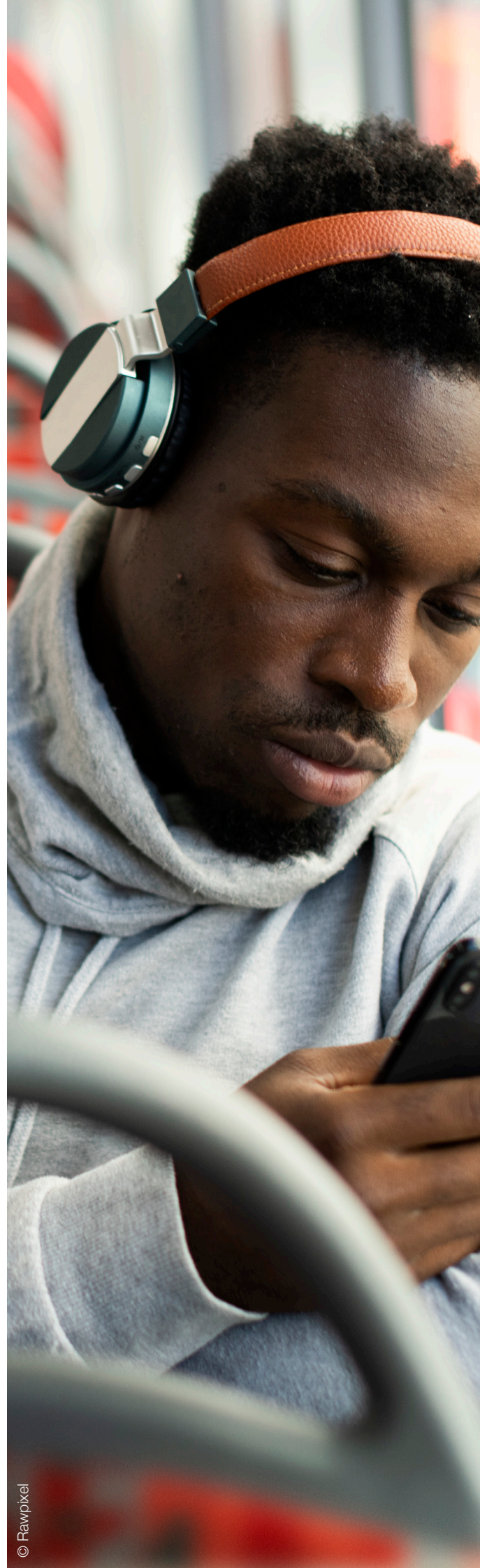
- Distributional Impact Assessment (DIA):** Assess how franchising will affect different social groups. This should align with the LTA's objectives set in the Strategic Case. The analysis should draw on baseline data on accessibility, affordability, and service quality, and identify whether impacts are likely to be positive, neutral, or negative. DIA results should inform both the appraisal and mitigation strategies, ensuring the scheme promotes equity and inclusive access. The [TAG Unit A4.2 Distributional Impact Appraisal](#) includes relevant national sources.
- Value for Money (VfM) assessment:** Assess the overall VfM, recognising that franchising may involve redistribution of costs and revenues rather than purely additive benefits. In this context, Net Present Value (NPV) may provide a more meaningful assessment than Benefit-Cost Ratio (BCR), particularly for capturing long-term operational efficiencies, passenger benefits, and wider social and environmental impacts.
- Sensitivity tests:** Test the resilience of economic outcomes under alternative assumptions. This could include variations in revenue, operating costs, demand forecasts, inflation, and other key parameters. Sensitivity testing ensures that appraisal conclusions are not overly dependent on uncertain assumptions.
- Spending objective analysis statement:** Rank how well each option meets strategic objectives using quantified impacts, where possible. This presents an evidence-based narrative to promote greater coherence between the Economic and Strategic Cases. Section 5 of the [TAG spending objective analysis guidance](#) provides more information.

Appraisal Specification Report

(ASR): Developing an ASR can formalise the scope, methodology, and data requirements for the economic appraisal and ensure a robust approach is taken forward for the assessment. It ensures consistency with TAG, provides a clear basis for independent assurance, and de-risks the process by clarifying assumptions, methods, and metrics in advance. An ASR could be reviewed and agreed by the LTA's internal assurance team, or by those appointed to undertake the independent assurance report (refer to pages 83-85) if they are brought on board early in the assessment process.

Equalities considerations:

Equalities and DIA should be embedded throughout the appraisal process. This ensures that economic, social, and environmental impacts are assessed not only in aggregate but also across different social groups, supporting compliance with the PSED and informing targeted interventions.



Commercial Case

Questions to be answered: Is the franchising option commercially viable, deliverable, and value for money?

The Commercial Case should draw together evidence to demonstrate that the preferred franchise option represents an acceptable balance between costs, benefits, and risks. This should:

- Confirm that commercial structures, procurement, and contractual terms can be delivered within available funding and resources.
- Show that identified risks are proportionate and can be mitigated through the proposed arrangements.
- Outline how ongoing monitoring and contract management will address risks over the life of the franchise.

The Commercial Case should include:

Commercial context: Provide an overview of the existing commercial landscape for the bus network, including:

- Ownership and liabilities of fleet and depots.
- Summary of contractual arrangements with current operators.
- Approach to procurement of assets and services.
- Current commercial risks or constraints affecting service delivery (e.g. capacity limitations, operational restrictions, financial exposure, etc.).
- Quantified commercial exposure where possible (e.g. fleet replacement costs, depot ownership costs, revenue volatility, etc.).

Evidence should be drawn from operator data, existing contracts, and other relevant documentation.

Summary of the franchise option(s) and the commercial arrangement required

The [DfT Franchising Guidance](#) provides a long list of considerations for developing this, including but not limited to:

<p>Commercial structure</p>	<p>How the contract is designed the ‘shape’ of the contract</p> <p>Define the proposed legal and operational structure of franchising contracts, considering:</p> <ul style="list-style-type: none"> • Geographical scope: Areas covered, lotting strategy, and phasing • Existing or new operators, including SMOs • Exemptions: Service or service types that will not be included • Contract design: Number and scale of contracts, intended contract lengths, renewal provisions, end-of-contract arrangements, integration of other services (feeder, branch, and DRT), cross-boundary services coordination, integration with other modes, etc. • Asset strategies • Approach to ZEBs, including procurement strategy • Approach to customer service, patronage growth and revenue generation <p>Ensure alignment with strategic objectives and desired service outcomes.</p>
<p>Approach to procurement</p> <p>More detailed information on conducting procurement is included on pages 92-99</p>	<p>How you go out to the market to get operators to bid for and deliver the contract</p> <ul style="list-style-type: none"> • Scope of contract • High-level commercial terms • How competition will be promoted • How the best-value bid will be selected (tender evaluation criteria) • Legal robustness considerations • SMO strategy
<p>Commercial and operational arrangements</p>	<p>How the contracts will work in practice – financially and operationally</p> <ul style="list-style-type: none"> • Financial provisions • Staffing arrangements, including operator delivery plans and expectations • Payment mechanisms and incentives • Service enhancements <p>Contract length, renewal provisions, and end-of-contract arrangements should consider elements such as LTA capacity, operator and LTA risk, legal and competition constraints, and cost of procurement, allowing time for the operational change benefits to be realised.</p>

Market engagement	<p>Current and existing bus operators should be engaged to determine key commercial decisions for any potential franchise option. Ideally this would be undertaken prior to or at an early stage in the assessment process so the options being assessed can be clearly defined and reflected in the Commercial Case and throughout the assessment. Questions for market engagement with current and existing bus operators should include (but not be limited to):</p> <ul style="list-style-type: none"> • What is the operator's view on accepting full or partial revenue risk? • What is the operator's view on accepting the cost risk? • What is the operator's view (for operators not currently operating in the area) on depot provision and ownership? • What is the operator's view on sharing a depot (i.e. where another franchisee is operating a different contract from the same depot) if it was sufficiently sized and there were sufficient contractual barriers in place? • What is the operator's view on the fleet provision and ownership? • What is the operator's preferred way to divide the franchise – area based, route based, etc.? • What is the operator's preferred contract duration? • What is the operator's preferred mobilisation period? • What is the operator's view on how to deliver broader strategic objectives through franchising, e.g. decarbonisation? • What is the operator's view on key risks to franchising success and the ability to deliver the SMART objectives?
Key commercial risks	<ul style="list-style-type: none"> • Identify risks for both operators and the LTA • Include risks related to cost, performance, revenue, legal challenges, and operational delivery

Lotting strategy:

Lotting defines how the bus network is divided into separate packages for tender, with each package competed for and contracted independently. Minimum lot size typically comprises a single bus route, while the maximum could encompass all routes, though splitting individual routes is generally not credible due to the need for cohesive operational control.

Lots may be defined by geography, specific routes, depot location, or designed to include smaller contracts suitable for SMOs. All franchise models will require the LTA to consider the lotting strategy, even if the conclusion is to contract under one lot.

The lotting strategy may be developed following the assessment stage, as part of transition and implementation.

Case study – Greater Manchester lots

TfGM implemented its franchising scheme in three lots (also referred to as tranches) covering three geographical areas. The lots were brought forward in September 2023 (Bolton, Wigan and parts of Salford and Bury), March 2024 (Oldham, Rochdale and parts of Bury, Salford and north Manchester) and January 2025 (Stockport, Tameside, Trafford and the remaining parts of Manchester and Salford). The north west of Greater Manchester was chosen for the initial lot as it had the worst performing routes, no tram access, and higher levels of poverty, meaning franchising had the greatest potential for benefit in this area. The decision to have lots within geographic proximity helped with transition, mobilisation and customer messaging. Each phase grew to allow the transition team within TfGM to manage disruption and learn lessons whilst the operational team could mature.

Full procurement strategy: A full procurement strategy will be required for the preferred franchise option. This will require approval by decision-makers. The following should be considered:

- Desirability of varying the procurement approach considering the scale of different franchise contracts.
- Design of template contracts.
- Defining a qualification system.
- Undertaking pre-procurement market engagement.

- Design of procedure (e.g. different approaches to procurement would be appropriate for different sized contracts to ensure smaller lots are accessible to SMOs in terms of bidding requirements).
- Design of evaluation approach.
- Limitations or restrictions on contracts each operator can hold.
- Mobilisation.
- Contract management processes, including regular contract management meetings and contract management systems.
- Transition period arrangements.
- Variations in approach for smaller lots to larger lots.

Protecting employment rights under Transfer of Undertakings (Protection of Employment) (TUPE) Regulations 2006 is essential for maintaining operational continuity and staff morale during transition to franchised operations. This should be considered as part of any commercial strategy (including procurement) and where appropriate, embedded into the contract terms and conditions.

More detailed information on conducting procurement is included on pages 92-99.



Social value: The following considerations can help maximise value through contracts whilst demonstrating compliance with the PSED.

- Lotting strategy:** SMOs can bring resilience through diversity of the market. Lotting can be strategically designed to enable participation by SMOs by including lots with smaller PVR, leaving assets the responsibility of operators supporting local incumbents, and placing restrictions in the procurement process. At this stage it is relevant to assess the equality impacts of market concentration, checking if the proposed structure might unintentionally favour large incumbents and reduce diversity in service delivery, and consider what would need to be different in the approach in order to be inclusive of SMOs.
- Procurement approach:** The evaluation should include a social value element, e.g. commitments to apprenticeships, local recruitment, health and safety, decarbonisation, inclusive service delivery, etc. Social value can be strategically aligned with local priorities, e.g. by placing conditions within the tender on the operator such as real Living Wage. Similarly, procurement processes should be accessible and transparent, with support for diverse bidders, including those led by or serving underrepresented groups.
- TUPE and workforce considerations:** Workforce stability can be mapped as a commercial asset, considering that retention of experienced staff supports service quality and reduces transition risk. Similarly, equalities during workforce transition will need to be monitored, giving special consideration to ensuring TUPE processes protect workers with protected characteristics and promotes fair employment practices.

Financial Case

Questions to be answered: Is the franchise option affordable?

The Financial Case should describe the overall approach and data used to inform the assessment. This will include highlighting where assumptions have been made in light of missing data or information, particularly relating to the operator data request. This should also set out the approach to inflation for both capital and operational costs, as well as any applied optimism bias.

Current context: Provide an overview of the current position for the LTA in terms of funding and financing the bus system. Include funding flows, current operating costs such as those for tendered services, and any balance sheet or accounting implications over the appraisal period.

Estimating the operational costs of the network: Network operational costs and liabilities associated with transitioning to, and ongoing operations, of a bus franchise are key inputs to the financial assessment / financial modelling of the franchising scheme which will be done in the Financial Case. This includes the potential need to own assets such as depots, vehicles, and / or on-bus infrastructure. Based on the estimated costs for operating the existing local bus network, LTAs will need to determine if they can afford to deliver an equivalent, or better, network. The network operating cost will vary considerably between places as it is highly dependent on specifics related to how the bus network is operated.

The typical inputs required to develop the network operational costs are:

- Total network mileage
- Network growth projections
- Fleet size
- Fleet vehicle types
- Fleet renewal profile costs
- Vehicle purchase cost (whether LTA or operator owned)
- Electrification infrastructure costs and ongoing maintenance (if applicable)
- Vehicle maintenance costs including future and vehicle battery replacement cost for EVs
- Depreciation / leasing factors
- Depot ownership and maintenance cost (whether LTA or operator owned)
- Fuel / energy costs
- Operator employee salary costs including drivers, engineers and management
- Operator management or group overheads
- Operator margin and profit

Estimating transition costs: The initial process to franchise will incur a transition cost and initial capital expenditure – the scale of which will depend on asset ownership arrangements. Consideration should be given to how the lotting approach could influence fleet and depot acquisition timelines and costs, with reference to the Commercial Case. The typical transition costs that will need to be accounted for are listed below. These costs should be budgeted as a one-off cost for the process of transitioning to the franchise model:

- Depot purchase (or site acquisition and construction) costs (if applicable)
- Fleet purchase costs (if applicable)
- Procurement and legal costs for both the franchise operator procurement and broader procurement, such as technology procurement
- Electrification infrastructure costs (if applicable)
- Consultancy advisory services costs
- Change management and transition team costs to deliver the franchising programme and mobilisation. This includes the procurement process and designing and implementing the change to the LTA.
- Stakeholder communication costs
- Marketing and customer engagement costs
- Branding development and roll-out costs
- Back-office technology system development or purchase costs
- Initial on-bus technology costs (as applicable)
- Customer digital offer costs, including apps, websites, ticketing, etc.

There would also be reoccurring costs associated with taking accountability for the bus network and delivering the outcomes set out in the Strategic Case, managing the contracts, and the programme of reoccurring tendering. A typical scenario would be to procure initial franchise contracts over an initial five-year rolling programme, where contracts could run for a period of up to 10 years to achieve network stability and optimum contract prices (or set up for less time with options for extension). With a franchised bus network and associated contractual and organisational aspects already in place, there is potential to stagger the timings of the second round of franchise tenders, such that an ongoing rolling programme of tenders can be achieved over the longer term. This will assist with the management of procurement. These costs, unlike the transition costs, will be reoccurring and can be influenced by any changes to the network such as growth.

Typical operational and re-procurement ongoing costs that will need to be accounted for are:

- Ongoing net operational costs of the network (franchise payment costs minus revenue, and any other operational costs to run the bus network that are not covered by the franchise).
- Ongoing capital costs for renewal and maintenance of existing fleet, depots and technology assets (as applicable).
- Capital expenditure based on replacement and / or growth of assets.
- LTA organisational costs, including some activities that will effectively be a continuation of roles needed within the transition period but excluding interim uplift to manage the transition process and the change management skills required for transition.
- Ongoing costs for management of the EP (if applicable).
- Branding maintenance and renewals costs.
- Marketing and customer communication costs.
- Potential consultancy or interim costs associated with the re-procurement processes capacity and or capability requirements.
- Insurances and ongoing legal and governance costs.

These costs do not include costs associated with delivery of longer-term strategic objectives enabled by franchising, for example network growth costs which may include additional depot capacity, fleet capacity, operator and LTA staffing costs, etc. LTAs should consider whether they include a potential forecast for growth or assume these costs will be covered by revenue or future business cases.

There are other potential costs that could arise due to wider policy-led investment in bus infrastructure, such as new bus stops, bus priority measures, enhanced bus stations, articulated buses in some urban corridors, etc. Franchising will however provide an improved ability for LTAs to develop these types of infrastructure and fleet measures as part of a coherent network and infrastructure plan. It should be noted that many of these costs are already covered by LTAs, although the benefits don't necessarily accrue to the LTA.

Estimating revenue: Provide a description of the revenue informing the affordability assessment, referring to any network modelling undertaken if necessary. Include details of franchise payments and any operator margins derived from the operational cost assumptions. Revenue aspects to be considered include fares revenue, concessionary revenue, Bus Service Operators Grant (BSOG), and advertising revenue.

Risks and sensitivity testing: Identify key financial risks, including those related to cost, revenue, inflation, and operational delivery. Conduct sensitivity testing consistent with the Economic Case to understand the robustness of the assumptions and the potential variability in outcomes.

Equalities considerations:

- Understanding the distribution of financial risk: Consider how financial risks (e.g. revenue volatility, fleet depreciation, etc.) are distributed between the LTA and operators, and whether this may affect service continuity in areas which may be at risk of TRSE. Ensure the financial modelling builds in safeguards to protect services in areas with low commercial viability but high social value.
- Revenue assumptions and equity: Scrutinise revenue assumptions to ensure they don't rely disproportionately on fare increases or service reductions that could disproportionately impact people with particular protected characteristics or social backgrounds.



Management Case

Questions to be answered: How will the franchise option be operated and managed?

Franchising is a change in regulatory approach. The public sector moves from a strategy and policy-setting role to one that must respond operationally and commercially to the bus network. It goes beyond network, fleet and depots to organisational and digital change, and will require a new organisational operating model. It is therefore vital that the LTA develops a strategy that includes a design process for the new organisational operating model, and a transition process from the existing operating model to the new franchise model that covers infrastructure and assets, transition of employees, and significant change to processes, technology and LTA skills and capabilities.

LTAs need to determine during the design phase what roles and level of responsibility they should have based on the franchise model chosen, the current capability and capacity, the cost to transition to the new model, and where risk is best to reside. LTAs can choose the level of change they wish to accommodate by varying which functions stay with operators and which are transferred to the LTA. Prioritisation should be based on where functions are more suitable, risk tolerance, and which functions have more influence on the achievement of outcomes. This can evolve over time in line with phasing of the franchise and increased in-house capacity and capability. Transferring responsibility from the operator to the LTA should not be seen as a cost saving as LTAs will need to develop and implement capability and capacity to deliver this competently..

Particular attention should be given to on-bus technology, incident management, safety, and asset and facilities management, where skills and capability would be limited within a traditional LTA.

An assessment of existing capability and capacity should be conducted to determine whether there is a need for extra resource, process development and / or technology enhancements. The direct award provision to incumbent operators using net cost contracts could allow LTAs to transition to a franchise faster, drawing on existing staff arrangements, on a short-term basis pending full tendering (and expansion of internal capabilities) in the future.

LTAs should develop a target organisational operating model for franchising to inform the people, processes and systems required for their model of franchising. Key elements to include:

- Centralised change team who can develop, plan and implement the change end-to-end, including mobilisation phase. This team will have overall accountability for delivering the transition on time and on budget.
- Target operating model design including business architecture and enterprise architecture for the LTA. This design will feed into the operator procurement process.

- Transition plan ensuring appropriate time for design, procurement, mobilisation, diverse stakeholder engagement and customer preparedness, and implementation.
- Methodology for change, appropriate gateway reviews, governance and assurance.
- Sponsorship and subject matter expertise requirements, which may include increased capability and capacity.
- Consultancy support, specifically in legal and procurement.
- Process for collaboration with local authority members and committees, neighbouring authorities, local operators, wider operators, unions, and other key stakeholders.
- Process to engage and consult with community groups and accessibility groups.
- Transition stabilisation and management resources, to ensure continuity of 'business-as-usual' bus services during the transition period. This will include managing an EP (if applicable).
- Risk management plan, including a systematic approach to identify, evaluate, prioritise and control risks and opportunities.
- Contingency measures for unexpected operator withdrawal, procurement delays, or system failures.
- Governance arrangements, including decision-making structures, contract oversight (including performance monitoring, dispute resolution, and risk management), and how governance aligns with the LTA's wider corporate and political governance and delivery arrangements.

Given the various franchise models and the different structures, size and existing capabilities of LTAs, no single organisation configuration will suit all LTAs. However, Table 4 includes the key functions needed to successfully execute and manage a franchised bus network. Irrespective of the franchise model, capabilities in procurement, contract management, customer support, network planning and revenue forecasting (at the tendering stage for net cost contracts and to understand ongoing financial implications for gross cost contracts) are needed. For larger LTAs, it is more feasible to build in-house teams with a range of roles covering individual functions. For smaller LTAs, it is likely more practical to have fewer roles that cover multiple functions, and to procure external support for particular functions as needed. For example, given the specialist nature of revenue forecasting and network planning, in particular, for smaller LTAs or franchises (partial network franchises), it may be appropriate to procure external support with these when needed.

Table 4: Key functions to execute and manage a franchised bus network

System component	Function	Description
Strategy and governance	Define transport strategy	Developing objectives for transport in the area, aligned with wider strategic objectives and local development plans
	Provide governance and oversight	Performing governance, assurance, monitoring, and evaluation responsibilities as stipulated by the Transport Act 2000
Network	Plan network	Planning and designing the network of buses, by collecting data and modelling to define and specify the network to be procured
	Review and consult on network	Consulting on the network involving data analysis and passenger / non-bus users' comments, working with bus operators
Infrastructure	Define infrastructure strategy	Aligning infrastructure with wider strategies and network design, planning for bus stops, depots, bus priority, and charging infrastructure
	Design and implement infrastructure	Designing transport infrastructure for buses including depots, bus lanes, bus stops, and relevant charging infrastructure
	Maintain bus infrastructure	Maintaining of bus depots and associated infrastructure
	Maintain highway infrastructure	Maintaining of roads, bus priority, stops and other highway infrastructure
	Manage depots	Acquisition of depots, planning depot capacity, setting Operations and Maintenance (O&M) standards, installing charging infrastructure, etc.
Vehicles	Define fleet strategy	Planning fleet specifications including on-bus technology and accessibility requirements, procurement and cascade strategy with ZEB considerations, planning fleet capacity, etc.
	Purchase fleet and vehicles	Procuring buses and managing ZEB considerations such as energy and fuel supply
	Independent vehicle quality monitoring	Establishing a system of oversight to ensure vehicles are being properly monitored and maintained
Operations	Support customers	Providing customer service, including a customer contact centre to gather customer complaints and manage refunds, lost property, etc.
	Collect data and monitor performance	Using analytics to improve services, monitor franchisee performance and contractor management, and ensure compliance
	Provide operational oversight	Collaboration with operators to managing service disruptions, ensuring safety, and maintaining service quality
	Incident management	Taking on accountability for incident management on the network in collaboration with operators and partners (depending on the size of the network this might be delegated to the contracted operator)

Table 4: Key functions to execute and manage a franchised bus network (continued)

System component	Function	Description
Fares & ticketing¹	Define fares and ticketing	Defining ticketing pricing strategy, fare structures and ticketing options, including concessionary passes and student options
	Design ticketing systems	Designing ticketing systems and customer interfaces, including back-office systems for payment reconciliation
	Implement ticketing	Implementing of ticketing types, ticketing machines, payment options and back-office systems to support
	Implement fares	Providing fare structures and revenue protection, including concessionary passes and payment collection and reconciliation
Travel information	Design travel information	Designing the data flow for travel information, from telematic feed to customer interface
	Provide travel information	Communicating timetables, maps, disruptions, and enabling journey planning
Branding	Design marketing and branding	Designing branding and marketing strategy, including visual branding, communications, and traditional and digital marketing collateral
	Implement marketing and branding	Delivering marketing and branding interventions, including bus livery, digital and communications, infrastructure brand roll out, etc.
Commercial	Procurement and contract management	Implementing commercial strategy by procuring local services from bus operators, including the design of the performance regime
	Manage performance	Ongoing day-to-day performance management of operators for bus services, including data analysis across routes and timetables
	Define commercial strategy	Developing commercial strategy include packaging and lotting of network routes and services
	Deliver commercial strategy	Managing budgets, franchise costs, payment mechanisms and fares and non-farebox income
	Collaborate with operators	Collaborating with operators to ensure successful delivery of the franchised network

1 One of the key ways to enable integrated ticketing within a franchising environment is through the deployment of a contactless, Pay-As-You-Go (PAYG) ticketing system combined with fare capping. To make this achievable for LTAs, the DfT is funding Transport for West Midlands to develop a national ticketing solution based on a cEMV model in partnership with the UK's major bus operators and supported by Midlands Connect.

The aim is to develop a single 'broker' system to connect different operators' payment systems, enabling multimodal travel with fare capping on bus and tram and other local transport services, with the functionality to integrate other modes, including rail, in the future.

As the DfT is funding the core development of the solution, all LTAs are strongly encouraged not to develop their own multi-operator contactless ticketing solution. The benefits of this approach include avoiding the need for significant capital investment in a common ticketing system whilst enabling LTAs to implement cross-boundary contactless ticketing schemes.

Table 4: Key functions to execute and manage a franchised bus network (continued)

System component	Function	Description
Corporate support	Manage diverse stakeholder engagement	Collaborating with community groups, transport authorities, local councillors and diverse stakeholders
	Provide HR services	Providing HR support including staff recruitment and management, training, and employer relations
	Provide IT support	Providing IT support including design, implementation and maintenance of systems, and data, such as for ticketing and network review
	Provide legal support	Providing legal support for procurement, contract management, and stakeholder management
	Provide finance services	Performing financial management, revenue management, payment reconciliation, and payment to operators
	Provide risk assurance	Quantifies, manages, and develops mitigation strategies for risks

Success measurement

A benefits realisation strategy should be developed to set out the arrangements needed to be put in place to ensure the franchise option delivers its intended outcomes. This should include:

- Linking success criteria to desired local outcomes and Strategic Case objectives.
- Tracking operational, financial, passenger experience, and accessibility performance and benefits.
- Monitoring progress against milestones.
- Embedding evaluation into ongoing governance.
- Managing risks to benefit delivery and using lessons learned to drive continuous improvement.

An LTA may need to consider a plan for increasing capabilities in:

- Executive management (specifically for bus franchising)
- Business change expertise, including programme management, technology specialisms, risk management, and project management office capability
- Bus performance management, including monitoring and interventions
- Contract management across, operators and assets
- Commercial awareness, financial planning and franchising specific payment regimes
- Significant uplift in governance and stakeholder engagement / management including political scrutiny
- Public relations and consultations
- Growth planning and marketing
- Transport/network planning and design
- Land, property, and lease maintenance and management (depending on whether depots are to be acquired or developed or not)
- Fleet management, planning, and maintenance (depending on whether the fleet is to be acquired or not)
- ZEB expertise
- Customer experience and services
- Technology architecture and development
- Operational control rooms and incident management (depending on the size of the network this might be delegated to the contracted operator)
- Safety management systems

Equalities considerations:

- **Roles and responsibilities:** Clearly define who is accountable for delivering accessibility standards, inclusive passenger information, and customer services, particularly in relation to groups with protected characteristics. This should also cover responsibility for ensuring branding and communications are inclusive and timely. Governance arrangements should also consider a formal role for passenger representatives and representatives of groups with protected characteristics to help shape service design and monitor delivery.
- **Transition planning:** Include a plan for continuity of access during transition, especially for groups who rely heavily on buses (e.g. disabled people, carers, low-income households, etc.). Additionally, ensure staff transitions under TUPE are managed fairly, with attention to equalities in workforce composition and treatment. Transition planning should ensure all workstreams include time for appropriate consultation with relevant stakeholder groups as part of the design process, e.g. cab design and audio visual announcement specifics. Ensure operator and LTA training includes information on enabling accessibility, e.g. wheelchair prioritisation and passenger assistance.
- **Capacity building:** Franchising offers an opportunity to standardise service quality. The LTA should ensure its capacity-building plans include inclusivity and equalities training tailored to different staff roles. Consider secondments or partnerships with equalities organisations or community transport providers, where relevant, to strengthen internal capability and leadership.
- **Service permits:** Ensure the permit regime includes minimum accessibility and inclusion standards, ideally exceeding current practice and minimum legal requirements.

Commission an independent assurance report

Relevant section of the [DfT Franchising Guidance](#) is “Independent assurance report”

Depending on LTA governance arrangements, the decision should be taken based on the conclusion of the franchising assessment whether to proceed with the independent assurance report.

The key focus of the independent assurance will likely be the Economic and Financial Cases. The LTA should programme up to three months for this stage, but this may depend on how decision points are structured alongside any procurement exercises for those undertaking the independent assurance. It will also depend on how early they are appointed and whether they are providing advice throughout the assessment process. LTAs are encouraged to make this appointment early in the development of the franchising assessment so the assessor can provide independent advice much earlier in the assessment process, such as reviewing an ASR. This will help accelerate the process as points of issue will be picked up throughout, not at the end of the process.

Key legal considerations at Stage 2:

- How to respond to operators that have not provided the requested information.
- How to respond to operator queries about the process that may be required to support employees but may have the potential to impact future procurements if not appropriately managed.
- Whether the LTA should sign an NDA before it is able to receive an operator’s data (recommended).
- When the LTA can proceed with undertaking the modelling elements of the assessment notwithstanding that data has not been provided.
- Communications protocol to ensure an LTA does not appear to have made a decision to franchise without following the required process.
- Ensuring that the other options to compare franchising against align with relevant law (such as competition law in the case of aligning fares in different options).

Indicative franchising assessment costs

LTAs must account for the costs of undertaking the franchising assessment, including commissioning specialist technical, financial, legal, and commercial advice, as well as the resources needed for consultation, business case development, and governance.

Greater Manchester Combined Authority, Liverpool City Region Combined Authority, South Yorkshire Mayoral Combined Authority, West Yorkshire Combined Authority, Cambridge and Peterborough Combined Authority, and West Midlands Combined Authority have conducted franchising assessments for the all network model, with gross cost contracts and mostly full asset ownership by the LTA. The cost reported by each of these LTAs is shown in Table 5. It should also be noted that in addition to the below costs, significant officer time is required to support the process.

These are expected to be representative of the upper range of costs to conduct a franchising assessment. It is very likely that as more assessments are prepared, learnings are transferred between LTAs, more template material is produced through the DfT franchising pilot programme, and competition increases for the independent assurance role (in line with the Bus Services Act 2025) that costs will reduce compared to those previously observed. Business case proportionality is likely to apply for assessments related to smaller scale franchises and partial franchise models, which will also likely reduce the assessment cost. Note, however, that a five-case model is required irrespective of what franchise model is being appraised. As such, the cost savings in the assessment will be more due to the level of detail required and scale of network being appraised.

Table 5: Franchising assessment costs and timeframes

LTA	Franchising assessment cost (including independent assurance, consultation and consultation response) at 2025 prices	Approximate timeframe to complete franchising assessment
West Midlands Combined Authority	£2.7m	2.5 years
South Yorkshire Mayoral Combined Authority	£3.3m	3 years
Liverpool City Region Combined Authority	£2.2m	3.5 years Note: impacted by Covid-19 pandemic
West Yorkshire Combined Authority	£2.4m	1.5 years
Cambridgeshire and Peterborough Combined Authority	£1.2m	1.5 years

The Greater Manchester Combined Authority franchising assessment cost is an outlier in that it is significantly higher than the other examples. It was also conducted pre-Covid and had additional complexities not anticipated in other areas. It has therefore not been included in this table.

Stage 3: Consult on the franchising proposal

Relevant section of the [DfT Franchising Guidance](#) is “Stage 3 - Consulting on the proposal”

Once the independent assurance report has been completed and passed, the LTA needs to formally agree to progress to the next stage based on their governance arrangements. The next stage requires the LTA to conduct a formal consultation exercise on the proposed franchising scheme. [Section 123\(E\) of the Transport Act 2000](#) outlines the consultees that must be consulted.

This process should actively involve local bus users, businesses, and transport providers to ensure they have opportunity to provide feedback on the proposal before any decision is made regarding implementation of the franchising scheme. It is recommended that a range of media channels are used to reach potential consultees, including recognising the limitations of some media in reaching particular groups. Local representative organisations, including Disabled People’s Organisations (DPOs) can be used to consult people who may otherwise be harder to reach.

Consideration should be given to the likely volume of responses to the consultation when defining the consultation questions. For example, closed, rather than open, questions can streamline analysis but may limit the level of detail in the feedback received. Having a short questionnaire with key questions and a long questionnaire option is also a way to cater to a range of stakeholders. Resource planning and programmes should account for potentially a very high number of responses.

The statutory documents required to be published as part of the consultation are:

- Consultation document (requirements for this document are outlined in [Section 123\(F\) of the Transport Act 2000](#))
- Franchising assessment
- Independent assurance report

Whilst there is no statutory requirement in relation to the format of the consultation materials, there is statutory guidance relating to accessibility. To make consultation materials accessible, LTAs that have so far consulted on a proposed franchising scheme have chosen to:

- Produce both long- and short-form consultation documents, with the short-form document setting out the key outputs of the franchising assessment in 'plain English'.
- Produce consultation questions that have multiple choice answers (e.g. strongly disagree, disagree, neutral, agree and strongly agree) as well as text boxes for freeform responses.
- Make the consultation documents available for review in both accessible hard- and soft-copy and make the consultation documents accessible to people with a range of access needs (e.g. braille, easy read versions of the consultation documents, etc.).
- Undertake engagement sessions in each constituent authority area.
- Undertake engagement sessions with particular user groups (e.g. school children, disabled people, women, ethnic groups, businesses, etc.).
- Have a consultation period of at least 12 weeks in duration.

Proactive and continuous engagement with key stakeholders before and during the preparation of the franchising proposal should mean that hopefully the LTA will have already addressed key concerns or gained a sufficient steer as to what key stakeholders are likely to provide feedback on.

As an example, Cambridgeshire and Peterborough Combined Authority's bus franchising consultation material can be found [here](#).

Key legal considerations at Stage 3:

- The consultation is not a 'statutory consultation' and the LTA has discretion over the way that it undertakes the consultation.
- The way the LTA undertakes its consultation can create expectations on how the LTA should run the franchise and create challenge risk if the process isn't followed.
- Section 123(E)(4) of the Transport Act 2000 sets out the persons that the LTA must consult in relation to the franchising scheme. The LTA has a degree of discretion over the groups of persons that are to be consulted (e.g. local user groups).
- Section 123(F)(1) of the Transport Act 2000 sets out the items that the Consultation Document must contain.
- Whilst there is no statutory requirement in relation to the format of the consultation materials, there is statutory guidance relating to accessibility.

Key legal considerations at Stage 3 (continued):

- If an LTA opts to undertake a consultation process that significantly departs from the approach undertaken either by the LTA previously or the other LTAs that have consulted on franchising schemes, for example if the LTA wished to undertake the consultation process in 6 weeks rather than 12 weeks, the LTA would need to clearly communicate the consultation process to all involved and ensure that all consultees had adequate time and opportunity to respond to the consultation. Practically, in this example, the LTA would also need to ensure that the statutory requirements for the consultation could be complied in the shortened timeframe. If a consultee advises the LTA that they require further time to respond to the consultation, the LTA would need to consider the specific elements of the request at the time to determine whether the consultation process should be amended (e.g. in this example, the consultation period being extended) to avoid the potential risk of any decision to franchise being challenged on the basis the consultation was flawed.
- Service permit regime - consider whether the LTA is in a position to consult on this at the current point in time.



Stage 4: Make decision, respond to consultation and make the franchising scheme

Relevant section of the [DfT Franchising Guidance](#) is “Stage 4 - Decision, consultation response and making the scheme”

Once the consultation is finished, the LTA will need to produce a Consultation Report to summarise the findings. This will form the next decision point for the LTA, depending on governance arrangements, and at this point the decision can be taken to commit to implementing franchising. After this point the scheme can be made.

It is a requirement for the LTA to include how they will facilitate the involvement of SMOs in the provision of services through their procurement processes in the Consultation Report. A good example of how this was done by South Yorkshire Mayoral Combined Authority is included in Annex B.

Key legal considerations at Stage 4:

- The requirements of an LTA’s consultation response are set out in [Section 123\(G\) the Transport Act 2000](#).
- The LTA will need to determine whether any changes are required to the franchising scheme consulted on (e.g. services included or excluded).
- At the same time as the LTA publishes its response to the consultation, it must also make and publish the final version of the franchising scheme. The legislation does not require the LTA to pass a particular test to introduce franchising. Nor does the Secretary of State need to be consulted or give any kind of approval. Although there is no specific test to be passed, in practice, to reduce the risk of legal challenge of the decision to franchise, where the LTA is an Mayoral Combined Authority (MCA), the Mayor will want the backing of the LTA. All the evidence received from the assessment, independent review, and consultation should support the LTA / Mayor’s decision.

Key legal considerations at Stage 4 (continued):

- The decision to make a franchising scheme requires the LTA to follow its own internal governance processes in making decisions. Where the LTA is a MCA, the decision to make a franchising scheme is a function exercisable only by the Mayor acting on behalf of the LTA.
- The franchising scheme is made on a specific date. The LTA will need to decide whether this should be the same day as the decision to make a franchising scheme is made, or whether this should allow for any challenge period. For example, a number of the LTAs that have made franchising schemes waited until the time permitted to 'Call-in' a Mayoral decision had passed before making the franchising scheme.



Stage 5: Transition and implement the franchising scheme

Relevant section of the [DfT Franchising Guidance](#) is “Stage 5 Implementation”

The transition plan for implementing bus franchising will depend on the franchise option being implemented. Some key considerations for the transition are the organisational implications, confirming the cost assumptions, understanding the process to transition from an EP, procurement and mobilisation of fleet and depots, and understanding procurement options.

The implementation of franchising has a number of phases:

Initiation: Establish the transition team and governance based on the size and scale of the programme and structure.

Design: Develop the design of how the franchise option will be implemented. This is key to ensuring there is a functioning service on day one. The design phase should involve both the development of the procurement strategy, tender and franchise agreement, as well as the development of the operations, based on allocation of roles, risk and responsibility. The output of the design phase, broadly, will be:

- Network design and lotting strategy
- Tender documentation, including bus operating contract
- Organisational capability assessment and transition plan
- Fleet specification and fleet procurement strategy (where applicable)
- Depot procurement strategy and ideally purchase of depots (where applicable)
- Branding strategy

Procurement and development:

Commence the procurement process for operators and fleet and depots (if applicable). This will include detailed design of the franchise and development of LTA capability, including processes and technology. The output of the procurement and development phase, broadly, will be:

- Contract award to operators
- Design of organisational changes, including documentation of key processes, and phased commencement of recruitment for key roles
- Completed high-level design of key technologies and commencement of procurement or build of capability, as appropriate
- Mobilisation plan and business readiness plan
- Brand roll out plan
- Communications and engagement strategy

Mobilisation: Mobilise operators and ensure all fleet, depots, employees, technology and processes are in place for day one. Plans should be agreed for the transfer from the incumbent operator to the contracted operator at the agreed day and time. The output of the mobilisation phase, broadly, will be:

- Successful transfer between incumbent operator and contracted operator.
- Handover of any depots and fleet and the enactment of leases.
- Successful operation of business services.
- Appropriate financial arrangements in place for payment of operators and receipt of revenue (if applicable).
- Provision of travel information for customers.
- Creation of a functioning customer contact centre.



Revisit cost assumptions

The operational costs of operating the network will be estimated as part of the Financial Case (see pages 72-75 for details). Depending on the time elapsed between completing the franchising assessment, especially the Financial Case, cost assumptions should be reviewed to ensure they are still valid and representative of current day costs. Following the update of any assumptions, the network operational costs should be recalculated, assessed for affordability, and input into relevant budgets.

Transition from EP to franchise operations

Legislation requires the franchising scheme to contain provisions for the immediate revocation of an EP once a franchising scheme covering the same area(s) comes into effect. If a franchising scheme is rolled out in phases, or if a partial network franchise model is implemented, then an EP will still need to be in place to cover services that are not franchised. Each service can only be covered by the franchise scheme or the EP, and cannot be covered in both at the same time.

Procurement Options

To introduce a franchised bus network there are two distinct procurement requirements:

- Procurement of the franchised bus operating contract(s)
- Procurement of the supporting goods and services required to operate the franchised bus network such as vehicles, ticket machines, real time information systems, and other services such as independent fleet inspection services

Whilst the procurement of goods and services might be able to use existing frameworks and purchasing agreements, it is possible that bespoke procurement arrangements are necessary for the procurement of the bus network itself. Annex D gives more information on the procurement of supporting good and services.

The rules for public procurements are set out in the [Procurement Act 2023](#) for which [technical guidance](#) can be obtained from the Cabinet Office. The [National Procurement Policy Statement](#) sets out the strategic priorities for public procurement, highlighting public contracting as a means to achieve Government's missions.

The commercial strategy, including market engagement, sourcing strategy, procurement activity, and subsequent contract management plan, will play a vital role in a successful bus franchise. The procurement pathway is arranged under the four stages of the commercial strategy: Plan; Define; Procure; Manage. Each stage will need to be considered for the franchising commercial lifecycle. Crown Commercial Service (CCS) can support LTAs approaching these activities and provide direct support and advice on how to manage the market LTAs are sourcing from. Annex D provides further details on how CCS can support an LTA's procurement strategy and delivery plan.

Along with referencing the rules for public procurement and national policy objectives, there are some key commercial considerations when developing the procurement strategy. These are described below.

Business need

Specifications set the requirements for the network to be franchised and have a material impact on the quality of the service. Consider the requirements for the specification, and the balance between output and outcome specifications:

- **Output specification:** defines the tangible deliverables and performance standards the bus operator must deliver to. These are prescriptive and easy to measure and compare between bids, however they can reduce innovation and the opportunity for suppliers to add value: for example, the quantity of mileage operated, compared with schedule.
- **Outcome specification:** defines the intended end results or impacts for users with targeted indicators. This approach focuses on value and allows operators to show how they will achieve the goal, for example customer satisfaction scores.

Market engagement

Timely and considered market engagement should inform the commercial strategy as supplier insight can determine whether requirements are achievable and can drive the best value. For market engagement, consider:

- Early market engagement to test supply chain appetite, capacity, and capability. It provides direct feedback from prospective suppliers about the specification, sourcing strategy, and contract management plan.
- A market health assessment can inform how suppliers are approached, engaged, and managed. It is important to build knowledge of how the market operates, its current health, and the options for buying from the market to maximise the value obtained from it.
- Learning, feedback, and proactive engagement with suppliers will help shape sourcing strategies and allow the LTA to present requirements and obtain feedback on specification, delivery risks, route to market, contract terms, and budget.
- Under the procurement regulations, a UK2 preliminary market engagement notice should be issued for procurements covered by the Procurement Act 2023. It is required that preliminary market engagement is conducted in a fair and transparent way, ensuring information is open to all interested suppliers.

Selecting the route to market

The best route to market for securing the franchised bus network must consider the complexity of requirements, contract type, market capacity, and market capability. The procurement regulations have simplified the ways that an LTA can approach bus operators to procure. There are three primary ways to source:

- In the open market
- Within an established framework agreement
- Use of a Dynamic Market

In the open market, the PA2023 regulations generally apply to all procurements, including bus services, concessions, and utilities, with exception to those excluded from scope. Section 20 of the Procurement Act covers the options an LTA can use under the regime:

- **Competitive tendering procedure** is a single-stage tendering procedure without a restriction on who can submit tenders (an 'open procedure') although a pre-qualification process might be preferable to ensure the suitability and experience of bus operators before the actual tendering process takes place.

- **Competitive flexible procedure** is a process with additional steps, or features, that the LTA considers appropriate for the purpose of awarding the public contract. This process can include steps like competitive dialogue or reviewing the transport services currently provided to other LTAs or markets.
- **Direct award** is where an LTA awards a contract directly to a supplier of a service. Direct award is permitted for the first bus franchising contracts to incumbent operators using net cost contracts. These contracts can last up to five years and must be awarded only to operators who have been active in the area for at least three months, providing services that are the same or substantially similar. Importantly, this exception is limited to the first round of franchising contracts in a given area. If a franchising scheme expands to a new area, the exception can apply there too, but not to new services within an existing franchise area. This ensures a balance between easing the transition to franchising and maintaining long-term competition.

Direct award and Local Authority Bus Companies (LABCOs):

Local Authority Bus Companies (LABCOs) are to be treated exactly the same as other operators in terms of direct award conditions – i.e. a LABCO will need to be the incumbent operator, having operated ‘the same or substantially similar’ services for at least three months prior to the contract starting. A new LABCO cannot be set up and immediately awarded a direct award contract.

There are however, separate ‘Teckal’-style exemptions that permit direct award for public bodies with specific structures. Teckal is an established part of wider public procurement law and is an option that is open to all public bodies that own any kind of commercial company. If a new LABCO is established as a Teckal company, direct award of service contracts may be allowed under specific and rigorous legal conditions. These conditions vary for net cost and gross cost contracts.

The use of Teckal is complex and subject to challenge, given that it allows contract awards outside of the usual controls imposed by the public procurement regime. LTAs must be careful to ensure that they are within the legal parameters if they decide to pursue the Teckal option and would need to consider very carefully whether this is appropriate for their local context.

Greater Manchester Combined Authority, South Yorkshire Mayoral Combined Authority, and Liverpool City Region Combined Authority have opted for the competitive flexible procedure, which allows them to shape procurement around local needs while engaging in dialogue with bidders to refine proposals. This approach is particularly beneficial for complex, high-value contracts, as it enables LTAs to balance cost, quality, and innovation while ensuring operators can meet service standards and adapt to evolving requirements.

With framework agreements, a public buying authority establishes a framework agreement that a buyer can use to run a competition. Frameworks are contracts with one or more suppliers, which set terms and conditions for future call-offs. A contract procured from a framework is called a 'call-off'. Frameworks can be 'open' which periodically enables the reopening of the framework contract for competition. This can add or replace the existing suppliers to encourage competition and refresh a market. LTAs could also adopt a similar approach through the establishment of their own pre-qualification process. It is important that framework agreements are accessible to local SMOs.

Use of a Dynamic Market allows development of a list of qualified suppliers. It is dynamic in as such that new suppliers can apply to join at any time. These markets can be used for all types of goods, services, or works and may be split into categories.

West Yorkshire Combined Authority has adopted a Dynamic Market model. This approach supports innovation and inclusivity by allowing new entrants, such as SMOs, to join at any time, helping the LTA respond flexibly to market changes and service needs.

West Midlands Combined Authority is proposing a hybrid model – establishing a Utilities Dynamic Market (UDM) to pre-qualify transport operators, followed by a negotiated procedure for contract awards. This combines the openness and adaptability of Dynamic Markets with the structured engagement of negotiated procurement to ensure high-quality tender proposals and value-for-money outcomes.

Building the procurement

Ensure the procurement pack is clear and in a logical format that provides accessible and sufficient information, including clear specifications of the bus services to be provided. Relevant Terms and Conditions should be informed from market research and the needs of the LTA to ensure they allow the contracting and delivery of the required bus service.

For smaller lots which have been designed for SMOs, it is important that the procurement pack and submission requirements reflect the size and capabilities of the SMOs bidding for these lots of work.

When publishing the procurement pack and relevant notices, ensure compliance with the regulatory requirements in place. Frameworks and open market approaches have different obligations.

Managing contracts

High quality contract management requires focused performance and supplier relationship management. Contracts should include fair and equitable terms that can hold bus operators to account, alongside clear delivery requirements (KPIs) for the bus network that can be monitored and evaluated by a dedicated contract manager.

KPIs should be developed during the tender development stage of a procurement and tested with the market to ensure they are fair, reasonable, and achievable to all parties involved. It is recommended that KPIs incentivise the operator to perform, instead of disincentivising them by including overly harsh penalties that include severe financial penalties rather than holding operators to account. KPIs should also reflect customer requirements such as service reliability and accessibility features. KPIs will need to be appropriate to the franchise option being implemented.

Incentivisation and penalty mechanisms

To ensure operator accountability and continuous improvement, bus franchising contracts could incorporate:

- **Bonus Payments:** For exceeding KPIs, such as high customer satisfaction, bus service reliability or increased patronage.
- **Penalty Deductions:** For failing to meet punctuality targets, vehicle presentation, cleanliness, safety standards, lost mileage, etc.
- **Termination Clauses:** For persistent underperformance or breach of contract terms.
- **Reputational Incentives:** Public performance dashboards and operator rankings. For example, [TfL's performance league tables](#).

These mechanisms are designed to be proportionate and enforceable, in line with the Supreme Court's guidance on penalty clauses under English law.

Best practice procurement principles

- Contracting authorities should aim to facilitate involvement of SMOs throughout the procurement process. To do this, tender documents should be accessible, fair, and reasonable for operators of all sizes to respond to, with clear instructions and conditions of participation.
- When considering the lotting strategy, contracting authorities should be conscious of cross-boundary services and operational dependencies to ensure these are managed collaboratively and transparently.
- When developing contracts, contracting authorities should ensure that flexibility is considered to support electric fleet upgrades/rollout, depot and charging infrastructure, incentives, and process for implementing future service changes.
- Use flexible procurement procedures like the competitive flexible procedure, which allows for tailored engagement with suppliers and iterative refinement of bids. This is particularly effective for complex contracts like bus franchising, where service quality, integration, and innovation are key. Alternatively, establish Dynamic Markets to enable ongoing supplier qualification, promoting competition and inclusivity. This approach supports market resilience and allows new entrants to join over time, which is vital for maintaining service diversity and adaptability.
- Regarding KPIs and performance management, penalties and incentives should be designed to encourage improvement without being overly punitive. This supports supplier engagement and the forging of strategic partnerships with bus operators for long-term service quality.
- Successful franchising schemes have involved extensive public and operator consultation, ensuring that services reflect local needs and build public trust.

Experience from existing franchising authorities suggests that a specialist bus procurement team with comprehensive bus knowledge (planning and operations), alongside experience in business change, is necessary to ensure that contract specifications and the tender evaluation are delivered by an informed client who fully understands the specific requirements of a bus operating contract.

There will be a benefit in building an in-house team with this knowledge to deliver the procurement process through to successful contract award. This team may also be involved in ongoing contract management especially when contract variations or warnings are required. Depending upon the size and frequency of the proposed bus franchising it might be necessary for some of these skills to be contracted from consultancies or to share resource with other LTAs.

Key legal considerations at Stage 5:

- Procurement of external advisors (if not already appointed).
- Request information from operators about relevant employees to determine who is principally connected and will TUPE along with the franchised services.
- If land needed should compulsory purchase powers be used and if so, when should the process be started?
- Consideration of fleet requirements. Are any new vehicles to be purchased? Plan procurement timetable.
- How will the LTA approach the procurement of used vehicles? What is the best approach to providing vehicles to operators – lease or residual value mechanism?
- Does the transition plan require direct award to incumbent operators? Develop heads of terms and determine LTA ‘red lines’.
- Development of detailed commercial model for franchise contracts. Development of contractual documents.
- Review of franchise lots due to time passing since the assessment was finalised.
- Service permit regime – has this already been consulted on, and if not when will consultation take place and what will the process be? If the service permit regime has been consulted on, are changes required to the template permits?



Funding Considerations

LTA's have access to a wide range of funding streams to support the delivery of integrated, reliable, sustainable, and passenger-focused bus services. It is acknowledged that funding may not always be equivalent to the level required to meet LTA ambitions to deliver various interventions, such as franchising. It will be up to each LTA to assess and consider this as part of the decision-making process.

Alongside dedicated DfT grants covering operational, capital, and revenue support such as the Bus Service Operators Grant (BSOG) (see below), Local Authority Bus Grant (LABG) and Transport for City Regions (TCR) funding, LTAs can also draw on their own resources and wider investment programmes where applicable to underpin the development and delivery of franchised networks. Examples include the Local Government Finance Settlement (LGFS) from the Ministry for Housing, Communities and Local Government (MHCLG), workplace parking levy, road user charging and borrowing income. Combined Authorities (CAs) and Combined County Authorities (CCAs) can levy funding from their constituent councils to meet the costs of their transport functions. Also, Mayors can introduce a precept on residents to fund functions that they exercise on behalf of the CA / CCA.

Following passage of the English Devolution and Community Empowerment Bill, this will be expanded to any functions of mayoral CAs and mayoral CCAs, including transport and local infrastructure.

Funding for the statutory requirements of the ENCTS is provided by the MHCLG via the LGFS. The LGFS does not take into account whether an LTA intends to franchise its concessionary travel services when allocating funding. LTAs still have a duty to provide free travel to eligible groups under ENCTS, regardless of whether they franchise or not.

These funding sources will play an essential role in helping LTAs manage the costs of establishing franchising arrangements, supporting day-to-day operations, delivering service improvements, procuring new fleets, upgrading infrastructure, providing concessionary travel, and improving the passenger experience.

BSOG

One notable source of grant funding is BSOG, which is paid to bus operators in England outside London, to support them keeping fares lower and service levels higher than they would otherwise be.

Who receives BSOG:

- Commercial bus operators receive a payment for conventional combustion-fuelled vehicles based on a combination of the distance covered for eligible commercial bus services (not tendered) and the amount of fuel used.
- Commercial bus operators may also receive incentives based on whether they accept smartcards for payment, if they have automatic vehicle location equipment fitted to their vehicles, and whether their vehicle meets the Low Carbon Emission Bus standard.
- Commercial bus operators also can benefit from incentives to support the transition to ZEBs, set at a rate comparable to the total funding received by conventional combustion-fuelled vehicles, which is payable on a distance metric. Commercial bus operators may receive these incentives on both eligible commercial and eligible tendered services that they operate.
- Community transport operators are eligible for all of the above payments on eligible community transport services.

BSOG Devolution

The funding formerly known as Local Authority BSOG, which was paid to local authorities to enable them to support bus services in their local areas, has from 2025-26 been consolidated into the LABG.

LTA's will have responsibility for administering BSOG devolved to them only once they have decided to franchise. A portion of the national BSOG budget will be transferred to them, aligning with their franchising plans, to support their franchising programme. Due to the length of time required to calculate accurate funding, franchising LTA's should contact DfT early on in their franchising journey to discuss this process, with the aim to begin the transfer of funding before the first franchised services start operating.

This funding will be calculated using the same formula as for commercial BSOG, based on the number of eligible commercial kilometres operated within that LTA area in one year. It will be transferred to the LTA in tranches according to the start date of local operators' BSOG claim for the first year, before being paid in a single annual payment, potentially as part of an Integrated Settlement, in subsequent years.

Once funding has started to be transferred, DfT will stop paying BSOG to those services. The franchising authority will need to support its remaining commercial services by providing a grant to operators. Grants only need to be provided until services become part of the franchise. Running BSOG in advance of full rollout of a franchised network helps the LTA gather vital data, build relationships with their operators, and deliver a smooth handover from commercial to franchised services.

Key Considerations for Successful Implementation

Franchising is one of several ways to improve the attractiveness of a local bus network. It can be implemented in a range of ways to suit local objectives and the LTA's approach to funding and risk. Whilst it can deliver many opportunities, franchising comes with challenges in terms of transition and continuous management. Risks are proportionate and can be managed and mitigated through a variety of mechanisms such as ongoing monitoring and contract management.

Table 6 summarises a number of the key opportunities associated with franchising. Table 7-10 provide an overview of additional considerations and potential actions to address these as LTAs progress towards implementing any bus franchise option.



Table 6: Summary of key opportunities associated with franchising

Category	Opportunity	Opportunity descriptor
Strategic	Better alignment with broader policy objectives	The LTA would have control over bus service provision, allowing for better alignment with key policy objectives. This includes contributing towards meeting decarbonisation and mode share targets, improving accessibility, maximising social inclusion, and enhancing connectivity to employment and other key services, as well as other non-transport policies.
Financial	Reinvest savings into the network (depending on contract type)	Under a gross cost contract or shared risk contract, the LTA could reinvest any savings back into the network. Franchising would provide the LTA with greater control over the bus network within the franchise scheme area, ensuring bus routes are considered as part of a network rather than as individual commercial entities. Savings can help fund socially necessary but less profitable services, such as those serving schools, rural areas, or healthcare facilities. This supports an overall more inclusive, balanced, and stable network.
Financial	Obtain non-farebox revenue	The LTA could access non-farebox revenue from sources such as advertising, which would previously have been received by the operator.
Financial	Benefit from investments and associated operational cost savings	Under a gross cost contract or shared risk contract, the LTA could directly benefit from operational cost savings associated with investments, such as bus priority schemes.
Financial	Address gaps in service provision and maximise VfM	The LTA could address gaps in service provision and maximise value for money from tendered service provision by being able to bundle profitable and non-profitable routes together in tenders. This can reduce the need for separate subsidies and ensure that public funding supports a balanced network rather than isolated services.
Operational	Improve network design	Opportunities to unlock network efficiencies by rationalising overlapping or competing routes (e.g. on busy corridors) and reallocating resources (e.g. spare bus kilometres). This can also improve service frequencies and extend coverage. For example, rural feeder services can be designed to connect into transfer hubs, making better use of limited resources while enhancing connectivity.
Operational	Enable easier multimodal integration	The LTA could ensure that the bus network is integrated with the local and regional rail networks, e.g. by running feeder services to connect with rail timetables, thereby reducing the need to run bus services in parallel with rail services.
Operational	Increase patronage	Opportunities from incentivised, contracts to drive patronage growth. Depending on the contract structure, well-designed incentives, such as bonus mechanisms within gross cost contracts, can foster stronger collaboration between the LTA and contracted operators to improve service quality and unlock patronage growth.

Table 6: Summary of key opportunities associated with franchising (continued)

Category	Opportunity	Opportunity descriptor
Operational	Enable performance management and network improvement	Performance-based reviews can provide flexibility to progressively improve the network. Contractual arrangements could allow for regular reviews of performance and amendment of routes, schedules and frequencies to improve performance and meet passenger needs. Depending on the contract type, operators may also propose and implement network improvements that respond to passenger needs and help grow patronage.
Operational	Simplify fare and ticket structures	The LTA could specify a simple and easy-to-understand fare and ticket structure such that passengers can travel on all services without needing to pre-plan, allowing passengers to switch buses for no charge and hence normalise transfer.
Operational	Improve passenger information provision and overall customer experience	Improved customer service and experience can be achieved through a simplified, planned network, with greater consistency across operators, brand, fares, ticketing, and general communications. This can lead to a more simplified, user-friendly experience for the passenger. This opportunity is most fully realised under an all network franchise model, though some benefits are still achievable with partial franchise models.
Operational	Address over-bussing issues	Opportunities to set maximum frequencies on specific corridors to manage the flow of buses through an area to address over-bussing issues.
Operational	Improved collaboration with highways authorities	Bringing together the highways and service operations functions under one organisation could facilitate greater collaboration between highways, infrastructure, and operations, leading to improved services.



Table 7: Summary of key political/legal considerations associated with franchising

Consideration	Consideration descriptor	Possible actions
Different levels of support for franchising across decision-makers	Depending on governance structure (e.g. multiple districts within a combined / strategic authority or an LTA that makes decisions through a Transport Committee), various decision-makers may have differing levels of support and expectations for franchising.	Continue engagement through pre-assessment, assessment, and post-assessment stages and set out a longer-term funding vision across all modes.
Changes to political leadership during transition	Franchising can be a long transition process that potentially takes longer than the political cycle. This could potentially destabilise the transition to franchise, making it take longer and cost more.	Ensure a strong case for change is developed that is linked to outcomes.
Statutory process	If the LTA does not comply with the regulatory framework and due process is not followed, then there is a risk of stakeholders, such as operators, legally challenging the process, which could increase costs due to delay and legal fees.	<p>Ensure thorough stakeholder management and engagement with operators is conducted through the process where the benefits of the scheme can be communicated.</p> <p>Lessons can be taken from places that have already franchised to incorporate approaches to minimise legal dispute. It is expected that legal challenge risk should be reducing as more places go through the process, assuming that the LTA retains legal advice and follows the DfT Franchising Guidance.</p>



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Table 8: Summary of key financial considerations associated with franchising

Consideration	Consideration descriptor	Possible actions
Costs from the transition process	The transition process involves a large shift in responsibility from operators to LTAs, and the cost of these – both one-off and ongoing – should not be underestimated. The restructuring may also trigger pay negotiations which may not have occurred otherwise.	Implement good management accounting, including future forecasting during both transition and operational phases, to ensure clear visibility of current and future financial performance by the bus franchising management team.
Costs from asset purchase and management	Under some options, LTAs may need to acquire depots, fleets, and technology – this may require large capital funding. Protracted negotiations and challenging timescales could lead to poor VfM. LTAs may also be responsible for asset management and depreciation costs, which were previously borne by operators.	Follow best practice procurement processes and undertake early market engagement to understand costs.
Revenue volatility	Under franchising, depending on the contract type, the revenue risk may sit with the LTA. A decline in passenger numbers, due to factors such as economic downturns, demographic changes, shifts in transport trends, or lower than forecast uplift in patronage from network rationalisation, could significantly impact revenue. This can impact the financial viability of the system for the LTA.	<p>Develop a robust Financial Management Strategy and ensure detailed forecasting is conducted, with a process in place to manage volatility between years. Market challenges could be addressed through:</p> <ul style="list-style-type: none"> • Developing a reserve account which could be topped up in years where franchising surpluses are likely. • Scaling the network to reduce costs to minimise the funding gap. • Reallocating funding from other sources to fill the funding gap or raising revenue through other means.
Increasing operating costs for running bus services	If costs increase, the LTA would be exposed as it provides a franchise payment to operators. Cost increases could result from operators pricing in a premium due to uncertainty, inflation being higher than forecast in key cost categories such as energy, fuel or staff costs, and/ or from tenders being less competitive than expected. In general, nationwide bus reform could drive up costs through competition between LTAs for employees, operators, and other supply chain elements.	Conduct market engagement ahead of franchising to develop the most appealing proposition to the market that will encourage competition and bring down bid prices. A well-defined and robust Procurement Strategy will be key to achieving this. Sensitivity testing around operating costs should also be carried out, and the LTA should ensure that contracts have appropriate annual inflation adjustments in place.

Table 8: Summary of key financial considerations associated with franchising (continued)

Consideration	Consideration descriptor	Possible actions
<p>Established Local Authority Bus Company (LABCo) being unable to offer competitive franchised bids</p>	<p>LABCos do not have the economies of scale and buying power compared to the large national operators. This could lead to a LABCo failing to win franchise contracts within their established network, potentially jeopardising the long-term viability of the LABCo and risking the loss of a local asset.</p>	<p>Prioritise engagement with established LABCos and collaboratively develop a plan for how the LABCo would integrate into a franchised network.</p> <p>Consider franchising options that would support ongoing success of a LABCo. For example, franchising schemes can be split into different or smaller packages that might be suitable for SMOs or specific areas.</p> <p>Contract specifications and tender evaluation criteria should not only focus on cost. Additional factors, such as reliability, service delivery, passenger experience, and bus vehicle specifications, should also be considered.</p> <p>Consider options for direct award to existing LABCos: awarding franchising contracts to a LABCo as the incumbent operator or direct award via the Teckal exemption.</p>



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Table 9: Summary of key transitional considerations associated with franchising

Consideration	Consideration descriptor	Possible actions
<p>Issues in collaboration between incoming and outgoing operators, and LTAs</p>	<p>Transitions may involve negotiation and coordination over responsibility, assets, and technology between a number of parties, including the LTA. LTAs may lack the mediation, planning, and change management skills to effectively manage such transitions.</p> <p>One example of this is operator demobilisation, where outgoing operators vacate their depots. This requires sustained, good-faith collaboration between incoming and outgoing operators, alongside LTAs.</p>	<p>Include contract change expectations / processes in the tender documentation. Since most bus company employees will TUPE to the new operator, gaining cooperation should be achievable with good engagement from the new operator. Tenders could ask (and score) for proposed approach to contract mobilisation.</p>
<p>Operators withdrawing commercial services, or the commercial network becoming unviable during transition</p>	<p>Under some franchising options there is the risk that operators could withdraw commercial services, or the remaining commercial network becomes unviable, between the announcement of franchising and the tendering of the relevant services as part of the franchising process. This could lead to reputational damage and increased costs of tendered services.</p>	<p>Let short-term contracts to cover for withdrawn services, with a financial allowance set aside for this, e.g. direct award of short-term contracts to incumbent operators.</p> <p>Ask incoming franchise operators to mobilise these services quicker under a tendered approach, should deregistration occur post-award.</p> <p>Draw on the experience of other LTAs implementing franchising, notably Greater Manchester. Effective monitoring and management by the LTA of existing services will be needed as these are phased out in parallel with management of phasing in of franchised services.</p>
<p>Operator mobilisation</p>	<p>Mobilisation for franchised services may require new IT systems, transferring staff (via TUPE), accessing depots and fleets, etc., which if not adequately prepared for, could lead to delays and additional costs.</p>	<p>Ensure operators have robust mobilisation plans which are monitored, and which include ensuring smooth staff transfers via TUPE and the ability to effectively secure assets such as depots and fleet. Ensure 'mobilisation' is a key aspect of bid evaluation.</p> <p>A mobilisation project manager could be assigned to the operator(s) from the LTA who manages / oversees the mobilisation plan and ensures interdependencies between the LTA and operators are well managed.</p>

Table 9: Summary of key transitional considerations associated with franchising (continued)

Consideration	Consideration descriptor	Possible actions
Transfer or purchase of depots or vehicles	<p>If depots or vehicles are transferred between operators or to the LTA as part of the franchising contract, there is a risk that the assets are in poor condition, which could increase the financial and transition timeline risk.</p> <p>If the LTA is purchasing depots and fleet, this must be well-planned to avoid disruption.</p>	<p>Undertake detailed due diligence on all assets the LTA is seeking to acquire and account for any works required as part of the acquisition negotiations.</p> <p>Document clear transfer process for moving vehicle assets between operators, including inspection regimes and the rectification process.</p>
Incumbent operator demobilisation	<p>There is a requirement for incumbents who are not successful to both demobilise their operations but also help with the transition to the LTA and the new operator. This activity and collaboration is not possible to contractualise and there will be costs borne by the operators. There is a risk that exiting incumbent operators could fail to demobilise or support transition in a collaborative way.</p>	<p>Build a good relationship with incumbents ahead and during the franchising process.</p> <p>Be mindful of the emotional and financial cost to operators of losing their operations and give support where available or appropriate to help with the transition.</p> <p>Encourage open and reasonable dialogue between operators and be prepared to mediate where possible. A mobilisation and demobilisation project manager could be assigned by the LTA to help with this.</p>
Poor quality bids received	<p>There is a risk that LTAs may be dissatisfied with the quality of bids received. This risk could be exacerbated by the nationwide scope of UK bus reform, which may cause operators to be overstretched as they manage simultaneous bidding and mobilisation efforts.</p>	<p>Engage the market early to encourage competition and a greater number of bids, and ensure clear tender documentation to support operators preparing bids.</p>
Conflicts with surrounding areas	<p>There is a risk that an LTA's approach to bus reform will conflict with those of neighbouring LTAs and CAs – this could potentially impact on the delivery of cross-boundary services.</p>	<p>Engage with neighbouring LTAs early, especially during the franchising development phase.</p>

Table 10: Summary of key operational considerations associated with franchising

Consideration	Consideration descriptor	Possible actions
Staff recruitment	<p>There is a risk that the LTA is not able to recruit adequate staff or capabilities to deliver franchising, including specialist bus skills and increased procurement staffing, for the expected rates. This could lead to increased costs to be able to recruit within the planned timeframes for delivery. This challenge may be exacerbated by the UK-wide nature of bus reform, which could create competition between LTAs for the same pool of individuals.</p>	<p>Develop an operating design and assess current capability needs, ensuring that allocation of responsibilities is suitable between operators and LTAs and that any increase in capacity and capability (people and technology) is possible within the delivery timescales.</p> <p>Create a Workforce Plan to effectively recruit accordingly.</p> <p>Begin recruitment early to minimise delays. Ensure effective engagement with operators and unions, with adherence to TUPE. Consider developing relevant capabilities internally, particularly bus skills such as network planning and performance management.</p>
LTA staff pressures	<p>Under bus franchising, the LTA's role expands from setting strategy and policy to being actively involved in the day-to-day contract management and commercial demands of the bus network. There is a risk that existing staff and institutional structures may not be fully equipped to manage this shift in responsibilities.</p>	<p>Roles and responsibilities between operators and LTAs should be split appropriately based on risk and the body's ability to deliver this.</p>
Staff roles and responsibilities	<p>An unclear definition of the split of responsibilities in operating services could lead to a duplication of roles in the LTA and operators, increasing the cost of the bus sector.</p>	<p>Develop an operating design and assess current capability needs to ensure that allocation of responsibilities is suitable between operators and LTAs and that any increase in capacity and capability (people and technology) is possible within the delivery timescales.</p> <p>Ensure clarity of roles and responsibilities between the LTA, franchised operators, and other operators.</p>
Network integration	<p>There is a risk that the franchised network does not most effectively interface or coordinate with rail services or other bus services, which could affect revenue for franchised services.</p>	<p>Identify key interfaces with rail and other bus services, and ensure each interface is owned, monitored, and managed to ensure coordination and minimise disruption.</p>
Physical capacity	<p>Insufficient depot capacity or land availability could prevent the delivery of planned outcomes, particularly if the mix of operators in an area changes.</p>	<p>Ensure a clear Depot Plan is developed as part of the preparation phase for franchising.</p>

Table 10: Summary of key operational considerations associated with franchising (continued)

Consideration	Consideration descriptor	Possible actions
Operator incentives	Reduced incentives for ongoing improved efficiency, service quality and innovation, particularly if there is no effective competitive threat posed during the contract period. If there is no contractual mechanism to set and revise minimum standards, or the service required more generally, the network may be less responsive to changes in customer demand or expectations.	Regularly monitor performance and ensure contractual arrangements allow for regular reviews of performance and amendment of routes and frequencies. This would provide the LTA and the operators with opportunities to develop network improvements to attract more passengers. Operators could also be incentivised via contracts to identify efficiencies, e.g. by receiving a percentage of operational cost savings.
Smaller operator participation	There is a risk of consolidation of existing bus operators, and associated loss of competitive pressure, because of operators failing to win a particular franchise contract or being unable to compete for contracts (e.g. due to scale). This may be particularly relevant to smaller operators.	Develop a Franchise Rollout Plan. Area-wide franchising may be the most suitable approach for some locations, whereas route-by-route franchising or franchising of small batches of routes may be a more suitable approach elsewhere in the franchising procurement market. Careful design of bidding lots and procurement strategy including restrictions may be particularly important to allow smaller operators to bid to service parts of the market.
Supply chain competition	UK-wide bus reform could lead to supply chain issues for LTAs ordering fleet and technology, potentially leading to delays in procurement or poorer service.	Engage market early and establish procurement recognising potentially extended lead times.
Cost of technology upgrades	There is a risk that the cost of ticketing, real-time passenger information (RTPI), and vehicle location systems may be higher than anticipated, increasing the costs of franchising.	Conduct a detailed IT systems analysis review to understand the gap between the current and future state and allocate contingency budget and time for IT implementation.
Implementation of new technology	If there are challenges in implementing and integrating new technologies required, such as real-time tracking and fare collection solutions, this could impact timeframes and costs for franchising.	Engage specialist support to assess and procure the right technology and to manage the implementation processes, building in contingency.
Digital exclusion	Risk of digitally excluding vulnerable groups. Such exclusion could lead to non-compliance with legal accessibility requirements, which the LTA would be responsible for.	Ensure compliance with national digital accessibility legislation. LTAs may also benefit from working with disability or age-related groups to improve accessibility of any technology implemented or run inclusive outreach campaigns to encourage uptake among these communities.
Benefits realisation	Failure to achieve the anticipated benefits would impact on meeting modal shift ambitions.	Develop a Benefits Realisation Plan prior to implementation of franchising.

Remember that implementing bus franchising requires:

- Political leadership
- An experienced and skilled staff
- A full understanding of the change and plan to deliver that change
- A clear vision and objectives for the bus network
- Accurate passenger and operational data and data management
- Market research, skilled marketing, and a corporate identity
- Contract management and ongoing relations with operators of services
- A good customer relations strategy

Ultimately, it is essential that the design and implementation of any bus franchise puts bus passengers and potential bus passengers at the centre.



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Annex A: Recommended pre-assessment processes

Before committing to prepare a franchising assessment, it is recommended that LTAs conduct some pre-assessment feasibility work. This should focus on gathering information needed to make an informed and evidence-based decision on the most suitable franchise model, reflecting the local context. This Annex summarises the recommended pre-assessment processes to inform a decision to progress with preparing a franchising assessment.

Undertaking these processes is not a legislative requirement and each LTA will likely have their own processes and requirements for demonstrating the case for change or investment within their local governance arrangements.

Data gathering will be required across all the processes and will position the LTA well for the franchising assessment if some of this is done prior to publishing a notice to prepare the assessment.

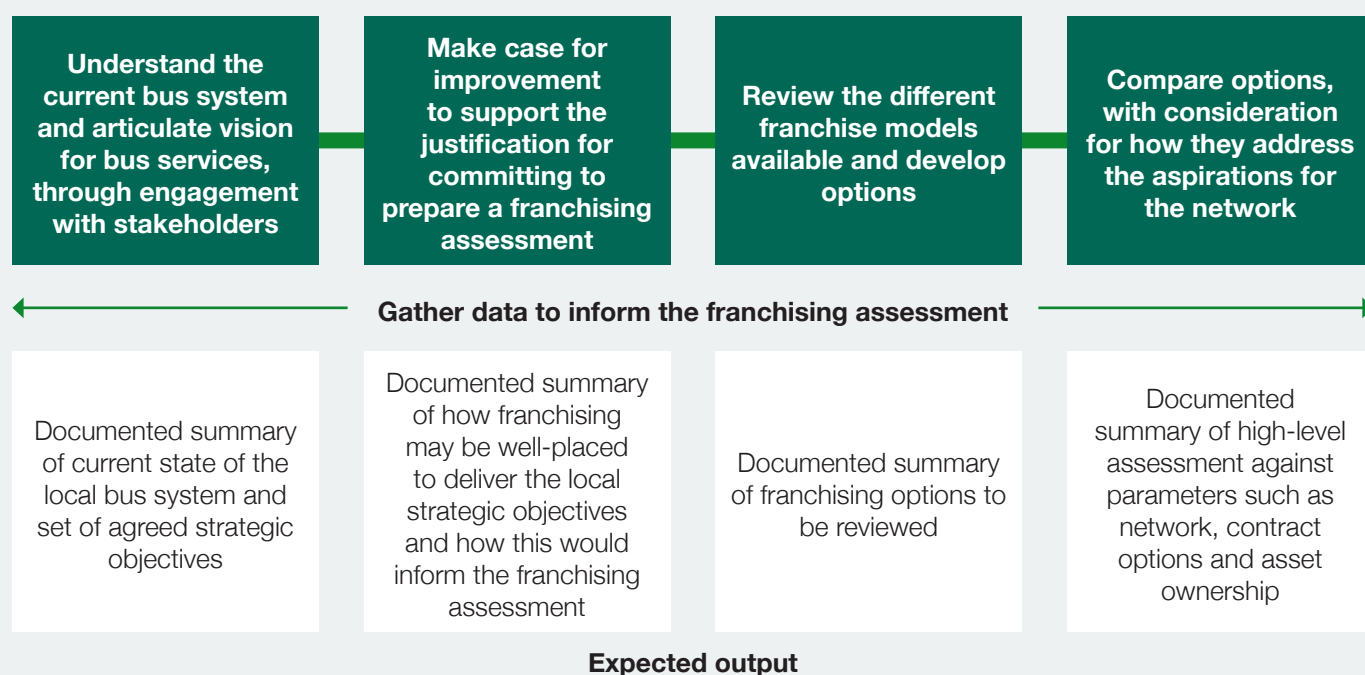


Figure A1: Overview of recommended pre-assessment processes

Understand the current bus system and articulate vision for bus services, through engagement with stakeholders

The purpose of understanding the current bus system and capabilities is to highlight what is working well, to identify shortfalls in current provision of bus services, and to assess how well the current system is meeting local objectives documented in the Local Transport Plan (LTP), Bus Service Improvement Plan (BSIP) and local LTA growth plans. This will help guide, and form part of the evidence base, for changing or improving the current bus delivery model and identifying the model of franchising most suitable for the local area.

Gather information on the following

- Current LTA expenditure across all service types, including tendered services, school transport, etc.
- Current costs (LTA and operator), considering operational, maintenance, infrastructure, and staffing / administrative costs.
- Current bus service performance and challenges, considering especially network shape, coordination, coverage, frequency, reliability, punctuality, accessibility and customer satisfaction.
- Current passenger-facing aspects such as information, ticketing arrangements, accessibility of bus stops and buses, customer care, and branding.
- Current assets (LTA and operator), including fleet composition (including percentage of ZEBs), depots and charging infrastructure.
- Historical trends, considering patronage, network characteristics, LTA costs and subsidy levels, fleet decarbonisation progress, etc., relative to 2/5/10 years ago.
- Customer insights related to as many aspects of the bus journey as possible, including bus stops, boarding and on the bus.
- Neighbouring authorities' bus networks, including their current bus system approach, any near term changes, especially related to any cross-boundary services relevant to the LTA.

Conduct initial stakeholder and market engagement

All relevant stakeholders will have an opportunity to submit a response during the consultation period of the franchising assessment (see pages 85-87). However, proactive engagement with key stakeholders should be undertaken before the assessment commences. This should include:

- **Bus operators**, including:
 - Incumbent bus operators – to inform them of the process that is being undertaken, to avoid any inadvertent leakage of the process leading to business uncertainty, network destabilisation and any impact on employees. Whilst this is not a consultation, if a relationship of trust is built with existing operators in relation to the process, then they may be more willing to provide data and information on the current market, their operations and assets to inform the franchising assessment. See pages 54-57 for more details on data requirements.
 - Non-incumbent bus operators – to inform them of the process that is being undertaken and to establish if they wish to continue to be engaged in the process at appropriate points, their plans for the future including any in the LTA area, and what preferential conditions may or may not influence commercial decisions for the LTA or a bidding bus operator. There may be opportunity to seek national position statements from operators if individual consultation is too onerous for LTAs at this stage in the process.
- **Existing and potential bus passengers and / or user groups** – to ensure passengers and their key priorities and concerns are at the centre of any decision making. This should include engagement with local accessibility advocacy groups (representative of a broad range of visible and less visible access needs) to ensure any decisions consider accessibility and inclusivity.
- **Local business and local business groups** such as regional Chambers of Commerce – to ensure any decisions consider the needs of local businesses, whether that be to improve existing services to enable a broader employee group, or access to customers, or to understand whether there are any significant growth plans that need consideration.
- **Constituent districts or Local Authorities** (depending on the make-up of the LTA's governance structure, including if it is part of a Mayoral or non-Mayoral Strategic/Combined Authority) – to ensure they are engaged in the process and are involved in developing the priorities and the case for change based on feedback from their constituents that they are accountable to. This is particularly important to ensure constituent voices are used to inform the decision-making process and to ensure officers have a level of knowledge should they form part of future governance.

- **Neighbouring local authorities**
 - to coordinate strategic alignment, to discuss how any cross-boundary services will be dealt with, to understand their approach to bus reform and any potential opportunities or conflicts, and to consider the potential impact of the government’s devolution agenda in respect of creation of strategic authorities.

Set out the aspirations for the bus network

It will be useful to revisit local aspirations for the bus network, in light of the review conducted in Step 1 and the decision to franchise.

Franchising represents a fundamental shift in how bus services are planned, delivered and funded. This approach offers a unique opportunity to challenge existing policies and reimagine the role of buses within the wider local transport network. While bus franchising presents a significant opportunity to improve the coordination, quality, and reliability of public transport services, franchising alone may not reverse the long-term decline in bus patronage. This trend reflects broader societal challenges, including changing travel habits, increased car dependency, and dispersed employment and residential patterns.

Review strategic objectives and aspirations for bus

- Review strategic objectives and local stakeholder priorities that a franchised bus system needs to deliver.
- Review interactions with policy and operational matters related to roads and highways, and planning and land use powers, and how they could align to help successfully deliver bus outcomes in a franchising scenario.
- Review the development of a revised network that delivers local strategic objectives.
- Review what and how accessibility improvements can be made to the bus network. All LTAs are required to produce Bus Network Accessibility Plans (NAPs) assessing the existing accessibility of local bus networks and actions that they plan to take to improve it further. LTAs should ensure that aspirations identified when considering a franchising approach are reflective of those in their Bus NAP, or that the Bus NAP is reviewed and updated to reflect consideration given during the franchising process.

Make case for improvement to support the justification for committing to prepare a franchising assessment

The full case for change will be developed as part of the Strategic Case, but depending on LTA governance arrangements, a draft case for change may need to be developed to obtain (political / necessary) approval to prepare a franchising assessment.

The draft case for change should provide an assessment on the current bus system, the strategic objectives and why the existing system is falling short both now and, in the future, to deliver those objectives.

The draft case for change should also document how this franchise could better deliver, at pace service improvement to passengers and the best option to deliver the local strategic objectives along with the benefits that the model can deliver (e.g. patronage, quality, competition, efficiency, financial, social value, etc.). Potential challenges associated with the proposed franchise model and the operational and financial risks should be clearly articulated along with clearly thought through mitigations.

An example case for change from the South Yorkshire Mayoral Combined Authority (SYMCA) can be accessed at [this link](#). This document was pivotal in securing approval from the SYMCA Board to assess bus franchising in the area, with its structure broadly following the approach described above. It includes the objectives for public transport in South Yorkshire, a description of the current state of the region's bus system, an overview of challenges to service provision, including their underlying causes, and a clear justification for exploration of franchising models.

The draft case for change will be a useful basis to engage with stakeholders early in the assessment process to obtain buy-in and hopefully streamline the process.

Review the different franchise models available and develop options

The DfT is keen to see franchising powers used in a wide variety of contexts and the most suitable model for the local area implemented. Because of this flexibility, LTAs should review the different franchise models available and develop some high-level options to be able to demonstrate the case for change. Formal option development will be done as part of the franchising assessment, however prior to commencing the assessment, LTAs should have an idea on what model – i.e. what part of the network – they intend to franchise. There should also be some consideration for asset ownership options and revenue risk prior to committing to prepare the assessment.

Outputs from the DfT franchising pilot programme will be useful resources to draw upon for information, as well as pages 12-37 of this Manual.

Compare options, with consideration for how they address the aspirations for the network

Each option should be considered against the local strategic objectives and current bus network characteristics. Key considerations should be the strategic fit, cost-efficiency, and deliverability of the franchising option being considered, alongside existing market capacity, LTA experience and LTA risk appetite.

Potential tools to help with comparing of options include the [Green Book Options Framework-Filter](#), the DfT [EAST tool](#), the [Green Book Multi-Criteria Decision Analysis \(MCDA\)](#) guidance and the 'Models for Delivery of Local Bus Networks [Handbook](#) and [Toolkit](#)' developed for CPT by Frontier Economics may also assist at this stage.

Annex B: Best practice examples

Greater Manchester: Franchising Scheme for Buses 2021 - Service Permit Conditions

Operational Standards

Environmental

Vehicles on permit services must meet, or exceed, Euro VI emission standards. Where appropriate TfGM may require that vehicles used for services meet equivalent emission standards to those that will be met by services under local service contracts.

Accessibility

All operational staff who are materially involved in the provision of the permit service shall receive disability, equality, and customer care training as part of the operator's planned training programme for its operational staff. This will ensure that high standards of customer care are met by operational staff, ensuring confidence in bus travel in Greater Manchester.

TravelSafe

The operator of the permit service shall participate in the Travel Safe Partnership, including allowing TfGM officers to travel on the permit service for the purposes of passenger safety and security and revenue protection. The operator may also be required to embrace additional policies and standards, such as incident reporting through the TravelSafe Incident portal and information sharing with TfGM in relation to incidents involving its staff or vehicles on the permit service upon request. This will ensure that high standards of customer safety are met by permitted services, ensuring confidence in bus travel in Greater Manchester.

Vehicle Traffic Regulation Orders (TROs) and highways requirements

Permit service operators shall comply with any requirements as to

1. The size and type of vehicles which may be used.
2. Compliance with existing TROs.
3. Compliance with any proposals to amend the highway layout or TROs.

Duplicate Vehicles

Duplicate vehicle(s) which provide additional capacity on a permit service may only be operated over any part of the route of the permit service within Greater Manchester, with, and in accordance with, TfGM's prior consent. The permit will be granted on the basis of the timetable and other details provided within the permit application. Running of duplicate buses to increase capacity within a timetable slot may mean that the service breaches the statutory requirements, in particular if it leads to congestion on routes also used by local services under local service contracts. This condition will allow the operator to agree such duplicate vehicle use on a short-term basis but allow TfGM to intervene if such duplicate vehicles adversely affect other services.

Service Performance & Operational Standards

The permit service shall be provided in accordance with the principles, operating standards and statutory guidance issued by the Traffic Commissioner. Any non-compliance may be reported to the Office of the Traffic Commissioner and/or the Driver and Vehicle Standards Agency. The permit service will need to comply with these requirements outside Greater Manchester, so this ensures consistent standards throughout the journey.

Passenger Information & Customer Service Standards

Passenger Information

Permit service operators shall comply with any marketing initiatives reasonably required by TfGM, including:

- a) providing required information in the appropriate way as specified by TfGM pursuant to Section 139-141 Transport Act 2000;
- b) publishing on vehicles operating the permit service notices relating to TfGM concessionary fares and up to two other passenger information or marketing notices provided by TfGM. TfGM already has rights in respect of information provision within Greater Manchester – this condition ensures that operators under service permits do not detract from consistent provision of information across the network, which could adversely affect passengers and their confidence in the franchised bus network.

Service Numbers

Where service numbers are to be used, applicants must take account of existing service numbers to avoid situations of more than one service operating with the same number in the same locality or district(s) of Greater Manchester. TfGM reserves the right to allocate a different service number that the operator will be required to use as a condition of a permit. Conditions relating to service numbers ensure that there is consistent service numbering within Greater Manchester and that this does not have an adverse effect on any franchised services. Where such clashes exist, TfGM will engage with the applicant to identify an alternative service number.

Communication with passengers

The operator will properly investigate and address customer complaints relating to the permit service to TfGM's reasonable satisfaction and within a reasonable timescale. This condition ensures that passengers within Greater Manchester are able to benefit from proper management of any complaints and have confidence that such complaints will be dealt with properly, whatever bus they travel on.

Fares & Ticketing Standards

Fares and acceptance of TfGM tickets and passes

The operator shall retail and accept TfGM's specified range of tickets and passes at the same fare scale as that provided by TfGM for journeys within the Greater Manchester Boundary, unless specifically exempted from doing so, either in full or part by TfGM. Operators should note that whilst this condition may be imposed on a service, this will be subject to TfGM ensuring that operators are reimbursed appropriately for acceptance of tickets and fare scales specified by TfGM, such that they are no better and no worse off as a result of compliance with this condition and such tickets being available within the Greater Manchester boundary.

Such conditions will be intended to ensure that whilst operating within Greater Manchester services do not adversely affect the local services provided under local service contracts or passengers, by ensuring that passengers can make use of common tickets. Such conditions will, however, be subject to ensuring that compensation/reimbursement arrangements are in place to ensure that operators are not worse off as a result of such a requirement and those ticket types still being available within Greater Manchester.

Service Monitoring Standards

Service Monitoring

Authorised representatives of TfGM shall be allowed to board vehicles operating the permit service without prior notice and require the provision of any data reasonably required for the purpose of confirming compliance with service permit conditions. It is important that TfGM can ensure that permit conditions are complied with – this approach is consistent with the survey rights that TfGM have previously exercised, for example to manage concessionary travel schemes.

South Yorkshire: Facilitation of SMO involvement in the provision of services through procurement processes

Extract from South Yorkshire Franchising Consultation Response Report

Factor	Commentary	Approach to ensuring factor does not inhibit competition for the MCA's contracts among SMOs
Factors relating to the structure of the competition		
Supplier knowledge of opportunity	Unlike larger operators, SMOs may not have the resource routinely to monitor procurement journals for opportunities.	<ul style="list-style-type: none"> • Market engagement should be conducted for all contracts, not merely the 'anchor' contracts in each tranche • Bespoke engagement sessions focused on small contracts may be appropriate • SMOs may be encouraged to enter Joint Ventures with other bidders
Pre-qualification requirements	SMOs may lack the capacity or capability to complete a pre-qualification application of the sort that may be appropriate for potential bidders for 'anchor' contracts.	<ul style="list-style-type: none"> • Pre-qualification could not be required for bidders for small contracts • Alternatively, a separate pre-qualification system could be developed that would be used by bidders for small contracts
Information available to bidders	SMOs may lack the capacity or capability to interpret complex datasets.	<ul style="list-style-type: none"> • Information necessary for SMOs to bid for contracts should be presented in an accessible manner • Factual support could be made available by the MCA to ensure that all potential bidders are able to access and interpret data on an equal basis
Other market opportunities	SMOs may be less likely than larger operators to be seeking opportunities in multiple regions simultaneously, and this factor is likely therefore to represent a less significant barrier than for larger operators.	<ul style="list-style-type: none"> • Development of a regularly updated supplier-facing timetable for franchise competitions, to allow suppliers to plan the resourcing of their bids in advance

Factor	Commentary	Approach to ensuring factor does not inhibit competition for the MCA's contracts among SMOs
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Factors relating to the structure of the competition

Cost, timing and complexity of bidding	SMOs may hold significantly less capability and capacity than larger operators with regard to development of bids.	<ul style="list-style-type: none"> • Ongoing discussion of approach with market participants as competition design is undertaken • During competition design, consideration of areas where the MCA could reduce burdens on bidders — e.g. by providing templates, assumptions, or flexibility with regard to the format of certain elements of bids • Consideration of use of a price-only evaluation approach • Sufficient time to be allowed for bids to be developed • SMOs may be encouraged to enter Joint Ventures with other bidders
Likely competitors	SMOs may be reluctant to bid for contracts if they perceive that they are likely to be awarded to large incumbent operators, who could (for example) benefit from the economies of scale associated with their existing operations.	<ul style="list-style-type: none"> • A prohibition on holders of 'anchor' contracts bidding for 'small' contracts could be assessed • SMOs may be encouraged to enter Joint Ventures with other bidders

Factor	Commentary	Approach to ensuring factor does not inhibit competition for the MCA's contracts among SMOs
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Factors related to the contract structure

Barriers to entry	It is assumed that under all options, 'small' franchises will require franchised operators to provide depot facilities. Whether or not franchisees provide vehicles to operate their services will depend on the option selected.	<ul style="list-style-type: none"> • The small scale of the 'small' franchises envisaged mean that it is not anticipated that these requirements would constitute significant barriers to entry for SMOs • SMOs may be encouraged to enter Joint Ventures with other bidders
Contractual terms	SMOs may lack the capacity or capability to assess and respond to complex contractual requirements.	<ul style="list-style-type: none"> • It may be appropriate to create separate contract templates for 'anchor' and 'small' contracts, with contractual complexity commensurate with the scale of the contracts for which the template will be used • SMOs may be encouraged to enter Joint Ventures with other bidders
Familiarity with contractual terms and structure	SMOs may lack the capacity or capability to be able to conduct due diligence on changing contract structures or terms in successive competitions.	<ul style="list-style-type: none"> • Using a templated contract approach will reduce the level of due diligence that operators need to conduct in order to bid

Annex C: Incorporating social value

Social value in the context of franchising

Bus services inherently provide social value by improving access to economic opportunities, social connections, cultural activities, and essential services. However, the extent and nature of this value will vary depending on the local context and the needs of specific population groups.

LTAs, acting in the public interest, are well positioned to shape services in ways that maximise positive outcomes for their communities. Franchising presents an opportunity to do this more intentionally, but it also introduces new responsibilities and risks. LTAs must therefore consider not only the benefits they want to deliver, but also the potential unintended consequences and the extent to which they could take active steps to avoid and mitigate them.

From a social value perspective, key questions to explore when planning a bus franchise include:

- In what ways could franchising deliver enhanced social value in your area? How can these benefits be maximised?
- What risks or negative impacts to different groups might arise due to transitioning to a franchise? How can these be avoided or mitigated?

LTAs should start identifying where value could be created or is at risk, and who should be considered prior to starting the Franchise Assessment. The following section provides some high-level prompts to support the exploration of social value benefits and impacts; however, localised analysis will ultimately be essential to ensure the approach is place-based.

Mapping potential benefits and opportunities to maximise value

There are general opportunities that can be inherently associated with franchising. It will be important to identify what these might look like at a local level and what active steps could be taken to turn these franchising opportunities into tangible benefits. This should directly feed into options development.

Franchising levers and common opportunities that may arise at the different stages are summarised below.

At network design

Franchising lever	Opportunities
Improved access to granular data and stronger coordination powers to conduct network-wide planning (of bus and beyond)	Increasing capacity to shape routes, frequencies, and service times that cater for needs of groups of protected characteristics and areas of TRSE. Integrating planning for social need within wider network planning, strengthening first and last-mile connections, and integrating persona-based planning taking a network approach. See the Social Value Toolkit for Buses and the ‘Transport user personas: understanding different users and their needs guide’ for initial persona-based explorations. This can be a starting point to develop localised explorations with personas that are representative of the local context.
Efficiencies from route rationalisation	Expanding coverage for areas with limited or no current service and ‘socially necessary bus services’.



At service specification and operational stage

Franchising lever	Opportunities	Franchising lever	Opportunities
Increased control over fare structures	Going beyond offering multi-operator tickets by designing fully integrated and multimodal fares (e.g. zonal capping, flat fares). LTAs can also have further ownership in setting eligibility rules and tailoring discounts and fare structures that better support protected groups (e.g. youth fares up to 25, flexible family/group discounts, etc.)	Specification of staffing and training requirements	Embedding best practice in accessibility and inclusivity into regular, standardised training for all drivers and frontline staff (not just general PSED compliance), linked to evolving local needs.
Direct commissioning and influence over passenger information tools	Specifying and procuring a single digital journey planner and real-time information system that integrates across modes, includes disruption alerts and user-configurable assistance features which account for diverse needs (exceeding the baseline of multi-operator provision of information). The journey planner should provide a high level of digital accessibility and information that enables disabled people to plan journeys that meet their individual access needs.	Ability to deliver and enforce performance outcomes	Setting contractually binding, outcome-based standards (e.g. for punctuality, driver behaviour, information provision), with direct levers for improvement and redress when standards aren't met.
Network-wide control of accessibility standards, branding, and passenger experience	Setting universal fleet and bus stop accessibility standards and enforcing them across all services. Establishing a single-network identity that enhances system legibility and aligning it with inclusive messaging and campaigns (e.g. anti-harassment, dementia-friendly travel) across the whole network (not just buses). Opportunities to test and improve these with local groups representing the interests of vulnerable communities.		

At monitoring

Franchising lever	Opportunities
Contractually embedded monitoring framework	<p>Embedding equity-focused indicators (e.g. on accessibility, affordability, service experience) in performance contracts to track outcomes for priority groups.</p> <p>Mandating inclusive engagement practices as part of the monitoring process. For example, having adequately balanced passenger representation boards with periodic meetings and input of recommendations into both service coverage (routes, frequencies, etc.) and travel experience (safety, comfort, accessibility, etc.)</p>
Access to detailed ticketing data and capacity to strengthen data collection methods	<p>Enhancing understanding of usage patterns among older people, young people, disabled passengers, and other concession-eligible groups by leveraging data from the ENCTS, student passes, and other targeted fare schemes. Identifying gaps in provision and inform targeted service improvements.</p>
Increased influence over customer feedback systems	<p>Building on good practice from operators to create a single, streamlined feedback mechanism. This reduces duplication, enables consistent data capture, and helps identify systemic issues affecting underrepresented or typically unheard passengers.</p>
Ability to formalise passenger representation in governance	<p>Ensuring decisions are shaped by diverse lived experience, through structured input into service reviews, planning and improvement cycles.</p>
LTA accountability for closing the feedback loop	<p>Formalising an inclusive governance framework, which includes a transparent, traceable reporting system that shows how passenger input is used to inform service changes. Improving trust and legitimacy through clear communication back to users (“You said, we did”), reinforcing the social value of engagement.</p>

At procurement and contract

Franchising lever	Opportunities
Ability to integrate equality and social value criteria in procurement	<p>Using bidding processes as an opportunity to actively position operators as partners in delivering social value outcomes, not just service outputs. Ensuring procurement questions and evaluation criteria reflect the Local Authority’s social value strategy as well as key equality gaps identified in the current service.</p>
Ability to influence workforce standards (through contracts or incentives)	<p>Setting expectations for inclusive employment practices such as flexible shifts, provision for religious observance, depot accessibility improvements, wellbeing initiatives, and robust anti-discrimination frameworks. These measures support staff retention, attract underrepresented groups, and enhance service quality.</p>
Influence over training, upskilling and progression pathways	<p>Promoting consistent upskilling, apprenticeships, and career progression across the network, with emphasis on groups underrepresented in the sector (e.g. women, young people, minority ethnic communities).</p>
Ability to structure operator collaboration and knowledge sharing	<p>Recognising that SMOs or newer operators may require additional support to meet enhanced equality and social value standards, LTAs might want to use this as an opportunity to institutionalise mechanisms to share good practice, training, and resources across the operating community to realise improvements in an equitable and efficient manner.</p>
Contractual mechanisms for continuous improvement	<p>Embed measurable social value and equalities KPIs in contracts, with clear expectations for delivery and improvement over time. Use contract levers such as incentives, penalties, or improvement plans to hold delivery to account, while ensuring SMOs are supported to participate fairly.</p>

Mapping potential negative impacts and actions to address these

While franchising presents significant opportunities to maximise social value, it also presents potential risks that could result in negative impacts to various groups both during implementation or because of implementation. In compliance with the PSED, it is essential for LTAs to anticipate and address these potential impacts that could disproportionately affect groups of protected characteristics.

Additionally, potential risks to other groups and operators should also be identified and avoided or mitigated where possible. As for benefits, a localised exploration will be required. As a starting point, general risks to consider are:

Potential negative impact	Potential actions to redress
<p>Network and service changes</p> <p>Route changes or rationalisation could inadvertently reduce access to essential services for specific groups, such as disabled people, older adults, and low-income communities. This could disproportionately impact those without alternative transport options and exacerbate TRSE.</p>	<p>Conduct equality impact assessments early in the network planning process, drawing on socio-economic, demographic, and travel pattern data. Supplement with engagement of protected characteristic groups and underserved communities.</p> <p>Comply with the Bus Services Act 2025 by setting out how service specifications have considered the need for disabled people to access local services, including geographic coverage, service frequency, and accessibility standards.</p> <p>Set local service safeguarding criteria, such as minimum frequencies and coverage thresholds, ensuring no area falls below a defined level without a viable alternative.</p> <p>Protect critical journeys (e.g. early morning and late evening services), which are often essential for shift workers, carers, and others with limited travel flexibility. These protections can be embedded in service design to strengthen inclusive access.</p>
<p>Affordability and ticketing</p> <p>New ticketing structures could unintentionally increase travel costs for certain users or complicate access to existing discounts. Similarly, they could create confusion for users which rely on the existing structure.</p> <p>Funding pressures arising from the implementation of franchising reforms, without immediate financial returns, could create pressure to increase fares, disproportionately affecting those least able to absorb additional costs.</p>	<p>Set minimum accessibility standards in the franchise specification but also include incentives or requirements for operators to exceed these standards (e.g. through quality scoring or innovation criteria in bid evaluations).</p> <p>Identify and document existing high-performing practices (e.g. vehicle design, staff training, customer service) and use them to inform the minimum standards in the franchise.</p> <p>Include KPIs specifically related to accessibility and user experience, with mechanisms for continuous improvement as part of performance monitoring processes.</p> <p>Embed accessibility as part of phased implementation plans. These could incorporate continuity clauses in contracts and provisions for improvement.</p> <p>Allocate resources for interim measures (e.g. temporary signage, staff support) to mitigate short-term impacts.</p> <p>Ensure timely, accessible, and inclusive communication with passengers (especially those with disabilities) about any changes or disruptions. Establish real-time feedback loops and rapid response teams to address accessibility issues as they arise during the transition.</p>

Potential negative impact	Potential actions to redress
<p>Accessibility and infrastructure</p> <p>Disruption or dilution of existing good practices. If franchising leads to network-wide standardisation without raising the bar, some existing high-quality accessibility standards delivered by the best-performing operators may be lost.</p> <p>Temporary inconsistencies in vehicle accessibility, stop quality, and passenger information provision, as services transfer to new contracts or operators. These may disproportionately affect groups of protected characteristics including disability, age, and gender.</p> <p>Over-reliance on minimum standards. Franchising could result in authorities specifying only basic legal requirements, risking a “race to the bottom” rather than encouraging continuous improvement in accessibility and inclusivity.</p>	<p>Consider committing to a ‘no detriment’ approach in pricing structures for vulnerable groups, ensuring that any fare reforms at minimum maintain, and ideally improve, affordability for vulnerable populations. Monitor impacts through regular review of fare uptake and user feedback from key demographic groups.</p> <p>Simplify and integrate concessionary schemes and discount offers, ensuring consistency across services and modes. Invest in clear, inclusive communications to raise awareness, particularly among key demographics.</p> <p>Build financial resilience into the network model, using new franchising powers to explore alternative revenue streams (e.g., advertising, partnerships) and phased investment approaches to avoid undue reliance on fare increases.</p>
<p>Workforce practices</p> <p>Operator transition or contract changes could lead to job insecurity or worsen working conditions, which may impact the existing workforce as well as the public through decreased service quality.</p> <p>Without safeguards, new recruitment and employment practices under franchising could unintentionally disadvantage underrepresented groups or reverse progress made by current operators.</p> <p>SMOs may lack resources or expertise to implement strong HR and inclusion practices.</p>	<p>Embed fair employment and workforce transfer protections into contract terms, such as compliance with TUPE regulations, commitments to fair pay, pension access, decent working conditions, and continuity of employment wherever possible.</p> <p>Promote inclusive HR practices by requiring operators to demonstrate policies supporting diverse recruitment, flexible shift patterns (e.g., to accommodate caring responsibilities or religious observances), mental health support, and improvements to staff wellbeing, such as access to healthy food options, sufficient rest breaks, and safe working environments.</p> <p>Plan for a period of capacity building by offering guidance and practical support to operators, particularly those who may need help to meet new standards. Evaluate operator bids not only on existing practices but also on clear commitments and plans for improvement.</p> <p>Use franchising as an opportunity to encourage collaboration between operators to share good employment practices and foster a culture where workforce welfare is seen as integral to delivering high-quality public services.</p>
<p>Engagement and representation</p> <p>Limited or tokenistic engagement during the design and implementation of changes could fail to surface the full range of needs, leading to designs that disadvantage certain groups.</p> <p>The development of centralised engagement mechanisms under franchising could risk losing the localised knowledge and community relationships previously held by SMOs, leading to underrepresentation of marginalised voices and weakening accountability.</p>	<p>Establish meaningful, ongoing engagement mechanisms throughout the project lifecycle. These mechanisms should include clear feedback loops to ensure public and passenger input demonstrably influences decision-making. Support the active representation of protected characteristic groups within advisory structures, such as passenger boards or equality panels.</p> <p>Co-design the engagement strategy with input from a wide range of stakeholders, including SMOs, community organisations, and advocacy groups, to ensure a robust and inclusive approach. Build in periodic review points to assess effectiveness and make adjustments as necessary.</p>

Annex D: Crown Commercial Service Procurement Support

Crown Commercial Service (CCS) is the UK's biggest public procurement organisation, a trading fund and executive agency of the Cabinet Office. Its purpose is to help the public sector achieve the best commercial and procurement outcomes when buying common goods and services, such as buses, transport technology and infrastructure, through pre-negotiated commercial agreements.

CCS supports public sector procurement by offering a vast range of established commercial agreements and frameworks for everyday and complex transport infrastructure and operational related purchases, enabling quick, cost-effective and compliant buying. The CCS commercial teams provide buyer's guidance, templates, and best practice for public sector procurement policy for each commercial solution.

Please note that all commercial solutions and support services outlined in this Annex can be accessed by emailing info@crowncommercial.gov.uk or your CCS Senior Account Manager.

CCS can support your procurement strategy and delivery plan as follows:

Procurement sourcing solutions and considerations

CCS can support your sourcing strategies for acquiring goods and services. As they understand that these strategies are part of strategic sourcing, a long-term, data-driven process that goes beyond price to consider supplier reliability, quality, risk management, and overall value to meet your organisation's goals.

The table below summaries key commercial solutions CCS offers including a brief summary of scope and any sourcing considerations that need to be taken into account when you are designing a bus franchising strategy. Please note that information provided is for general informational purposes only and only accurate at time of publication. Therefore, for current and accurate information please contact CCS by emailing info@crowncommercial.gov.uk.

Product	CCS agreement scope
<p>Acquisition of buses</p>	<p>Through the CCS Fleet agreements, you can purchase a full range of vehicle types, sizes and fuel types. This includes the purchase of electric buses.</p> <p>The RM6244 Purchase of Standard and Specialist Vehicles agreement provides a Lot for Buses and Coaches with a number of manufacturers to ensure a wide range of specifications are available, as well as ensuring competition and production capacity.</p> <p>Whole life cost</p> <p>Taking a whole life cost approach is key to determine the optimum value bus to purchase, factoring in purchase price, maintenance and fuel costs as well as disposal.</p> <p>Specification</p> <p>The technical and operational needs are key to determining the appropriate specification level for an electric bus. Understanding the required performance will help set the size, range and charging capability needed for the electric bus.</p> <p>Routes to market</p> <p>When acquiring buses, there are a number of methods to consider, from outright purchase with capital funds through to financing arrangements. Each has an impact on where the vehicle residual value risk sits, as well as the payment profile for the whole life cost of the vehicle.</p> <p>As with most vehicles, there are opportunities for aggregation to influence price. Key is the ability to standardise specifications to streamline production, as well as being able to accurately forecast a future pipeline of demand to enable the supply market to schedule build slots, source materials and shorten lead times.</p>
<p>Charging infrastructure</p>	<p>Through CCS agreements, you can source a range of products to support Electric Vehicle (EV) charging capabilities, including deployment of new equipment, operation of existing, maintenance services, and all software and customer facing applications. CCS has various products to support the approach to the market for EV charging infrastructure:</p> <ul style="list-style-type: none"> • The RM6213 - Vehicle Charging Infrastructure Solutions (VCIS) is a dynamic purchasing system under the PCR2015 regulations, that has capabilities for supplier funded capabilities. • The RM6347 - Transport Technology is a new CCS agreement under the new regulations, that supports buyer funded and as-a-service commercial models. • The EV infrastructure procurement support service is a free to use head of terms, complete with guidance and supplier engagement to support with the delivery of a concession style contract, where a supplier takes on all of the risk in exchange for right of delivery of the service. Under the new procurement act, concession contracts cannot be implemented under a framework or dynamic market. <p>Vehicle Charging Infrastructure investment requires understanding of the funding model. Authorities should evaluate different charging technologies available to them with respect to their fleet operation to minimise the cost to the authority.</p>

Product	CCS agreement scope
Transport technology	<p>Through CCS Technology agreements, you can source and deploy all technologies that support delivery of transport.</p> <p>The RM6347 - Transport Technology is a new CCS agreement under the new regulations, that has a wide ranging set of technologies and capabilities in the transport sector. Built in collaboration with the DfT, local authorities and our existing experience, we developed the agreement to enable authorities to source professional services and consultancy services for transport, through to delivery and integration of complex systems.</p> <p>Transport technology procurement requires considerations that include understanding of asset management and maintenance, and ensuring robust data and network security, especially with connected systems. With delivery of open data standards and communications, avoid being tied to one supplier.</p>
Energy and fuels	<p>Through the CCS Provision of Power Purchase Agreement, you can buy renewable electricity directly from specific energy projects – either ones that already exist or new ones built specifically through this scheme. Using this agreement is a practical way to meet your organisation’s carbon net zero targets and includes:</p> <ul style="list-style-type: none"> • Group buying power: we bring customer needs together (aggregation); by purchasing energy in bulk this way, you can secure a more competitive price. • Long-term agreements: these contracts, known as Power Purchase Agreements (PPAs), typically last between 5 and 15 years. You will finalise the exact length for your contract during the sign-up process. • Flexible contract types: the framework is primarily set up for pay-as-produced (meaning you pay for the electricity as it is generated). <p>If you’d like an introduction to PPAs, watch a CCS webinar here.</p>
Professional services and workforce	<p>Through CCS’s RM6179 Legal Services Panel agreement you can access services for general legal advice and services including finance and complex legal services. It provides for a wide range of commonly needed areas of law, including contracts, dispute resolution and litigation, real estate and corporate finance.</p> <p>For extended human resource requirement, the CCS RM6288 Workforce Solutions agreement provides access to contractors and temporary workers, through a single managed service provider.</p> <p>For a transport specific supply chain, access RM6347 - Transport Technology for expert advice and guidance about transport-specific requirements, such as studies, appraisals, design services and more.</p> <p>For requirements related to your organisation’s internal structure like organisational / business support, consider RM6309 - Management Consultancy Framework 4.</p>
Complementary transport services	<p>Through CCS you can also find a route to market for other transport services to complement bus franchising models. This includes sourcing regular shuttle bus services with driver, rail replacement bus services and coaches with driver, all of which can all be done via the RM6342 Travel, Transport, Accommodation and Venue Solutions agreement.</p>

Assisted procurement service

CCS provides a free Assisted Procurement Service to manage complex tenders end-to-end, from bid clarification to evaluation and award, freeing up your time and resources. The CCS procurement leads handle everything from managing the e-sourcing platform and issuing communications to clarifying bids, evaluating submissions, and preparing recommendation reports. Additionally, CCS provides expert advice, guidance, and templates, simplifying the process and ensuring best practice is followed for a secure and transparent audit trail.

Procurement category services

CCS offers commercial expertise and support to help you navigate the complexities of procurement. Support can be offered in various ways, including but not limited to project planning, developing your procurement strategies, pre-market engagement, reviewing your specification, bid pack advice and development, terms and conditions and compliance support.

Quarterly business review service

Your organisation is highly likely to have a dedicated CCS Account Manager who can support your procurement programme by way of Quarterly Business Review (QBR) meetings.

These meetings are forward looking and focused on aligning CCS resources to deliver your procurement programme goals and desired outcomes. In addition, you will be kept abreast of any CCS professional development initiatives and scheduled events that will improve the capability and competency of your staff that have commercial responsibilities.

The QBRs allow you to engage CCS at the earliest opportunity through a dedicated CCS contact that provides continuity. Your account manager will then arrange and manage on your behalf a bespoke programme of further support for you depending on what your transport infrastructure procurement programme medium to long term requirements are.

Aggregation service / joint procurement

CCS Aggregation Service is a free, complimentary service that combines the similar purchasing needs of various public sector organisations to increase their collective buying power. By aggregating their requirements, buyers can achieve better prices and process savings they would not be able to obtain individually. Examples of aggregations, with CCS managing the procurement process, include IT hardware and mobile voice and data services. Please note that CCS will consider either facilitating or running any transport aggregation opportunity you have identified provided there is enough interest from other buyers.

