

Models for delivery of local bus networks

Handbook for Local Transport Authorities

November 2025

This handbook, developed by Frontier Economics, was commissioned by CPT and endorsed by:



Department
for Transport



ADEPT

Association of Directors of
Environment, Economy, Planning & Transport



Contents

Topics

- 1 Executive summary
- 2 Purpose and structure of this document
- 3 Context and policy background
- 4 Step-by-step approach for comparing model options
- 5 Relevant factors to consider when comparing regulatory models
- 6 Review of published existing evidence
- 7 Annex

01

Executive summary

The Bus Services Act 2025 proposes greater powers for local authorities to improve local bus services by choosing a regulatory model best suited to meet local needs

Current bus service models in England

Buses are the most used form of public transport in England. They are vital for local communities to connect and for people to access employment, education, public services, friends and family, leisure activities and so much more.

Most local bus networks in England currently operate with Enhanced Partnerships. These bring together local authorities with commercial operators to agree what actions each of them will take to enhance local bus services.

London and Greater Manchester operate specific franchising models, where the relevant Local Transport Authority (LTA) has an important role in determining the routes, services and fares with operators. Under franchising, typically, bus operators provide their services under contract to the local authority who can design a contract they feel is appropriate. No other services can operate in the franchised area without the agreement of the franchising authority.

What is the Bus Services Act 2025?

The Bus Services Act 2025 aims to provide local areas with greater choice over the models of local bus networks they implement to serve their communities. The Act includes various provisions, the most important of which include:

- **Enhanced Partnerships** are being strengthened by providing greater assurances about “socially necessary bus services”. These will be listed along with measures to apply if operators or LTAs propose cancelling or changing them. The Act creates more minimum expectations for Enhanced Partnerships, including requiring operators to reinvest operational savings arising from the Department for Transport (DfT)-funded bus priority measures.
- **Franchising** has become a more realistic option for local areas by removing the need for LTAs to obtain consent from the Secretary of State for Transport and by streamlining the process.

Irrespective of the model of local bus Regulation chosen the aim is also to improve the experience of all passengers, including those who are disabled, (for example through the elimination of existing barriers and the inclusive design of routes, infrastructure, vehicles and services), and to deal with on board crime and anti-social behaviour. While Local Authorities need to fulfil their Public Sector Equality Duty obligations, the Act includes provisions to improve accessibility and inclusion when delivering bus services, such as enhanced consultation requirements with organisations representing disabled people when franchising or making an EP and producing a Bus Network Accessibility Plan. The ban on new Local Authority owned bus companies has also been removed – these wholly or partially local authority-owned companies could operate under an Enhanced Partnership or franchise model.

No single model of local bus regulation will work best in all local areas. Both Enhanced Partnerships and franchising can be designed in different ways, and can complement each other within a single LTA (with franchising for some services and not others). Enhanced Partnerships and franchising options involve a different balance of responsibility, cost and risk allocation between LTAs and commercial operators. The decision about which bus service model to implement must be carefully considered, based on evidence, analysis, risk assessment and a broad range of stakeholder views including consulting with disabled people and their representative groups. LTAs therefore need to ensure they have an appropriate decision-making structure in place to manage this process.

This independent Handbook has been endorsed by DfT, ATCO and ADEPT and is part of a wider suite of material to help LTAs navigate changes

This Handbook

This Handbook has been independently produced by Frontier Economics on behalf of the Confederation of Passenger Transport (CPT). It has been endorsed by the DfT as an appropriate tool to support LTAs as they consider their options for local bus service provision (during the feasibility/scoping stage) to better meet passenger needs in their own local area in a sustainable way. This Handbook aims to provide:

- An overview of the bus service provision models available for local authorities to choose from;
- An 8-step framework for LTAs to use to compare and assess the options for local bus provision and make an evidence-based decision informed by analysis, expertise and stakeholder views; and
- Supporting evidence and illustrations of relevant factors to consider.

This document should be read alongside an Excel Toolkit which LTAs can use to implement the 8-step framework set out in this Handbook.

DfT guidance

This Handbook and the supporting toolkit are designed to help LTAs at the feasibility/scoping stage in identifying which approach to local bus regulation is right for their area and will best meet passenger needs.

Once LTAs have made the decision about which model of local bus regulation to pursue, they can draw on a wider suite of guidance documents and 'how to' guides that DfT is producing. These guides will complement the material set out in this handbook and will provide information on how a specific approach to local bus regulation can be implemented in practice. In particular, DfT is producing:

- A guide on Enhanced Partnerships (see next page for model overview).
- A refresh of existing franchising guidance.
- A Bus Franchising manual, on how LTAs can implement bus franchising through a range of different approaches to franchising, including those outlined here (see next page for model overview).

Additional material produced by DfT

- In addition to this Handbook and the DfT guidance documents set out above, LTAs may also wish to draw on a wider suite of material that DfT is in the process of producing including:
 - Forthcoming review of Enhanced Partnerships.
 - Evidence from the franchising pilots which are currently being established.
 - Forthcoming Accessible Travel Charter.

Enhanced Partnerships are flexible as they are jointly agreed locally between the LTA and operators. They can cover the whole LTA or part of it, sitting alongside franchising



Enhanced Partnership Model

Current Enhanced Partnerships

Enhanced Partnerships involve an LTA and operators agreeing an Enhanced Partnership Plan. The Enhanced Partnership Plan is a high-level strategic document that sets out the overall strategy and objectives for improving the bus services in a specific Enhanced Partnership area. The plan sets a clear vision of the improvements to bus services that the Enhanced Partnership is aiming to deliver and what the LTA and operators are aiming to achieve.

This is accompanied by an Enhanced Partnership Scheme which sets out clearly defined actions each partner will take (in the aspects of bus provision they are responsible for) to meet those objectives and acts as a legally binding document.

Operators make decisions about the commercial services they operate.

They may determine the routes, timetables and fares offered. They may make investments in the bus fleet and depots and recruit and train staff (drivers and operational teams). **LTAs** tender and pay for non-commercial routes and invest in and maintain shared infrastructure, such as bus stops.

Enhanced Partnerships are very flexible and can be tailored to match the level of local ambition and commitments made by operators and the LTA in each area.

Evolved Enhanced Partnerships

The Bus Services Act 2025 further expands the flexibility that Enhanced Partnerships offer local areas. The current potential of Enhanced Partnerships has not yet been fully utilised in many LTAs, and this potential has expanded further via the Bus Services Act 2025. Furthermore, EP Plans are now required to include protections for socially necessary local services (SNLS) (with measures to apply if an operator or LTA plans to cancel or change these services).

Considerations

Typical advantages of Enhanced Partnerships:

- Enhanced Partnerships enable LTAs to work with operators with a shared purpose of improving bus services.
- Enhanced Partnerships leverage expertise of private operators and respond to changing passenger needs.
- Enhanced Partnerships are very flexible so can be used to deliver a wide range of Bus Service Improvement Plan (BSIP) outcomes. The full potential of Enhanced Partnerships has yet to be exploited by many LTAs, and in some cases, similar benefits to franchising could be delivered, without formally introducing franchising. For example, depending on the level of joint ambition, Enhanced Partnerships can include integrated fares and common branding across operators.

Some risks to consider:

- Enhanced Partnerships rely on agreement between operators and LTAs to make meaningful improvements. In some cases, a single operator can block any significant change, and some LTAs may not agree to commitments that might be difficult for them to deliver. There may be challenges in holding LTAs and operators to account for failure to deliver. This can be mitigated via a well-drafted legally binding Enhanced Partnership scheme which sets out key performance indicators as well as rules and obligations.
- Some LTAs invest significant sums in subsidising their networks under existing Enhanced Partnerships, especially for socially necessary services. On commercial services, revenue risks sit primarily with operators but if services become no longer viable, the LTA maybe expected to step in. This can be mitigated by network / corridor agreements or specifying how socially necessary services will be protected.

Some challenges to consider:

- Governance is important so that the partnership works effectively and is built on trust and commitment. Provision of bus services and co-ordination between bus and other transport modes will always require negotiation between LTAs and operators under an Enhanced Partnership.
- Effective management of an Enhanced Partnership may rely in part on LTAs having a skilled and resourced Enhanced Partnership Coordination Unit. It will also need ongoing constructive input from all parties to the Partnership and potentially a willingness of operators to forego short-term profit for long-term passenger growth.

Franchising can be designed in a way best suited to the local context – covering the whole LTA, part of it, phased in over time or other options



Franchising Model

Franchising

Franchising is an arrangement where contracts are awarded to operators by LTAs. What is covered under the franchising model is for the LTA to choose – it could cover all services in the LTA; some specified services only (and therefore sit alongside an Enhanced Partnership within the LTA); or it could be phased in over time.

Franchising does not always involve an exclusive right to operate, though it often does. An LTA can initiate a tendering process which is designed by the LTA. This may, for example, grant an operator rights to provide services for a payment. Or the LTA may specify the minimum service it requires and enable bidders to compete on both price and the extent of bus service they would deliver. Or the tendering could be more collaborative (as currently happens in Jersey, for example).

Franchising is not one-size-fits-all and can be tailored to best suit the LTA. LTAs have substantial flexibility to design franchise contracts to meet their own requirements. Aspects to consider include:

- The level of LTA control over design of network and fares;
- Which routes / areas to franchise;
- Asset ownership and who is best placed to take this responsibility;
- Risk sharing arrangements;
- The procurement model used.

In some franchising variants the LTA will take more direct control of the design of local services and also take on more of associated financial risk. However, this may not always be the case.

Considerations

Typical advantages of franchising:

- Under a franchised model it may be easier for an LTA to establish a simpler, unified local transport system and a consistent approach to accessibility across the network as LTAs can design contracts to meet their own local needs and reflect the nature of the local operator market. Several franchising assessments conducted by combined authorities suggest that there could be significant economic benefit from the creation of a franchised network, which reflects the importance of effective bus networks to local economies. West Yorkshire Combined Authority (WYCA)¹ considered the potential value (total benefits minus total costs) of franchising compared to an Enhanced Partnership and concluded that franchising offered a higher net present value (£728 million vs. £506 million). WYCA decided to pursue franchising to improve service quality, increase control, and deliver an integrated and greener network. This assessment relied on forecasted benefits and costs which have yet to be confirmed. This emphasises the importance of future ex-post evaluations to determine the extent to which benefits and costs were realised in line with current forecasts.
- Operators have an incentive to deliver high-quality services to establish a track record because this strengthens their bid when contracts are re-procured.

Some risks to consider:

- Depending on the franchise model used, the balance of financial and operational risk between LTAs and operators will vary. Careful consideration is needed to design contracts in the most effective way. Under some models of franchising which involve LTAs directly receiving a share of revenue, the authority may face increased financial risk if fare box revenue fails to cover operating costs. LTAs who decide to invest in assets (e.g. depots) may also face increased risk. However, these increased financial risks may be partially offset for LTAs that are already investing significant sums in subsidising their networks.
- Franchising requires a skilled buyer. The specific LTA skillset required will vary across different franchising models. In some cases, LTA staff will need contract management expertise and network planning expertise (e.g. if they choose a franchise model that gives the LTA control over service design). In other cases, this will be less important if operators retain that responsibility.

Some challenges to consider:

- Franchising may be administratively complex for LTAs. Some franchise models may not always be agile and responsive to changing needs. However, in the future the process of implementing changes should be quicker and easier, which will allow more areas to consider franchising. LTAs can design contracts and procurement lot structures to minimise this risk and ensure that tendering leads to a sufficient number of high-quality bids from multiple operators.

DfT's forthcoming franchising pilots will provide evidence and learning on how different local bus models are designed

DfT's guidance¹ highlights the range of different ways in which the overall approach can be designed. As franchising is only in a very small number of places in the UK currently, DfT is establishing a series of franchising pilots to generate learning on the different variations of franchising in LTAs and how they can be designed to meet local needs and contexts. These will particularly explore how franchising models can be designed and implemented outside of metropolitan areas and in rural contexts. Examples of models being considered as part of these pilots in some areas are listed below:

- 01 Shared risk / Jersey model**
 - Jointly developing franchising with local operators.
- 02 "Grow it out" model**
 - Franchising tendered services as a first step and then expansion to include all services. This could include/introduce DRT to an area to support improved services.
- 03 Phased franchising model**
 - A phased or partial approach to franchising in the areas of most need.
- 04 Micro-franchising**
 - This model could be used to tackle over-bussing and manage the flow of buses in specific areas.
- 05 Hybrid model**
 - This model combines a number of features of the models above.

1. DfT, 2024 A

Importantly, it need not be one model or another – they can be blended as part of a hybrid model where franchising sits alongside an Enhanced Partnership within an LTA

Different variations of franchising can be defined to address specific local needs as part of hybrid models

- Franchised bus services do not have to be used exclusively across the whole of an authority's geography. Franchising and an Enhanced Partnership can complement each other. Under this hybrid model, commercial services can continue to operate alongside franchised services if the authority wishes, and operators are prepared to provide them.¹ Only one area to date in England has recently introduced a franchising model (several other areas are in the process of moving towards franchising). This means that many of the potential franchising models and hybrid approaches have yet to be implemented and tested. This further emphasises the importance of each LTA carefully considering all potential models and weighing up the best available evidence to design a franchising model that best works for them. Some examples of hybrid models are below, and each will have design features that are better suited to some circumstances than others.

Franchising for tendered services

- An LTA may franchise only its **existing tendered network** (e.g. the routes that are not profitable and need to be commissioned for socially necessary services). It is possible that some of these tendered routes could become profitable in the future (e.g. as a result of infrastructure improvements). Franchising this bundle of services could therefore allow for cross-subsidy.

Franchising demand-responsive transport services

- The same principles used for tendered services in the first example could be applied for any new **demand responsive services** (DRT) to be operated.
- A franchising scheme could cover a part of the authority's area and only its franchised DRT services would be able to operate within that area unless a service permit were granted.

Complementary franchising - working alongside an Enhanced Partnership

- Franchising could be used in smaller areas of an LTA to **address gaps in commercial provision** (instead of tendering). Other services that cross the boundary of the franchised area could be delivered via service permits. The rest of the authority's area would still be subject to the Enhanced Partnership. Franchising in this way may be more deliverable and less resource-intensive for the LTA than franchising all services in an area.

Micro franchising

- Specific services would be franchised to address localised service issues such as over-bussing or to maximise localised opportunities related to investment in bus priority measures or mass transit. Franchising could be used across a **very tightly defined area** (such as a bus rapid transit scheme corridor). An Enhanced Partnership would remain in place across all non-franchised areas.

Irrespective of the bus service provision model chosen, there are some overarching requirements for local areas to consider



Passenger priorities

Passengers want reliable, frequent, affordable and accessible bus services. Punctuality and journey time are key priorities of passengers.¹ Also as disabled people rely on local bus services to complete their journeys more than those who are not disabled, accessibility is essential.² LTAs will want to factor in the priorities of passengers in their own area and select and operate the bus regulatory model that is appropriate for delivering against these priorities.



Operating cost pressures

Several factors are driving up operating costs including traffic congestion (in some areas) and staff costs.³ Under any regulatory model, a high-quality bus service is reliant on the provision of well-maintained infrastructure to reduce journey times, a stable funding model and complementary policies to help manage cost pressures and keep journey times down (which may make buses more attractive, and in some cases, increase bus usage). These policies could include on- and off-street parking availability and pricing.



Transition to net zero

The bus sector will have to meet the challenge of transitioning fleets to zero-emission. Major investment to upgrade the fleet and build the necessary infrastructure will be needed to enable this. Zero-emission buses deliver benefits to local communities through improved air quality, to passengers through improved comfort and to operators/LTAs by reducing operating costs. LTAs will want to consider the extent to which different bus regulatory models can support an accelerated transition to zero-emission buses.



LTA capacity, capability and funding

LTAs may need to devote significant effort to the design and operation of local bus service models, depending on the model chosen, to ensure local needs are met. A broad range of skills are required (e.g. commercial and governance best practice). Some 46% of local authorities rate their capacity to deliver local transport as very or fairly poor, though LTAs are making investments in this area.⁴ LTAs also need to fund the chosen model in the context of competing local priorities. LTAs need to ensure they have appropriate leadership and decision-making structures in place as well as sufficient numbers of staff.



Interaction with other modes and other areas

Bus services need to work well within the existing geography and road space available in the local area. They should also interact as seamlessly as possible with the wider transport system. It is important the interdependencies between local models (e.g. cross-boundary routes) are fully considered.

1. Transport Focus, 2025

2. DfT, 2024 C

3. CPT, 2025 A

4. National Audit Office, 2025 (46% figure refers to 2021 data published in 2023).

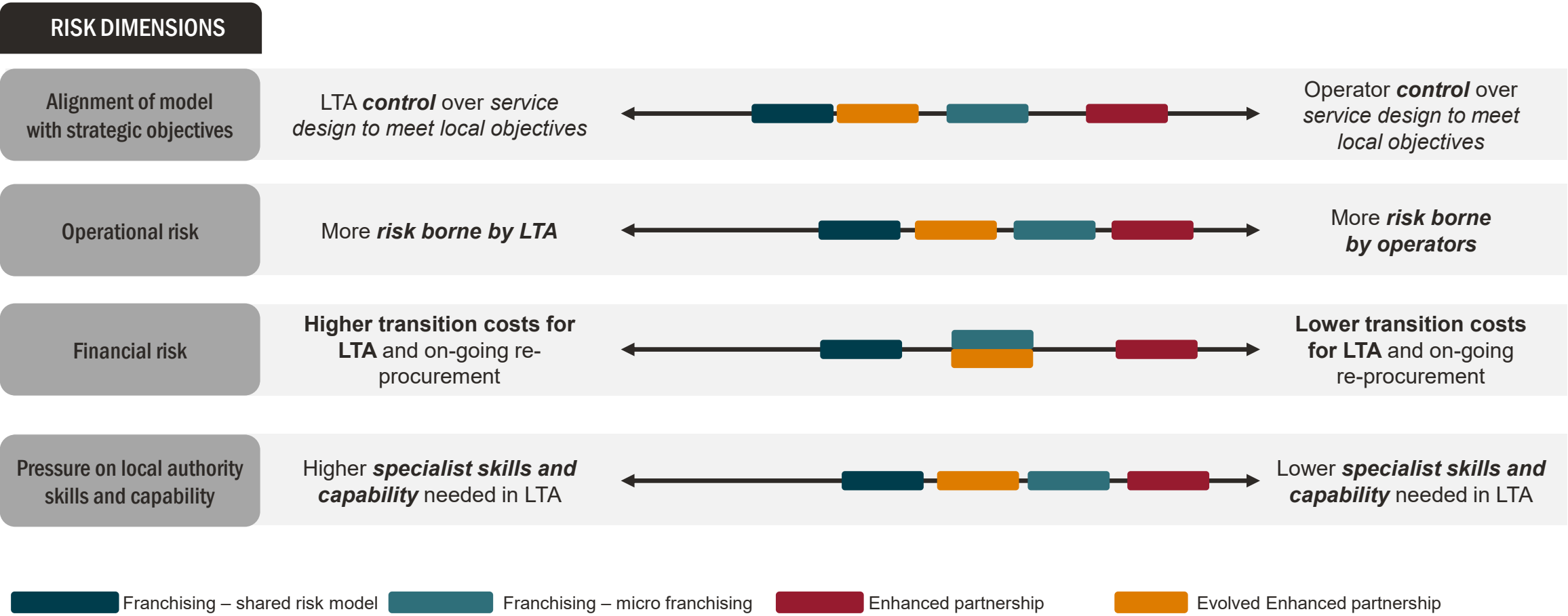
All models involve trade-offs. LTAs need to consider these and find a balance that works best for them in their local context

The categories below are key aspects that local areas need to consider when designing their local model of bus regulation. Both Enhanced Partnerships and franchising can meet local needs and achieve objectives either individually or in combination. Enhanced Partnerships are more collaborative and involve more shared commitments between LTAs and operators. Franchising is more contract-based and can encourage competition for contracts in a given area.

Strategic fit and need to meet passenger priorities	Value for money	Market capacity	Affordability	Achievability
Enables growth in passenger numbers	Secures value for money for the LTA and taxpayers by enabling shared revenue risk and shared capital investment	Aligns with operators' experience, capacity and expertise	Minimises short-term costs accounting for transition costs	Aligns with LTA's experience, capacity and expertise
Secures provision of reliable and high-quality services				Minimises potential for the LTA to face significant legal challenge and associated risks
Reflects passenger priorities including accessibility, connectivity and experience	Incentivises private sector investment alongside public funding	Creates sustainable competition between operators	Minimises long-term costs accounting for ongoing infrastructure needs and contract re-procurement	Avoids disruption and undermining of provision during a transition period
Enables integration across public transport networks				Maximises diversity of operator market including small and medium-sized enterprises (SMEs)
Provides flexibility to deliver non-commercial services	Enables social and environmental benefit realisation	Enables operators of varying scales and ownership models to compete		
Aligns with BSIP, incentivises innovation and delivery of zero-emission vehicles				
Enables one brand of local public transport services				

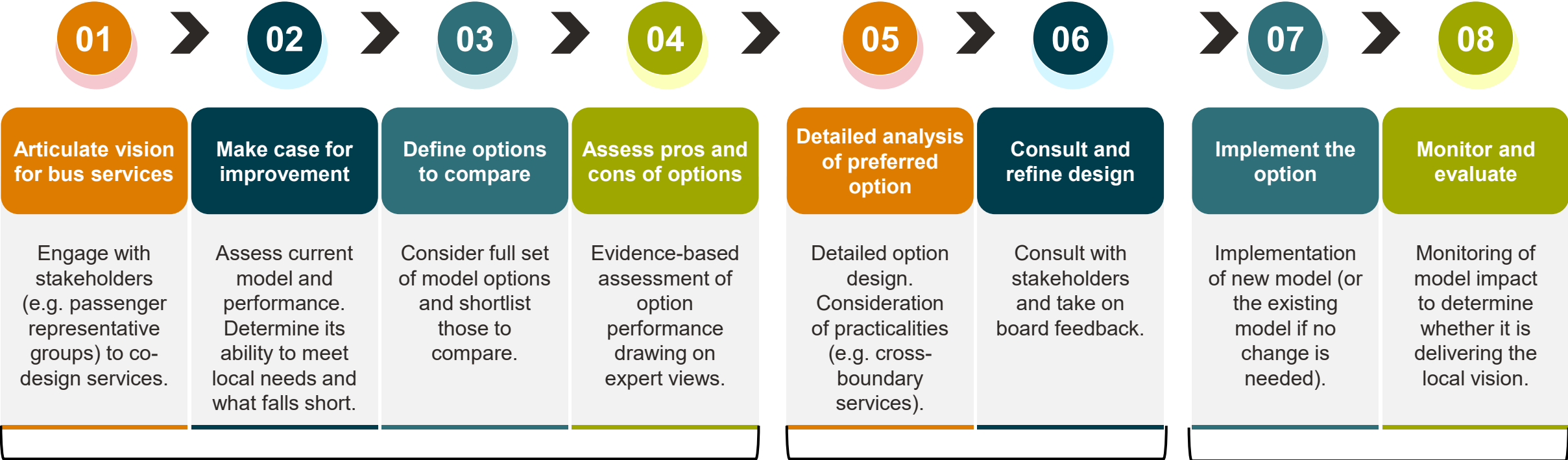
The balance of responsibility and risk varies across the bus regulatory models

The models presented below are illustrative examples. There are many ways in which Enhanced Partnerships and franchising can be designed. These examples represent just some of the different versions. Hybrid models can also be deployed where some portion of provision is franchised and sits alongside an Enhanced Partnership.



LTAs can use an 8-step framework to identify the model that best meets local needs

This decision-making framework is consistent with DfT’s existing processes that LTAs need to go through when exploring franchising. This framework can be used to help guide LTAs through this process rather than placing additional requirements on LTAs. In reality, different LTAs will go through this process in slightly different ways and will choose how best to structure this process to meet their own needs. This framework provides decision-making guidance, LTAs will need to apply it to identify the model that works best for their area.



Focus of this Handbook and supporting Excel toolkit which can help LTAs identify which approach to bus regulation is right for their area and will best meet passenger needs. These stages (1-4) are consistent with **the existing feasibility/scoping stage** (a preliminary assessment where franchising is assessed against other options).

Focus of forthcoming DfT guidance on how best to implement chosen model. These stages (5-6) are consistent with the **franchising assessment stage** (a detailed assessment where a franchising proposal is assessed against other options).

Implementation and monitoring of chosen model

Assessing the pros and cons of options can objectively identify the preferred way forward. The toolkit helps local areas do this transparently

Assessing the pros and cons of options

Multi-criteria decision analysis (MCDA) is a structured way to inform the decision about the best bus regulation model for a given area. It is endorsed by HM Treasury, and features in the best practice Green Book as a tool to use when decision makers have multiple objectives and need to choose between multiple options. MCDA involves an evidence-based assessment of the performance of several options against multiple criteria to determine a preferred way forward. This Handbook and the accompanying Excel toolkit present best practice activities. The specific activities can be undertaken to varying levels of detail and can be tailored by each LTA to suit their own context.

Begin process with shortlisted models and critical success factors

The short-listed models defined as part of Step 3 are confirmed. Critical success factors (CSFs) that have been developed are agreed with MCDA stakeholders. These CSFs set out the attributes essential for successful delivery of the local bus model.

Prepare evidence pack on each shortlisted model

An evidence pack is developed, collating evidence and data (e.g. analytical, financial) for each model to inform the assessment of each model against the CSFs.

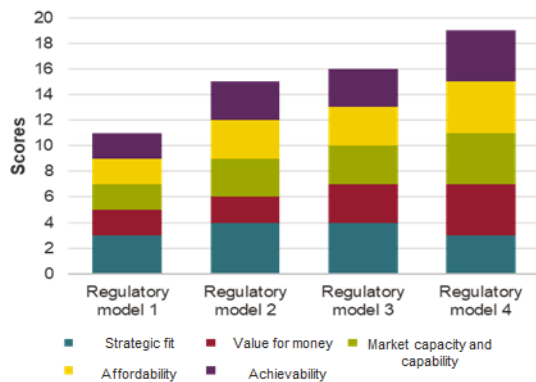
Multi-disciplinary experts use MCDA to assess models

Convene multi-disciplinary experts from across the local area, for example commercial operators, operations teams, procurement specialists, and passenger accessibility groups. In a workshop, participants score models on their ability to meet CSFs. Scores justified with narrative.

Reach consensus on scores and apply weights

Once all options have received a score against each CSF, the scores are reviewed, discussed to reach agreement against each CSF. This produces an overall cumulative score for each option.

Example form of MCDA output



- In this example, model 4 achieves the highest overall scores. The MCDA draws on analytical evidence, practical experience of experts and the market knowledge of operators, operations teams and procurement specialists. MCDA helps to bring together both quantitative evidence which can be used to compute a benefit-cost ratio for each option for example and qualitative evidence on the performance of each option.
- It makes clear the trade-offs: some models offer strengths others do not. Crucially, the rationale for the scores must be logged and understood. Weightings can be applied to the CSF dimensions to reflect local priorities (e.g. if strategic fit and affordability are relatively more important).

02

Purpose and structure of
this document

This Handbook is divided into several sections



Context and policy background

- Overview of the new regulatory framework



Step by step approach for comparing models of bus regulation

- Process LTAs can use to compare alternative models of bus regulation including model definitions



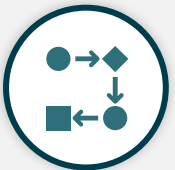
Relevant factors to consider when comparing regulatory models

- Factors that may be relevant to consider for four illustrative 'archetypes' of local contexts



Review of existing published evidence

- Summary of evidence relating to each model, their pros and cons as well as previous performance



Annex

- Further technical detail on the approach and findings

This Handbook provides evidence and information to help LTAs consider the options and identify an appropriate model of local bus regulation



The options for regulating local bus services have changed

- Buses are the most used form of public transport in England, with 11 million passenger journeys daily. The Bus Services Act 2025 gives Local Transport Authorities (LTAs) more options for shaping local bus services, making franchising an easier and more realistic process for more local authorities.
- Bus regulatory models will have implications for passengers, taxpayers, bus operators and communities. Decisions must reflect local circumstances and the best available evidence.



LTAs need to carefully consider what the best model looks like in their area

- No single regulatory approach is appropriate for every area. To be effective, a range of factors need to be considered when comparing regulatory options.
- The right approach for a given area will strike a balance between the virtues of the public and the private sectors and maintain a relentless focus on delivering improved outcomes for passengers.



This document provides objective evidence to support LTAs in making these decisions

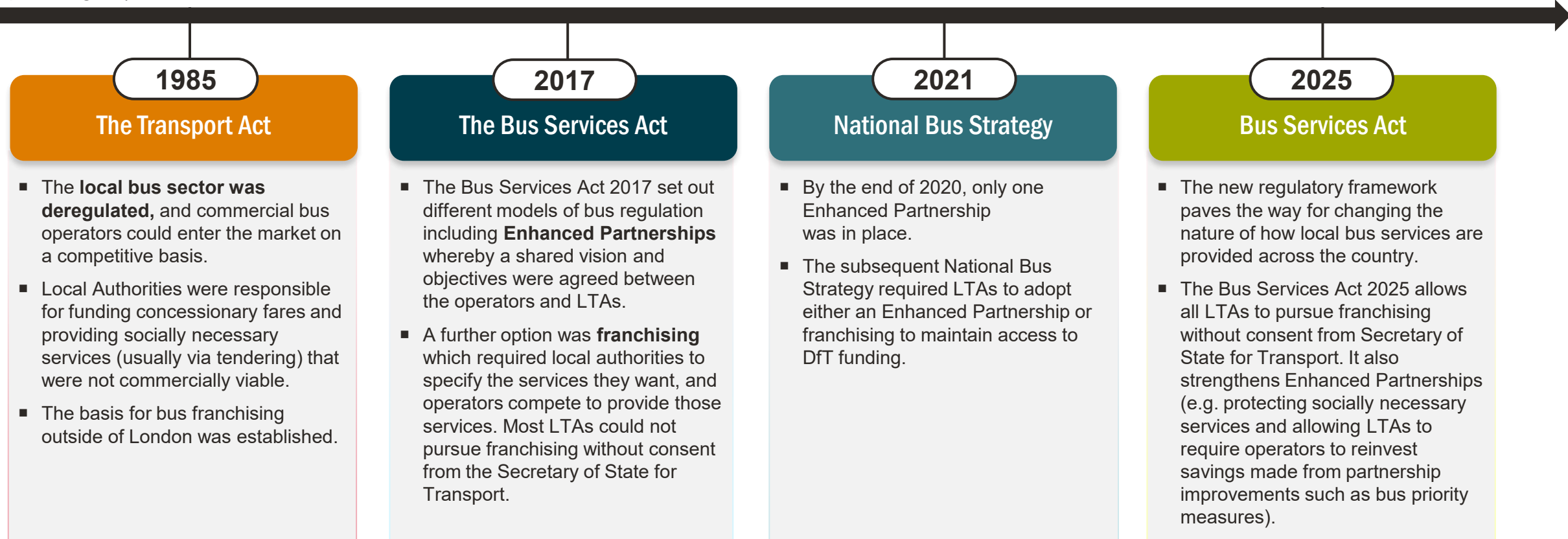
- To support LTAs with this decision-making process, Frontier Economics was commissioned by the Confederation of Passenger Transport (CPT) to explore the alternative models LTAs can consider, synthesise existing published evidence on the characteristics of each model and offer a framework for how the models can be compared by LTAs transparently and consistently. This Handbook presents this work for LTAs.

03

Context and policy
background

Local bus regulation in England has evolved over time

The objective of reforming bus services is to improve outcomes for passengers while also enhancing value for taxpayers' money. The Bus Services Act 2025 can be used to boost local control of services and/or empowers LTAs to work alongside private operators. However, these changes should be considered mechanisms rather than core objectives (which are to improve services in a sustainable way and deliver better outcomes for passengers).



Irrespective of the bus service provision model chosen, there are some overarching requirements for local areas to consider



Passenger priorities

Passengers want reliable, frequent, affordable and accessible bus services. Punctuality and journey time are key priorities of passengers.¹ Also as disabled people rely on local bus services to complete their journeys more than those who are not disabled, accessibility is essential.² LTAs will want to factor in the priorities of passengers in their own area and select and operate the bus regulatory model that is appropriate for delivering against these priorities.



Operating cost pressures

Several factors are driving up operating costs including traffic congestion (in some areas) and staff costs.³ Under any regulatory model, a high-quality bus service is reliant on the provision of well-maintained infrastructure to reduce journey times, a stable funding model and complementary policies to help manage cost pressures and keep journey times down (which may make buses more attractive, and in some cases, increase bus usage). These policies could include on- and off-street parking availability and pricing.



Transition to net zero

The bus sector will have to meet the challenge of transitioning fleets to zero-emission. Major investment to upgrade the fleet and build the necessary infrastructure will be needed to enable this. Zero-emission buses deliver benefits to local communities through improved air quality, to passengers through improved comfort and to operators/LTAs by reducing operating costs. LTAs will want to consider the extent to which different bus regulatory models can support an accelerated transition to zero-emission buses.



LTA capacity, capability and funding

LTAs may need to devote significant effort to the design and operation of local bus service models, depending on the model chosen, to ensure local needs are met. A broad range of skills are required (e.g. commercial and governance best practice). Some 46% of local authorities rate their capacity to deliver local transport as very or fairly poor, though LTAs are making investments in this area.⁴ LTAs also need to fund the chosen model in the context of competing local priorities. LTAs need to ensure they have appropriate leadership and decision-making structures in place as well as sufficient numbers of staff.



Interaction with other modes and other areas

Bus services need to work well within the existing geography and road space available in the local area. They should also interact as seamlessly as possible with the wider transport system. It is important the interdependencies between local models (e.g. cross-boundary routes) are fully considered.

1. Transport Focus, 2025

2. DfT, 2024 C

3. CPT, 2025 A

4. National Audit Office, 2025 (46% figure refers to 2021 data published in 2023).

The bus sector currently relies on investments made by private operators, local authorities and central government



Local bus services are currently funded via a mixed model

- Investing in bus services can provide significant economic and social value. Investment in the sector combines spending by private operators with interventions by national and local government. DfT funding specifically for buses between 2020-21 and 2024-25 amounted to £5.9 billion. While local government also contributes, spending on transport by local government has fallen by 24% (£0.9 billion) since 2020.¹
- Bus operators also invest heavily in UK supply chains and support jobs across the country. Previous research has shown that bus operators collectively invest £180 million per year in capital investment in UK manufactured buses. In addition to these major investments over **105,000 people** in Britain were directly employed in the provision of bus services in 2022.²



Public investment in buses leverages additional private sector contributions to boost value for money

- Government investment in buses has catalysed significant increases in private operator investment across the country. For example:³
 - In Portsmouth bus priority measures and improved bus stop infrastructure were delivered via public funding. This public investment led to significant additional private investment by operators in new vehicles and services. Specifically, **£12.5m** in government funding was coupled with **£15.9m** from one operator (First Bus), which led directly to the deployment of 62 zero-emission vehicles across Portsmouth, Gosport and Hampshire.
 - In Oxfordshire, the collaborative investments of operators and the public sector have enabled significant fleet electrification. Operators invested **£43.7m** in electric vehicles in return for commitments made by the LTA to deliver a package of bus priority measures (e.g. innovative traffic filters).
- Overall, CPT estimates that on average across the country the government's Zero Emission Bus Regional Areas (ZEBRA) funding scheme attracted around **£2.50** of private investment for every **£1** of central government investment. This emphasises the current synergistic relationship between government and bus operators.⁴

1. National Audit Office, 2025 B

2. KPMG, 2024

3. CPT, 2025

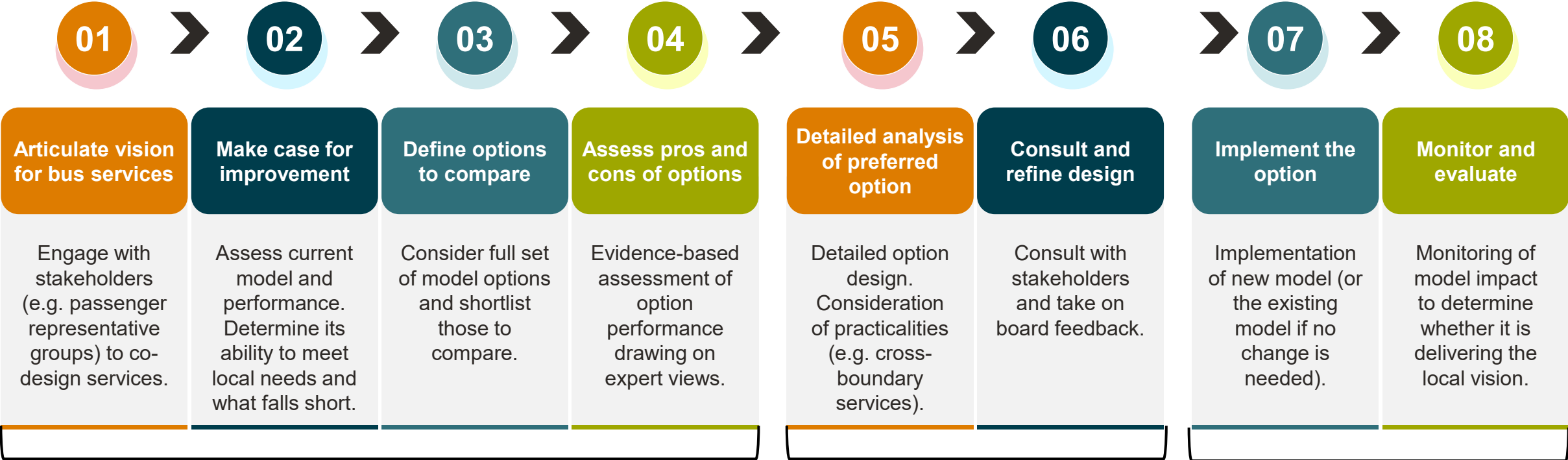
4. CPT, 2024 C

04

Step-by-step approach for
comparing model options

LTAs can use an 8-step framework to identify the model that best meets local needs

This decision-making framework is consistent with DfT’s existing processes that LTAs need to go through when exploring franchising. This framework can be used to help guide LTAs through this process rather than placing additional requirements on LTAs. In reality, different LTAs will go through this process in slightly different ways and will choose how best to structure this process to meet their own needs. This framework provides decision-making guidance, LTAs will need to apply it to identify the model that works best for their area.



Focus of this Handbook and supporting Excel toolkit which can help LTAs identify which approach to bus regulation is right for their area and will best meet passenger needs. These stages (1-4) are consistent with **the existing feasibility/scoping stage** (a preliminary assessment where franchising is assessed against other options).

Focus of forthcoming DfT guidance on how best to implement chosen model. These stages (5-6) are consistent with the **franchising assessment stage** (a detailed assessment where a franchising proposal is assessed against other options).

Implementation and monitoring of chosen model

Step 1: LTAs can start by articulating the vision for local bus services

Local bus services can be a vital aspect of transport systems that create better connected places across the country. In order for this to happen, LTAs need to articulate a vision for bus services in their area which puts passengers at the heart of how bus services are delivered and includes foundational requirements for the services. Many LTAs may have already begun this process through their Bus Service Improvement Plans (BSIPs), using DfT guidance. This should happen before any assessment of models and involve stakeholder engagement including co-design with passenger groups such as representatives for disabled passengers to reflect accessibility issues at this early stage. Bus systems comprise a number of components which all need to be co-ordinated to achieve successful outcomes. Each element below could feature in an LTA's vision for local bus services in their area.

Factor to consider	Relevant issues
Geographical coverage	- What is the geographical area under consideration and how will cross boundary travel be managed? - Are the areas covered mainly rural or metropolitan areas and what implications could these have on bus delivery?
Fares and ticketing	Does the LTA have a preferred fare structure (i.e. a cap on single tickets) and the resources to deliver this sustainably or should this be market-led?
Accessibility	What barriers are faced by disabled people who may want to travel by bus?
Links to other modes	What connections exist to first- and last-mile transport?
Routes and frequencies	Which locations do bus passengers and potential bus passengers need to get to and how frequently should services be available?
Vehicles	What are the LTA and operator preferences and requirements for vehicle engine type/ energy source; seating configurations; accessibility?
Increased bus usage	How can bus use be increased?
Infrastructure	- Is route infrastructure sufficient for efficient bus access and reliable services? - Are there sufficient stops, shelters and stations in the right places? What LTA commitments exist to deliver priority measures?
Travel information	How should information be provided to passengers and the community about fares, services changes; and using which technology?
Operations and systems	Who is responsible for the service planning and management, and the recruitment and training of drivers and operations staff?
Branding and marketing	Is there a preference on branding and marketing and who should be responsible?
Funding and governance	Can relevant parties work together and what governance is needed for this to be efficient and effective?
Contracting	Are formal contracts needed? How should these be designed to incentivise positive outcomes?

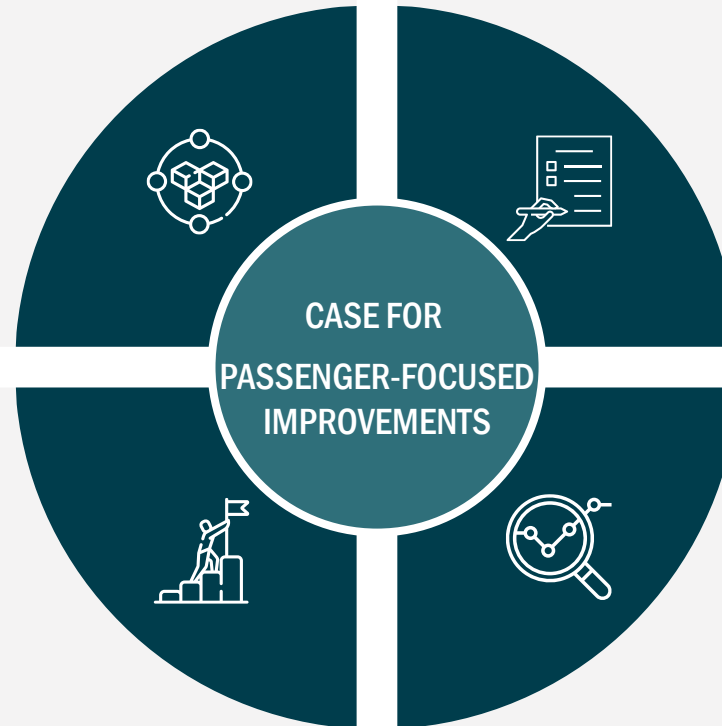
Step 1: LTAs can then set out critical success factors to compare across options

The table below presents illustrative CSFs which are the criteria used to compare option performance. Each local area will need to define its own CSFs.

Category	HM Treasury definition	Illustrative example critical success factors to compare models
Strategic fit and need to meet passenger priorities	How well the model supports national, regional, local or LTA policies, initiatives and targets; fits within the LTA's corporate plan for the achievement of these goals; and aligns with other projects and programmes in the LTA's strategic portfolio.	Extent to which model: - Maximises growth in passenger numbers - Maximises the provision of reliable and high-quality bus services - Maximises ability to reflect passenger accessibility, connectivity and experience - Maximises potential integration across public transport networks - Maximises flexibility to deliver non-commercially viable services - Maximises alignment with BSIP and incentivises innovation and delivery of zero-emission vehicles - Maximises ability to operate with one brand of local public transport services
Value for money	How well the option optimises public value (social, economic and environmental), in terms of the potential costs, benefits and risks.	Extent to which model: - Maximises value for money for the LTA and taxpayers by enabling shared revenue risk and shared capital investment in the buses and associated infrastructure - Maximises incentives for private sector investment alongside public funding - Maximises social and environmental benefit realisation
Market capacity and capability	How well the option matches the ability of potential suppliers to deliver the required services and is likely to be attractive to the supply side (regardless of whether there is a single incumbent operator or a wide range of potential suppliers).	Extent to which model: - Maximises alignment with operators' experience, capacity and expertise - Maximises sustainable competition between operators - Maximises ability of operators of varying scales and ownership models to compete
Affordability	How well the option can be funded from available sources of finance, and aligns with resourcing constraints.	Extent to which model: - Minimises short-term costs accounting for transition costs - Minimises long term costs accounting for ongoing infrastructure needs and contract re-procurement
Achievability	How well the option is likely to be delivered given the organisation's ability to respond to the changes required, and matches the level of available skills required for successful delivery.	Extent to which model: - Maximises alignment with LTA's experience, capacity and expertise - Minimises potential for the LTA to face significant legal challenge and associated risks - Minimises disruption and undermining of provision during a transition period - Maximises diversity of operator market including small and medium-sized enterprises (SMEs)

Step 2: LTAs can then make the case for passenger-focused improvements based on their vision

- Articulate the **current** model including:
 - Geographical coverage
 - Current context (e.g. rural, urban or mixed)
 - Cross-boundary routes
 - Current operator market
 - What is working well for passengers
 - What could be improved
 - Accounting for recent investment in buses and potential future impacts.
- This could draw on a range of local and national evidence (e.g. Your Bus Journey survey results).¹



- Confirm local objectives and passenger needs which will guide the decision on whether to retain or change the current model.
- Political priorities and views will play a role in determining local priorities and influencing how trade-offs are managed.

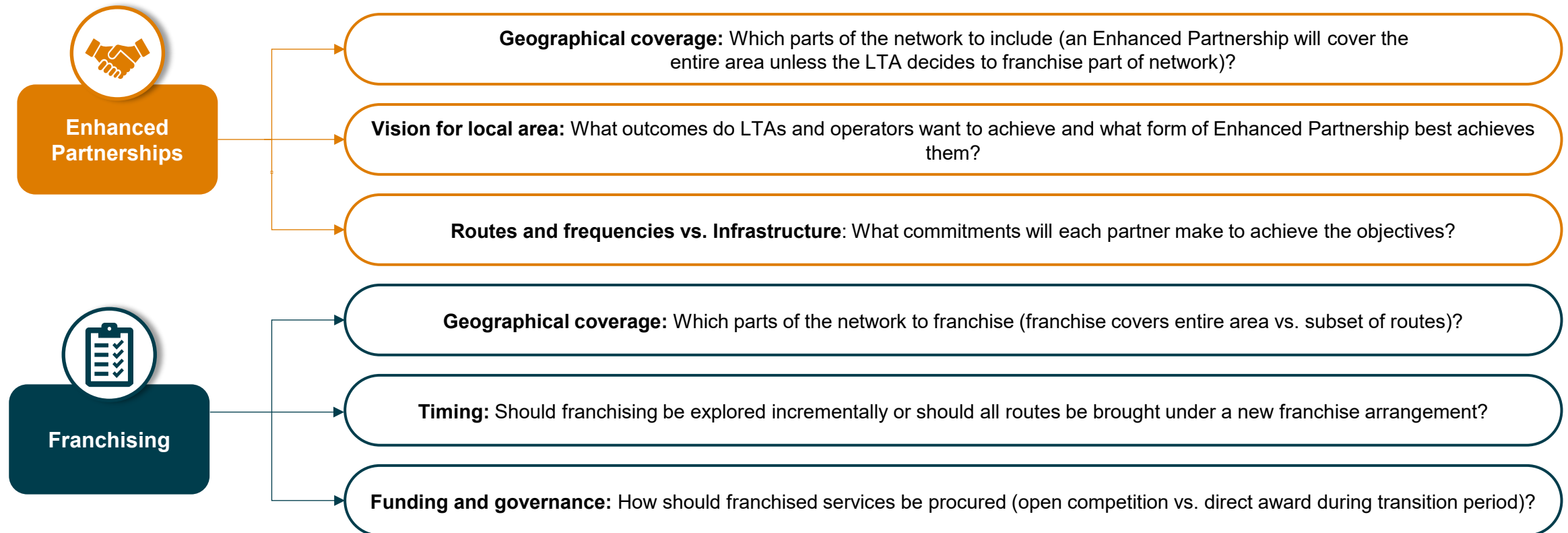
- Consider what 'good' looks like locally to allow for consistent comparison across options.

- Carry out relevant analysis to determine the extent to which the current model is meeting current passenger needs and highlighting key enablers and barriers.

1. *Transport Focus*, 2025

Step 3: LTAs face a complex series of choices when deciding whether to maintain their current model of bus regulation or change to a new model

The LTA should develop evidence and work with stakeholders to develop a shortlist of feasible options to assess, ensuring the features of the options meet local needs. While all LTAs must pursue (broadly) an Enhanced Partnership or franchising, there are many model variations under each and there are also hybrid models where franchising sits alongside an Enhanced Partnership within an LTA :



Franchising can also co-exist with Enhanced Partnerships in the same local authority. Franchising may cover only tendered routes, or bus rapid transit corridor for example.

Step 3: LTAs can implement the high-level models in multiple ways including hybrid models where franchising sits alongside an Enhanced Partnership within an LTA

The model variants presented below are intended to serve as illustrative examples. There is a wide spectrum of ways in which Enhanced Partnerships and franchising can be deployed. The examples below represent relatively different points on that spectrum. Franchising is not one-size-fits-all. The LTA is able to make choices about several design features (such as which routes / areas to franchise; revenue risk sharing arrangements; procurement options; bus depot ownership etc). Franchising can be tailored to an option best suited for the LTA.



ENHANCED PARTNERSHIPS

Current Enhanced Partnerships

- Bus operators and LTAs form an alliance to improve services according to plan.
- All stakeholder make commitments. While operators can be referred to the Traffic Commissioner, mechanisms to hold LTAs to account (e.g. judicial review) are untested.
- Enhanced Partnerships can co-exist with a Local Authority bus company (LABCo).

Evolved Enhanced Partnerships

- Enhanced Partnerships with higher level of scale and ambition, potentially underpinned by more comprehensive legal agreements to hold operators and LTAs to account.
- Local areas including Portsmouth are currently exploring the future usage of investment guarantees (contractual agreements sitting alongside the partnership), and network guarantees (e.g. operators may agree to run a minimum proportion of current service levels for a set period). This is a single example. LTAs can explore a whole range of options within the Enhanced Partnership framework.

Potential Enhanced Partnership variants can be explored as part of this process. However, they will not be voted upon and agreed at this stage. Therefore, there may be a degree of uncertainty regarding their final design during the production of the shortlist.



FRANCHISING

- Franchising is not one-size-fits-all and can be tailored to best suit the LTA. LTAs have substantial flexibility to design franchise contracts to meet their own requirements. Aspects to consider include:
- level of LTA control over design of network and fares;
- which routes / areas to franchise;
- asset ownership;
- risk sharing arrangements;
- procurement model used. For example, a **net cost model** (bus operators submit bids to provide services in return for a certain level of subsidy or pay back a premium to LTA if the franchise is expected to be profitable) versus a **gross cost model** (bus operators submit bids to run the franchised service in return for a fee. The operators pay the fare revenue back to the LTA).

DfT's forthcoming franchising pilots will provide evidence and learning on how different local bus models are designed

DfT's guidance¹ highlights the range of different ways in which the overall approach can be designed. As franchising is only in a very small number of places in the UK currently, DfT is establishing a series of franchising pilots to generate learning on the different variations of franchising in LTAs and how they can be designed to meet local needs and contexts. These will particularly explore how franchising models can be designed and implemented outside of metropolitan areas and in a rural contexts. Examples of models being considered as part of these pilots in some areas are listed below:

- 01 Shared risk / Jersey model**
 - Jointly developing franchising with local operators.
- 02 "Grow it out" model**
 - Franchising tendered services as a first step and then expansion to include all services. This could include/introduce DRT to an area to support improved services.
- 03 Phased franchising model**
 - A phased or partial approach to franchising in the areas of most need.
- 04 Micro-franchising**
 - This model could be used to tackle over-bussing and manage the flow of buses in specific areas.
- 05 Hybrid model**
 - This model combines a number of features of the models above.

1. DfT, 2024 A

Step 4: LTAs can compare the pros and cons of options to determine preferred way forward

Multi-criteria decision analysis (MCDA) is a structured way to inform the decision about the best local bus regulation model for a given area. MCDA is recognised by HM Treasury as a vital tool to provide credibility to decisions which involve multiple stakeholders and nuanced trade-offs. MCDA is a way of helping decision-makers choose between multiple options where there are several objectives, which may be in tension. MCDA makes clear the relevant trade-offs: some models offer strengths others do not.

Government guidance¹ notes that it is often used when there is a mix of different criteria which are feeding into a decision and there are multiple stakeholder perspectives that affect the decision being made. At its core, MCDA involves an evidence-based assessment of the performance of several options against multiple criteria to determine a preferred way forward. Results are subject to extensive sensitivity testing to ensure robustness of final conclusions.

This Handbook and the accompanying Excel toolkit have been especially tailored to use MCDA to help Local Authorities assess the potential impacts of different bus regulation models. LTAs can also use other less resource-intensive approaches and tools endorsed by HMT to assess the potential impacts of different bus regulation models at earlier stages, or for smaller scale franchising schemes, such as the HMT's 'Options Framework-Filter' and DfT's 'Early Assessment and Sifting Tool'.



1. HMT, 2022

Step 4a: LTAs firstly need to structure the question by establishing the relevant options and the criteria used to assess performance

4a

Begin process with shortlisted models and critical success factors



When they reach **Step 4** LTAs will understand the problem they are trying to tackle in detail as a result of having articulated a vision for bus services (**Step 1**) and set out clearly the Case for Improvement (**Step 2**).

The MCDA process is then designed to consider the expected performance of the options in being able to meet the CSFs. The CSFs defined in **Step 1** are the criteria that will be used to assess performance of each option and the specific models defined in **Step 3** are the options under consideration.

CSFs need to be developed and agreed with stakeholders to set out the attributes essential for successful delivery of the local bus model.

LTAs therefore need to ensure that they involve a broad range of stakeholders and that they are all engaged with the MCDA process. Participants who take part in the assessment should be from the public and private sectors and represent multiple disciplines (e.g. finance, operations, procurement) and perspectives (including passenger groups and disabled people in line with the Public Sector Equality Duty).

Step 4b: LTAs can prepare an evidence pack which summarises the performance of each model

4b

Prepare evidence pack on each shortlisted model



The LTA can compile information on the performance of each option against each CSF by drawing on existing evidence which the stakeholders can provide. This information can then be summarised into an evidence pack.

The evidence pack that is developed will collate all available evidence and data (e.g. analytical, financial) for each model to inform the assessment of each model against the CSFs. This process of synthesising existing evidence ensures that the MCDA draws on analytical evidence, practical experience of experts and the market knowledge of operators, operations teams and procurement specialists.

Understanding the future costs of different models (and therefore value for money) is crucial and may be challenging for certain LTAs. LTAs may need to dedicate internal resources or draw on external expertise to develop reliable estimates.

The evidence pack will also highlight tensions between different CSFs in some cases (e.g. passenger priorities vs. affordability).

Step 4c: LTAs can then convene a group of experts to use multi-criteria decision-making analysis (MCDA) to determine the preferred option

4c

Multi-disciplinary experts use MCDA to assess models

The LTA can then convene the stakeholders (multi-disciplinary experts from across the local area, for example commercial operators, operations teams, procurement specialists, and passenger groups) in a workshop setting. This workshop can be facilitated by an independent assessor to help guide discussions and identify areas of disagreement. During this workshop, participants score each model on their ability to meet each CSF. Scores must be justified with written narrative which articulates the conditions under which those scores would be true.

Scores (between 0-100) are weighted to calculate overall “performance” of each option. MCDA participants will be invited to score each option in terms of its ability to deliver on each CSF, based on the assembled evidence. This scoring will be based on detailed scoring guidance. For example, a specific CSF for a specific LTA may be: “**extent to which model ensures the provision of reliable and high-quality bus services**”. The guidance would then set out:

- A score of 0-20 (POOR) implies that the option is unable to provide a reliable and high-quality bus service.
- A score of 21-40 (WEAK) implies that the option is expected to deliver very few of the elements required for a reliable and high-quality bus service.
- A score of 41-60 (MODERATE) implies that the option is expected to deliver some of the necessary elements of a reliable and high-quality bus network.
- A score of 61-80 (GOOD) implies that the option is expected to deliver most of the elements required for a reliable and high-quality network, with a sufficient level of confidence.
- A score of 81-100 (EXCELLENT) implies that the option is expected to deliver almost all of the necessary elements required for a reliable and high-quality network, with relatively high level of confidence.

Step 4d: The MCDA output will reflect a consensus score for each model

4d

Reach consensus on scores and apply weights

All options receive a score against each CSF. Then the scores are reviewed and discussed to reach consensus scores against each CSF. This produces an overall cumulative score for each option.

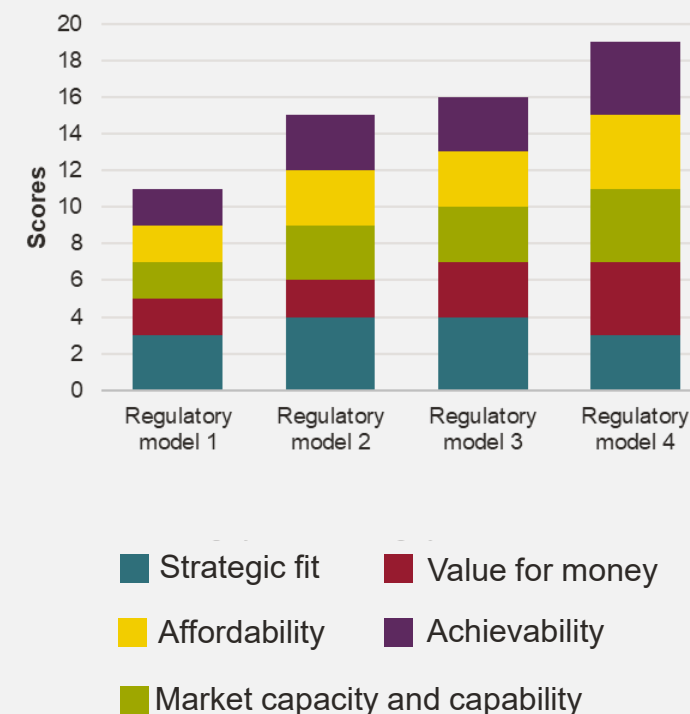
Weightings can be applied to the CSF dimensions to reflect local priorities (e.g. if strategic fit and affordability are relatively more important).



Implementing a robust MCDA process can enable LTAs to identify a preferred way forward. In this case Regulatory Model #4 has been collectively judged by the stakeholders to outperform alternative models.

A stacked bar chart provides a useful way of visualising the output. In this example, model 4 achieves the highest overall scores.

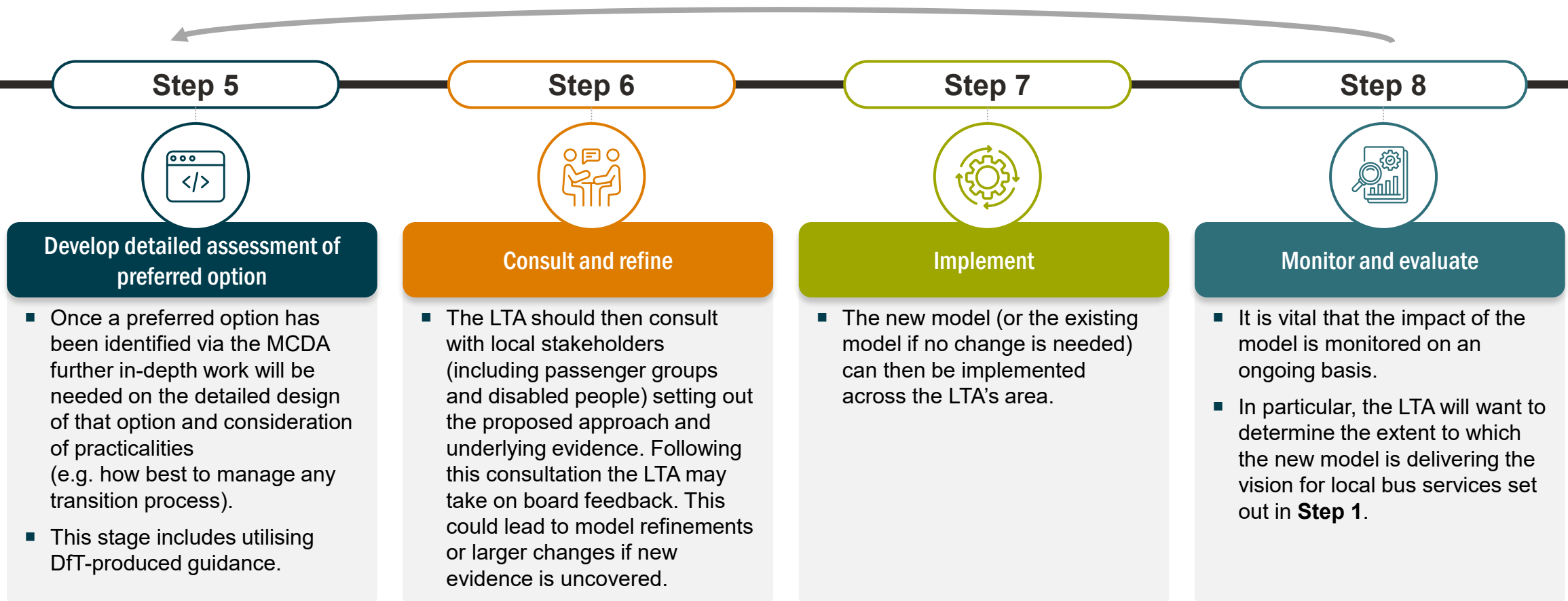
Illustrative MCDA outcome for specific LTA



*Illustrative example.
Performance indicators are purely hypothetical.*

Steps 5 to 8: LTAs can then develop detailed assessment of preferred option; consult and refine; implement; and monitor and evaluate

May require ongoing iteration



05

Relevant factors to
consider when comparing
regulatory models

Step 4: LTAs can compare the options using multi-criteria decision-making analysis (MCDA) to determine the preferred option

The Bus Services Act 2025 makes clear that local bus service design should be tailored to local passenger needs, rather than taking a one-size-fits-all approach.

By defining 4 hypothetical local area ‘archetypes’, the advantages and disadvantages of the different models can be considered when used in different contexts.

The remainder of this section sets out:

Description of 4 hypothetical local area ‘archetypes’

- These areas are not intended to reflect actual areas and have been created purely to reflect several diverse contexts that exist across the country.

Demonstration of relevant considerations that could apply to the MCDA

- Highlighting relevant considerations when comparing the models for each hypothetical local area archetype.

Four example local archetypes are set out for the purposes of illustration

Parameter	Archetype #1	Archetype #2	Archetype #3	Archetype #4
Population characteristics	Local Authority centred on compact medium sized urban area and surrounding periphery.	Local Authority covers a large urban area.	Largely rural area with dispersed urban centres. Large land area leads to low population density. Majority of population live in small dispersed settlements. High levels of car ownership.	Combined Authority including multiple towns/ urban areas and surrounding rural areas.
Current structure and performance of bus regulatory model	High rates of bus patronage relative to national average and high customer satisfaction. Enhanced Partnership has led to improvements in shared infrastructure, but concerns exist about future governance. The LTA has limited experience designing transport networks.	Lower rates of bus usage than in comparable parts of the country. Enhanced Partnership is in place between LTA and operators who are a mixture of local small and medium-sized enterprises (SMEs) and national groups. Low levels of public satisfaction with “fragmented” bus services.	Commercial provision of bus services challenging due to long journey times and high costs, which has led to gaps in provision. Large proportion of routes are directly commissioned by LTA within an Enhanced Partnership framework.	Individual urban centres feature busy routes and high levels of patronage. Some more rural areas are characterised by sparser provision and less viable routes. Operators amending and dropping certain routes altogether has led to issues in the past. Concerns raised about enforceability of commitments made.
Extent of non-bus public transport options	No light rail or metro services exist in the LTA.	LTA has extensive transit network including light rail.	No light rail or metro services exist in the LTA.	No light rail or metro services exist in the LTA. Integration with heavy rail is important.
Provider market	Provision is delivered by 4 operators all of whom operate only in this area. One operator currently accounts for about 70% of journeys undertaken. Small local operators may not be able to successfully tender for certain types of franchise contract.	Combination of local SME providers and national groups.	Provision is delivered primarily by local operators.	Market differs significantly across the area. Combination of local SME providers and national groups in major towns. Lower levels of competition in rural areas.

Step 4: Relevant considerations archetype #1 MCDA

MCDA criteria	Option 1: current model	Option 2: Variation of Enhanced Partnership	Option 3: A variation of franchising
Strategic fit and need to meet passenger priorities	The current model is meeting local needs. The Enhanced Partnership has facilitated the benefits of franchising (e.g. common branding) without additional administrative complexity. Risk that current Enhanced Partnership lacks strong governance structure. This could limit extent to which partnership can evolve in future.	LTA should consider whether current Enhanced Partnership can be further improved via the introduction of improved governance processes (e.g. partnership review meetings which all operators can participate in).	- Franchise can be designed to match the local vision and meet local needs. - A franchising model whereby operators retain some model design responsibility would help to mitigate risks (this could impact the likelihood of other operators entering the market). There would be larger risks for the LTA if it were to undertake full design responsibility over a gross cost model covering an entire local area for example.
Value for money	Current model offers good value for money. Commitments are negotiated so each party only signs up to what it is are prepared to fund. Risks associated with fare revenue and driver costs lie with operators	Improved governance could allow for commitments made by operators of all sizes.	- In the long-term, higher investment may lead to more benefits and better value for money. - Franchised model could lead to significant transition costs for the taxpayer, though this would depend on the variation of franchising chosen.
Market capacity and capability	The Enhanced Partnership allows operators to deploy their experience operating the bus network.	In line with current model.	Moving to franchising could disrupt the operator market by creating uncertainty and reduce private sector investment in fixed assets.
Affordability	Current model is affordable and has been in place for the last 3 years.	In line with current model.	A franchise model could be designed so that the LTA does not have to buy fleet and, depots which may be unaffordable.
Achievability	The Enhanced Partnership minimises operational risk for the LTA.	The LTA should ensure it has the commercial and governance expertise that would be required if a move to an Evolved Enhanced Partnership was considered.	The LTA would need to obtain skills to match the level of expertise needed to design and operate a franchised network or work with operators on this.

Step 4: Relevant considerations archetype #2 MCDA

MCDA criteria	Option 1: current model	Option 2: Variation of Enhanced Partnership	Option 3: A variation of franchising
Strategic fit and need to meet passenger priorities	The current Enhanced Partnership has not led to seamless bus provision. Passengers are frustrated by fragmentation. The model is not meeting local objectives despite best efforts.	The LTA should engage with stakeholders to explore the root causes of the issues and whether the Enhanced Partnership can be improved. Learning from the experiences of comparable local areas where successful partnership models are being deployed may be valuable.	Franchising can increase LTA control and could make integration of buses and other transit services easier. The LTA needs to consider which franchising variant aligns best with local needs. The LTA would have increased control and bear additional risks as a result.
Value for money	Current model cannot offer good value for money as it is not meeting local needs.	An improved Enhanced Partnership could offer high value money if sufficient improvements in delivery were achieved.	Depending on the franchise model chosen, it could lead to significant upfront costs for the LTA. However, a franchise model could be designed which could be more affordable, such as where an LTA does not have to buy fleets and depots. Long-term, higher investment may lead to more benefits and better value for money.
Market capacity and capability	The current Enhanced Partnership relies on operators deploying their expertise to operate the bus network.	In line with current model.	Franchising may in this case lead to multiple high-quality bids. Lots could be designed to encourage SME participation and maximise competition.
Affordability	Current model is affordable and has been in place for the last 3 years.	In line with current model.	Depending on the franchise model chosen, it could lead to significant upfront costs for the LTA. However, a franchise model could be designed which could be more affordable, such as where an LTA does not have to buy fleet and depots. Long-term, higher investment may lead to more benefits and better value for money.
Achievability	The Enhanced Partnership minimises some risks, but operators may lack confidence in enforcement mechanisms which could be inhibiting investment.	An evolved Enhanced Partnership could include investment guarantees to boost certainty and enforceability.	The LTA in this case has an excellent procurement and commercial team in place to manage delivery risk. Franchising would entail some additional administrative complexity.

Step 4: Relevant considerations archetype #3 MCDA

MCDA criteria	Option 1: current model	Option 2: Variation of Enhanced Partnership	Option 3: A variation of franchising
Strategic fit and need to meet passenger priorities	The current Enhanced Partnership model is functioning well. However, rural areas are not profitable to serve. Extensive network of directly tendered routes are operated by different providers under varied contract terms and are administratively burdensome for the LTA.	The LTA could explore whether the current tendering approach could be retained but made more efficient within an updated Enhanced Partnership (e.g. by bundling routes together and introducing standardised terms).	The LTA could consider a hybrid model, for example a micro franchise that covers only tendered routes. This would avoid disrupting the entire Enhanced Partnership. The LTA should explore whether this hybrid model would increase or decrease administrative simplicity relative to streamlining the current tendering approach.
Value for money	The Enhanced Partnership represents good value for money and the LTA has control of tendered routes without needing to invest in expensive assets.	A more collective tendering of routes within the current Enhanced Partnership could reduce administrative costs and boost value for money.	The LTA should consider whether any of the tendered routes may become profitable over time. If that occurs this form of hybrid franchising could allow the LTA to cross-subsidise.
Market capacity and capability	Operators currently use their experience to efficiently design and operate the non-tendered local bus network.	In line with current model.	The LTA would need to consider the implications of introducing a hybrid model on cross-border services.
Affordability	Current model is affordable and has been in place for the last 3 years.	Potential change in administrative costs to be explored.	A hybrid franchise model focused purely on tendered routes would not lead to major upfront costs for the LTA relative to the current model.
Achievability	The Enhanced Partnership minimises operational risk for the LTA.	In line with current model.	The LTA should continue to engage extensively with local operators to ensure that the nuances of local provision are understood in detail.

Step 4: Relevant considerations archetype #4 MCDA

MCDA criteria	Option 1: current model	Option 2: Variation of Enhanced Partnership	Option 3: A variation of franchising
Strategic fit and need to meet passenger priorities	The flexibility of the Enhanced Partnership model allows the LTA and operators to work together within a framework that can adapt to multiple different local markets (multiple towns and very rural areas) within the same combined authority area.	Issues relating to stability of routes could be addressed by a negotiated network guarantee made by operators, though there may be risks around costs or effects on competition. In addition, mechanisms that allow participants to hold each other to account in relation to commitments made could further strengthen the partnership and enable the model to evolve over time as needs change.	- Franchise can be designed to match the local vision and meet local needs. - A franchising model whereby operators retain some model design responsibility would help to mitigate risks. There would be larger risks for the LTA if it were to undertake full design responsibility over a gross cost model covering an entire local area for example.
Value for money	The current Enhanced Partnership has a track record of incentivising private sector investment which boosts value for money.	Greater enforceability of commitments could lead to further private sector investment.	- Franchising could lead to significant upfront costs for the LTA, though this would depend on the variation of franchising chosen. - Long-term, higher investment may lead to more benefits and better value for money.
Market capacity and capability	The Enhanced Partnership allows operators to deploy their experience in operating the bus network and competing to keep costs down.	In line with current model.	Under franchising smaller operators may be unable to tender for services. This could reduce competition. Lots could be designed to mitigate this risk.
Affordability	Current model is affordable and has been in place for the last 3 years.	In line with current model.	Depending on the franchise model chosen, this could lead to significant upfront costs for the LTA, however a franchise model could be designed which could be more affordable, such as where an LTA does not have to buy fleet and depots.
Achievability	The Enhanced Partnership minimises operational risk for the LTA.	The LTA should ensure it has the commercial and governance expertise that would be required if a move to an Evolved Enhanced Partnership was considered.	The LTA would need to obtain skills to match the level of expertise needed to design and operate a franchised network or work with operators on this.

06

Review of published
existing evidence

Published evidence illustrates a very wide range of potential bus regulatory models though they sit within three overarching approaches

Going forward, all LTAs must pursue (broadly) an Enhanced Partnership or franchising. There are many model variations under each of them. Franchised bus services also do not have to be used exclusively across the whole of an authority's geography. This section presents a synthesis of published evidence on these umbrella models.

The available evidence is presented for each of

(1) **Enhanced Partnerships** (2) **franchising** (3) **hybrid models**, which include some aspects of partial franchising.

It should be noted that the DfT is undertaking franchising pilots to build a stronger evidence base on various types of franchising, to support LTAs to understand which models of franchising could be appropriate for them.



Enhanced Partnerships



Franchising



Hybrid models



- Model description
- Pros and cons
- Model variations
- Risk allocation
- Existing evidence on performance
- Conditions under which the model is likely to function most effectively

Description and overview: **Enhanced Partnerships**



Enhanced Partnerships are collaborative agreements to improve local bus service provision

- Enhanced Partnerships are jointly agreed plans between LTAs and operators in which each makes a formal commitment to delivering specified aspects to improve bus service provision in a local area.¹ The Enhanced Partnership Plan is a high-level strategic document that sets out the overall strategy and objectives for improving the bus services in a specific Enhanced Partnership area. The plan sets a clear vision of the improvements to bus services that the Enhanced Partnership is aiming to deliver and what the LTA and operators are aiming to achieve.
- This is accompanied by an Enhanced Partnership Scheme which sets out clearly defined actions each partner will take (in the aspects of bus provision they are responsible for) to meet those objectives and acting as a legally binding document. Operators are primarily responsible for decisions over fares and services. However, these decisions can be made in collaboration with LTAs and LTAs may choose to tender non-commercial services or, with operator agreement, provide funding for fare subsidies. The LTA is responsible for common infrastructure used by all operators (e.g. bus lanes).² Operators can agree to certain service or vehicle standards and commit to major investments.³
- Under an Enhanced Partnership LTAs and operators agree shared aims. They each commit to actions which could relate to better ticketing and pricing systems, more modern and varied payment methods, new and improved vehicles, better service scheduling, or route improvements. The authority will typically enter into the Enhanced Partnership with one or more incumbent operators in the area.⁴

Enhanced Partnerships were designed to increase LTA oversight of bus provision

- Relative to a deregulated market, Enhanced Partnerships provide LTAs with greater oversight of the delivery of bus services. The mutual agreement of shared actions by all parties, in effect, imposes a suite of restrictions on the deregulated bus market within a geographical area to deliver agreed outcomes. Bus companies still operate on a commercial basis and generate a profit from their activities. While operators behave commercially, they may collaborate on broader strategic goals for the bus network, agreed with the LTA.⁵ Prior to implementing or substantially altering an Enhanced Partnership, LTAs are required to undertake an assessment of the impacts of the Enhanced Partnership Plan on competition to avoid or mitigate any significant adverse effects.⁶

1. Tyers & Stewart, 2024
2. DfT, 2021
3. Centre for Cities, 2024

4. Urban Mobility Partnership, 2025
5. Tyers & Stewart, 2024
6. DfT, 2021

Pros and cons: Enhanced Partnerships



Advantages

- Enhanced Partnerships can **leverage the skills and expertise of private operators** who have experience designing routes.¹ Operators can respond rapidly to changing passenger needs. An Enhanced Partnership can facilitate long term and sustainable working relationships between LTAs and operators² and avoid shorter transactional interactions.
- Enhanced Partnerships offer great **flexibility**³ to deliver passenger priorities. There is scope for the LTA and operators to agree what commitments to include. Enhanced Partnerships can **address local needs** as the Enhanced Partnership framework can be used to enforce reliability targets and can include, for example, a fully integrated fare structure, common branding across all operators, better data sharing, and improvements to vehicle fleets. Therefore, these types of coordination benefits are possible through certain Enhanced Partnership variants as well as via a franchised network. The full potential of Enhanced Partnerships has yet to be exploited by many LTAs.
- Enhanced Partnerships avoid an increased **burden on taxpayers by encouraging private sector investment**. For example, operators invest in new vehicle fleets (sometimes supported by government grants), depots, charging infrastructure etc.
- New **operators can join the market**, with the Enhanced Partnership requirements applying to them.⁴ This open access can have economic benefits for the LTA and ultimately passengers. The Competition and Markets Authority has explicitly recognised that passengers can benefit from effective partnerships between bus operators and LTAs.⁵



Disadvantages

- Existing operators may have significant market power in some cases.⁶ Although this could also occur under alternative models.
- Enhanced Partnership agreements and outcomes may not always be formally linked to funding sources which may limit their effectiveness and transparency in some cases.
- Provision of bus services and co-ordination between bus and other modes will always require negotiation between LTAs and operators under an Enhanced Partnership. Enhanced Partnerships need to be entered into with the agreement of operators. It is not possible to compel operators to deliver initiatives that they do not wish to participate in.⁷ The LTA **cannot cross-subsidise** directly between profitable (commercially-run) routes and unprofitable subsidised routes.
- There is a perception that Enhanced Partnerships **lack accountability**, and that there are limited ways to **hold both the LTA and operators to account** for failure to deliver pre-agreed measures and targets. This risk can be mitigated via the inclusion of specific terms and conditions. It can be challenging to agree how shared running costs should be allocated amongst Enhanced Partnership participants on an ongoing basis.
- The management of an effective Enhanced Partnership may rely in part on LTA having a skilled and fully resourced Enhanced Partnership Coordination Unit as well as ongoing constructive input from each operator and potentially a willingness of operators to forego short-term profit for long-term passenger growth. There is also a **perception that EPs are limited in what they can achieve as they require the agreement of operators**. While some operators have proved themselves willing to work in a highly collaborative fashion, the level of control that a franchise offers the LTA is unlikely to be replicated by any form of Enhanced Partnership. In some cases, a single operator can block any significant change, and some LTAs may not agree to commitments that might be difficult for them to deliver. DfT best practice guidance, due to be published alongside a review of Enhanced Partnerships, will highlight ways to ensure effective collaborations.

1. Jeremy & Alibhai, 2024

2. Fodey et al, 2023

3. DfT, 2021

4. Newson, 2025

5. DfT, 2021

6. Centre for Cities, 2019

7. TfWM, 2025

Enhanced Partnerships can be delivered in different ways



The Bus Services Act 2025 empowers LTAs to work alongside private operators to deliver high-quality bus services through Enhanced Partnerships.



Variation in intensity

- There are different ways in which Enhanced Partnerships can be delivered.¹ The full potential of Enhanced Partnerships has yet to be exploited by many LTAs, and in some cases, similar benefits to franchising could be delivered, without formally introducing franchising.
- In some areas an Enhanced Partnership will be relatively “light touch” in terms of the commitments made by operators and the LTA. In other cases, the level of commitment and, therefore, accountability will be much higher. For example, a more intense Enhanced Partnership might include a commitment by operators not to make any changes to routes offered during a specified period (in addition to any broader statutory requirements) and implement a fully integrated fare structure and common branding across all operators. In return operators may receive specific guarantees about enforcement of traffic offences² or the provision of infrastructure improvements.



Changes Over Time

- The current potential of Enhanced Partnerships has not yet been fully utilised in many LTAs, and this potential has expanded further via the Bus Services Act 2025.³ The scope of measures that can be taken by an LTA under an Enhanced Partnership may also be widened to include any local bus services in the area. Also, if bus operators were preventing an Enhanced Partnership variation through “unreasonable or obstructive behaviour”, the LTA could apply to the Secretary of State to direct the variation. Finally, LTAs are now able to require an operator to reinvest savings made from improvements provided through the Enhanced Partnership (e.g. through a bus lane) in services to benefit passengers.
- DfT is currently leading a review of Enhanced Partnerships with a view to strengthen collaboration and delivery.⁴ This could highlight best practice and make certain optional features mandatory.

1. *Urban Mobility Partnership, 2025*

2. *Urban Mobility Partnership, 2025*

3. *DfT, 2025, 2024 A*

4. *DfT, 2024 A*

Risk allocation and costs: Enhanced Partnerships



Financial Risk

- Some LTAs invest significant sums in subsidising their networks under existing Enhanced Partnerships, especially for socially necessary services. Public funding accounts for 50% of all bus industry income in England. This includes subsidies for running socially necessary but unprofitable services and payments for foregone revenue (reimbursement for concessionary passes and payments for the previous £2 fare cap and current £3 fare cap).¹
- Under an Enhanced Partnership, operators still retain primary control over their operational decisions within the bounds of the commitments they have made, and they also bear the **associated financial risk**.² On commercial services, revenue risk sits with operators but if services become no longer viable, the LTA may be expected to step in. Therefore, it should not be assumed that revenue risk solely sits with operators in areas not pursuing franchising. This can be mitigated by network / corridor agreements or specifying how socially necessary services will be protected.
- Operators bear the costs and associated risks associated with capital investment in fixed assets such as vehicles and depots as well as risks associated with the costs of operating services. The LTA will be responsible for making investments it commits to as part of the Enhanced Partnership, (e.g. road improvements, bus lanes, and other bus priority measures).
- Temporary reductions in revenue or unplanned cost rises (e.g. staff wages) on commercial routes do not usually negatively impact local government finances as that risk is held primarily by operators. If a Local Authority Bus Company (LABCo) was in place this would operate as a separate commercial entity to the LTA and bear the same financial risk as a private operator.



Operational Risk

- Private sector operators (or a LABCo which operates as a commercial entity) use their expertise in running bus services. They recruit and train staff with specialist knowledge; invest in buses and depots; and respond to opportunities to manage operational risk.
- Under an Enhanced Partnership, if an individual operator leaves the market or if there is industrial action there will usually be other operators in place who can expand their offering. Alternatively, other operators are free to enter (if they adhere to the commitments of the Enhanced Partnership).
- LTAs cannot compel operators to provide a specific route. There is a risk that this may lead to gaps in service that the LTA would need to fill via tendering.

1. Tyers & Stewart, 2024; NAO, 2025.

2. Sustainable Bus, 2024

Existing evidence on performance: Enhanced Partnerships



Enhanced Partnerships are working very well in some areas...

- Transport for Cornwall has increased public control of buses via an extensive Enhanced Partnership with operators. Rather than pursuing franchising, the LTA and operators worked together to create a service that captures the perceived benefits of franchising (e.g. locally branded and integrated services with co-ordinated fares).¹ Bus patronage levels in 2024 were approaching and in some cases exceeding pre-COVID levels and outperforming comparable areas.²
- In 2022, seven bus operators entered an Enhanced Partnership with Leicester City Council. The LTA and bus operators have achieved 94/100 commitments. This includes electric buses and the introduction of a free city centre service. In 2023 Leicester experienced a 26% increase in passenger growth, outperforming the rest of the Midlands by 18%.³
- In Portsmouth, a successful Enhanced Partnership has included bus priority measures and improved bus stop infrastructure, as well as the creation of 'turn up and go' bus services. After initial seed funding, new services are expected to become commercially profitable, thereby ensuring sustainable growth. In the year to 2024, passenger journeys grew by 17%. In addition, £12.5m of government funding has been met with £15.9m from operator First Bus, bringing 62 zero-emission vehicles into service.



... But less well elsewhere

- In some locations public control of loss-making services has proved to be expensive. In some areas the Enhanced Partnership in place is not fully understood by all local stakeholders which reduces transparency.
- In the West Midlands, operators and the West Midlands Combined Authority (WMCA) work together via an Enhanced Partnership. The WMCA⁴ has noted that it “*cannot provide a fully integrated, effective, and efficient transport network*” within this model. It notes that under the Enhanced Partnership that they have designed and signed-up to operators can withdraw services at short notice and that some aspects are challenging to include in an Enhanced Partnership as they may be seen as anti-competitive.

Enhanced Partnerships can be used to drive positive outcomes, but this relies on high-quality implementation, genuine cooperation with a wide range of stakeholders, and a relentless focus on passenger priorities

1. Jeremy & Alibhai, 2024

2. DfT, 2024 B

3. Urban Mobility Partnership, 2025

4. Transport for West Midlands, 2025

Conditions under which the model may function effectively:

Enhanced Partnerships



Enhanced Partnerships are more likely to be effective if they are designed to reflect core principles. Evidence suggests the following:



Governance

It is necessary to have appropriate governance arrangements, such as regular board meetings where LTAs and bus operators can openly discuss challenges and mitigate problems in a collaborative way to build trust. The 'guiding mind' of a franchise (e.g. planning and coordinated delivery of measures related to network development, information, ticketing and fleet standards) should be replicated through the overall Enhanced Partnership Plan and supporting governance mechanisms.



Commitments

Commitments made by both LTAs and operators need to be (1) measurable (2) closely monitored and (3) enforceable via clear mechanisms that hold all parties to account when commitments are not met. Operators and LTAs should be obliged to publicly report on their input into Enhanced Partnerships and local Enhanced Partnership patronage growth targets.



Inclusion

Operators of different sizes need to engage with the Enhanced Partnership. Smaller operators may be less likely to attend meetings due to a lack of resource. Streamlining the Enhanced Partnership process would help to balance commitments.



Data and knowledge sharing

Data and insights need to be shared amongst all members of the partnerships and ideally across all transport modes within the local area (to the extent that is compatible with competition law).

Description and overview: **franchising**



Franchising concerns the provision of services

- Franchising is an arrangement where contracts are awarded to operators by LTAs. What is covered under the franchising model is for the LTA to choose – it could cover all services in the LTA; some specified services only (and therefore sit alongside an Enhanced Partnership within the LTA); or it could be phased in over time. No other services can operate in the franchised area without the agreement of the franchising authority. Franchise contracts may set out fare structures and ticketing arrangements, vehicle standards, branding, networks, service levels and the inclusion of demand responsive services (possibly after negotiation with operators). Franchising does not always involve an exclusive right to operate, though it often does. An LTA can initiate a tendering process which is designed by the LTA. This may, for example, grant an operator rights to provide services for a payment. Or the LTA may specify the minimum service it requires and enable bidders to compete on both price and the extent of bus service they would deliver. The tendering could also be more collaborative (as currently happens in Jersey, for example). Aspects to consider include: (1) The level of LTA control over design of network and fares; (2) Which routes / areas to franchise; (3) Asset ownership and who is best placed to take this responsibility; (4) Risk sharing arrangements; (5) The procurement model used.
- Franchising allows authorities to take full or part control over bus routes, fares and ticketing, frequencies and running hours of the services if they wish.¹ Services can be tailored directly by the LTA to suit the area and its passengers, although there may still be some negotiation with operators in some cases.² There are various types of franchising contract, with some including incentives for performance such as punctuality.³
- The Government has reduced barriers that limited the bus franchising process and is developing pilots to help local authorities understand how different types of franchising might work.⁴ To deliver a successful franchised model LTAs need to have a thorough understanding of the bus services their region requires. The franchising system for local buses has been used for London since the 1980s⁵ and is used overseas in countries including Denmark, New Zealand, Norway, Singapore and Sweden.⁶

Franchising introduces competition for the market rather than competition in the market

- Franchising schemes are designed to encourage competition between operators as they bid against one another to win the rights to operate various franchises.⁷ This competition should mean that operators aim to increase their standards and deliver better value for money to differentiate themselves from competitors (assuming that provision of franchised services remains a commercially appealing proposition).
- LTAs can design lot structures and procurement processes to minimise the risk of not receiving multiple high-quality bids. The LTA can then weigh up multiple bids from potential franchisees and select the most advantageous. Once a franchise scheme has been awarded there will generally be no competition between providers in the franchised area for a set period of time.

1. Tyers & Stewart, 2024

2. Foddy et al., 2023

3. Centre for Cities, 2024

4. DfT, 2024A

5. Tyers & Stewart, 2024

6. Centre for Cities, 2024

7. Foddy et al., 2023

Model Variations: **franchising**

Franchising enables LTAs to make choices about several design features so that their model is tailored to their local context

- DfT's guidance¹ explicitly notes that franchising powers are flexible. There is scope to tailor and adapt the franchising model to best meet local needs. Franchised bus services do not have to be used exclusively across the whole of an LTA's region and can be incrementally rolled out over time. Franchised bus services do not have to be used exclusively across the whole of an authority's geography. Commercial services can continue to operate alongside franchised services if the authority wishes, and operators are prepared to provide them.²
- Only one area to date in England has recently introduced a franchising model (several other areas are in the process of moving towards franchising). This means that many of the potential franchising models and hybrid approaches have yet to be implemented in England. This further emphasises the importance of each LTA carefully considering all potential models and weighing up the best available evidence to design a franchising model that best works for them.

1. DfT, 2024 A
2. DfT, 2024 A

Pros and cons: franchising



Advantages

- Some franchising variants allow LTAs to take control over the design of services without needing operators' agreement.¹ Under a franchised model it may be easier in some cases for an LTA to establish a simpler, unified local transport system and a consistent approach to accessibility across the network as LTAs can design contracts to meet their own local needs and reflect the nature of the local operator market.
- If an LTA controls other local transport services such as trams or local train services, then bus franchising may mean it is easier to establish and maintain a **simpler, unified local transport system** by, for example, aligning bus and tram timetables or by implementing a daily fare cap covering multiple modes.² Greater control over the transport network enables local government to better align transport and spatial planning, with resultant economic benefit.
- If the franchised network is well run, passenger numbers increase, and costs are well controlled, the LTA will benefit directly (under a gross cost model) from **increased revenue** which can be invested back into the system or used to offset some of the public funding for buses.^{3,4} Franchising assessments from some combined authorities also model significant future economic benefits from franchising. Therefore, a well-run franchise could represent good value for money. WYCA considered the potential value (total benefits minus total costs) of franchising versus an enhanced partnership and concluded that franchising offered a higher net present value (£728 million vs. £506 million).⁵ This assessment relies on forecasted benefits and costs which have yet to be confirmed.
- Operators have an incentive to deliver a high-quality service in a given area to establish a **good track record** which would enable them to retain the franchise (upon re-procurement) or win more franchise contracts elsewhere.⁶
- LTAs that are already investing significant sums in subsidising their networks may find the **financial risk of franchising their network is less extreme** and that a form of franchising can be delivered at relatively low upfront and running cost compared to their current network.



Disadvantages

- Some forms of franchising may entail a major financial risk for LTAs, especially those investing in infrastructure like depots or receive a share of fare revenue. In those cases, franchising could place significant costs on LTAs which may require the LTA to enter into costly financing arrangements. The West Yorkshire Combined Authority estimated that franchising (a full network, large scale franchise) will entail an upfront cost of £20 million. GMCA estimates that the transition to franchising cost £134.5 million.⁷
- Franchising requires a **skilled buyer**. The specific LTA skillset required will vary across different franchising models. In some cases, LTA staff will need network planning expertise (e.g. if they choose a franchise model that gives the LTA full control over service design). In other cases, this will be less important if operators retain some of that responsibility. Most LTAs will not have experience running franchised services and may face steep learning curves if implementing certain models.⁸
- The Bus Services Act 2025 makes franchising simpler. However, it may still be more **administratively complex** for LTAs relative to an Enhanced Partnership.⁹ Some franchise models may not be agile and implementing changes may be slow in cases. This depends on the design of specific franchise contracts and the included incentives. Changes made in the Act will result in streamlined processes, making it quicker and easier to implement changes. **Managing cross-boundary services** may be more complex under franchising. These services may be subject to additional permit requirements which may impact their commercial attractiveness.
- LTAs may need to design contracts and procurement lot structures to ensure that tendering leads to a sufficient number of high-quality bids from multiple operators. Large national operators have the tendering experience and ability to manage risk.¹⁰ SME operators cannot pool risk across multiple contracts and may find it difficult to operate.¹¹ The administrative requirements for operators could also be higher under franchising.

1. Centre for Cities, 2024

2. Fodey et al., 2023, Centre for Cities, 2024

3. Sustainable Bus, 2024

4. Centre for Cities, 2024

5. West Yorkshire CA, 2023

6. Fodey et al., 2023

7. West Yorkshire CA, 2024. NAO, 2025

8. Tyers & Stewart, 2024,

9. DfT, 2024A

10. Sustainable Bus, 2024,

11. Johnson et al., 2024

Risk allocation and costs: **franchising**



Financial risk

- Depending on the franchise contract that is specified, the balance of financial risk between LTAs and operators will vary. Careful consideration is needed to design contracts in the most effective way. Some forms of franchising may place **significant additional costs on LTAs** (such as the potential initial need to purchase bus depots or other infrastructure if that type of model is chosen) as well as the cost of designing and running the administrative tendering process.¹ The Cambridgeshire and Peterborough Combined Authority² concluded that a mid-level investment in an Enhanced Partnership would require approximately £10 million in capital investment, plus £600,000 per annum for running costs and additional bus service support costs which would start at £7.5 million in the first year. Mid-level investment costs under the proposed franchise model would include a £41 million capital investment, plus £1.4 million per annum for running costs, and additional bus service support starting at £8.5 million in the first year. These additional costs, in this case are particularly high due to the rural network, high land costs and decision to develop two new depots. These costs could pose a **financial risk for some LTAs**.³
- This high upfront investment could lead to higher revenues for the LTA in the longer term if more people decide to use the bus service.⁴ Temporary reductions in fare revenue or unplanned cost rises could **negatively impact local government finances** under a franchised model. Unforeseen events can negatively impact fare revenue and can in certain extreme examples lead to litigation between operators and the LTA under certain franchising models. This can be partially mitigated via contract design.
- The financial risks of franchising can be mitigated by careful and well-considered design of the franchised network, which will also include utilising operator expertise, and by considering whether to lease depots rather than purchasing outright. A phased rollout of franchising could also help to mitigate financial risk. How much financial risk can be mitigated will depend on the type of franchising adopted. Also, LTAs that are already investing significant sums in subsidising their networks may find the financial risk of franchising their network is less extreme.



Operational risk

- The LTA holds the risk associated with design and operation of the network under franchising. **Private sector companies are less able or entirely unable to use their expertise to set routes and schedules under some forms of franchising** which poses an operational risk.
- There is an additional risk for LTAs that the private sector **operator market may be temporarily or permanently destabilised** when certain franchising variants are being considered.⁵ A potential move toward franchising may increase commercial uncertainty and may therefore deter investment. The length of a franchising contract can impact a private operator's appetite to invest.
- The LTA also needs to bear the **risk associated with a franchisee failing** and leaving the market unexpectedly. In that case the LTA will face the cost and challenge of maintaining services and prematurely tendering for a new contract. This risk could be partially mitigated by breaking up service provision into smaller tenders.⁶
- If franchising covers an entire local area, it can create an incumbency advantage for the initial contract winner and mean that it is harder for other operators to win contracts in subsequent procurements as they do not have the same level of local experience.

1. Tyers & Stewart, 2024, Jeremy and Alibhai, 2024

2. Cambridgeshire and Peterborough Combined Authority, 2024.

3. NAO, 2025

4. Sustainable Bus, 2024

5. CPT, 2024 C

6. Johnson et al., 2024

Existing evidence on performance: **franchising (1/3)**



Franchised bus models have worked well following significant additional investment ...

- International literature shows cost savings from tendering **where services were originally state provided**. However, this is not the model that is currently in place in England.¹ Also evidence shows that in some cases **costs increased as contracts were put out to tender a second time**. This could be because of unsustainable bids in the first round, a lack of bidders in later rounds, or because savings achieved have been exhausted.²
- London has run a franchised bus service since the 1980s and has very high rates of patronage relative to the rest of the country (in part facilitated by introduction of integrated ticketing and bus priority measures). There is also subsidisation of the bus network via London Underground.³ However, bus patronage in London is currently below 2019 levels, down 15.9%, slightly above England's rate of 15.7%. London has on average a denser population and lower car ownership rates than elsewhere in England. This makes direct comparisons challenging.
- Singapore introduced a franchising-style model in 2016. Between 2016 and 2019, ridership increased from 3.94m to 4.1m daily trips and waiting time has reduced by 25 per cent on key routes.⁴



... but these examples are not reflective of most LTAs

- Franchising overseas has generally been **implemented to address inefficiencies in public service provision** (which is not in place in England). There is an absence of evidence relating to the impacts of moving from commercial services to franchising.⁵
- To date, Manchester is the only LTA in England to move from a deregulated/partnership model to a franchised approach to date. Many **non-urban LTAs will face a very different context** (both financially and in terms of local demographics) and the medium- and long-term impacts of Manchester's decision are not yet known.
- However, it should also be noted that DfT is undertaking franchising pilots to build more evidence of how franchising could work in different contexts, and to support LTAs with their decision-making.

1. Hensher and Stanley, 2010
2. Johnson et al., 2024
3. Centre for Cities, 2024

4. Centre for Cities, 2024
5. Johnson et al., 2024

Existing evidence on performance: **franchising (2/3)**



GMCA GREATER
MANCHESTER
COMBINED
AUTHORITY



Manchester Franchising

- **Initial results from Greater Manchester are positive and have been accompanied by wider investment in the bus system.** Ridership has increased by 12% and 14% respectively in the first two franchise areas in the year to September 2025 and reliability has improved: services in the first franchised area are now routinely exceeding Greater Manchester's 80% punctuality target, compared to 66% pre-franchising. It has also introduced hundreds of new zero-emission buses and tap and go, integrated ticketing, which would not have been possible without bus franchising. The National Audit Office assessed the GMCA franchising model and reported that GMCA itself estimates that the transition to franchising has cost £134.5 million.¹
- In addition, it is important to consider the change in operating costs (over and above spending on the previous model that was in place). The costs of running local bus services have increased across the board in recent years, regardless of the operational model used and this inflation has coincided with GMCA's introduction of franchising. This makes it challenging to identify precisely any additional costs associated with franchising. A recent National Audit Office report notes *that "GMCA told us, based on its experience to date, that running the current bus network costs broadly the same or less than under the deregulated model."*² Public spending on bus services in Manchester has risen in recent years according to GMCA's accounts.
- Other LTAs may be able to benefit from Greater Manchester's experience and example to keep their franchising introduction costs lower. Greater Manchester faced higher costs due to legal challenges and its decision to implement an ambitious franchising scheme across the whole network which included the purchase of depots and ZEBs. LTAs that franchise in different ways may incur lower costs, as highlighted by their own franchising assessments. However, it is also true that with no other area having yet moved from a deregulated model to a franchise, the extent of realised costs for other combined authorities pursuing franchising remains unknown.

1. NAO, 2025
2. NAO, 2025, p 36

Existing evidence on performance: **franchising (3/3)**



West Yorkshire Combined Authority (WYCA) Franchising



- WYCA decided in March 2024 to bring buses back under local control via a franchising model which aims to ensure that the public is at the heart of a local bus network which serves local communities. Following an appraisal, positive future impacts of franchising in WYCA were identified and included the following: (1) **improved service quality** – consistent customer standards to ensure reliable, frequent, and accessible services for all; (2) **greater control** – the ability of WYCA to set fares, routes and timetables based on passenger needs; (3) **integrated network** – seamless travel across West Yorkshire's buses with standardised ticketing and fares and one point of customer contact; and (4) **greener, improved buses** – investing in a zero-emission fleet and infrastructure for a greener, more efficient network.
- WYCA's forward-looking analysis¹ considered the potential future costs and benefits of an improved EP versus the future costs and benefits of a franchise model. This analysis concluded that the net present value (total benefits minus total costs) of **franchising exceeded the net present value of an improved EP** over the appraisal period (£728m vs. £506m). This is largely because the projected potential benefit per passenger is higher for franchising. WYCA is also confident that it can roll out additional interventions which generate benefits under franchising relative to the Enhanced Partnership. WYCA noted that franchising also generates a wide range and scale of non-monetised benefits (e.g. WYCA will have ownership of delivering reliability measures and receiving bus fare income. WYCA will therefore be incentivised to deliver these bus reliability improvements to generate additional fare revenue and cost savings).
- Franchising has a higher net present value than the Enhanced Partnership option over the appraisal period (present value cost of £222m vs. £114m). However, the Enhanced Partnership option has a slightly higher benefit-cost ratio (7.7) than the franchising option (6.1) this is because franchising is expected to cost more. The analysis notes that public investment in both franchising and an improved EP would represent **very high value for money** if costs and benefits materialised as expected. This assessment relies on forecasted benefits and costs which have yet to be confirmed. This emphasises the importance of future ex-post evaluations to determine the extent to which benefits and costs were realised in line with current forecasts.

1. WYCA, 2023

Conditions under which the model may function effectively: **franchising**



Franchising is more likely to be effective if designed to reflect core principles. Evidence suggests the following:



TENDERING PROCESS AND CONTRACT DESIGN

The tendering process needs to be designed to maximise the number of operators who can reasonably bid to offer services. This will ensure that some element of competition is retained. For example, the Cambridgeshire and Peterborough Combined Authority¹ proposed franchise model is explicitly designed to “encourage small and medium sized operators to bid” by dividing lots into a “number of geographically based packages, with requirements ranging from 1 to about 60 buses”. Contracts should also include the right incentive structure for operators and LTAs to deliver a sustainable and quality service and collectively use their expertise to drive improvements.



ENGAGEMENT & CONSULTATION

Before any decisions are taken, LTAs should seek to make best use of available operator expertise. Operators can help to shape and improve on network design for example. LTAs’ decisions to pursue tendering need to be made following meaningful and in-depth consultation with all stakeholders and following detailed review of local evidence and consideration of multiple variants of the franchising approach.



INTEGRATION

Franchising is most likely to offer additional benefits in areas where significant coordination and integration of bus services with other fixed-track public transport systems (e.g. light rail services) is needed, and the local LTA can act as a single guiding mind within a complex urban area.



REVIEW AND EVALUATION

The franchising process and its impacts are subject to careful and ongoing monitoring and evaluation. This will facilitate improvements and allow LTAs and other stakeholders to learn over time. Learning lessons from upcoming DfT franchising pilots will also assist LTAs considering franchising.

1. Cambridgeshire and Peterborough Combined Authority, 2024 p. 78

Importantly, it need not be one model or another – they can be blended as part of a hybrid model where franchising sits alongside an Enhanced Partnership within an LTA

Different variations of franchising can be defined to address specific local needs as part of hybrid models

- Franchised bus services do not have to be used exclusively across the whole of an authority's geography. Franchising and an Enhanced Partnership can complement each other. Under this hybrid model, commercial services can continue to operate alongside franchised services if the authority wishes, and operators are prepared to provide them.¹ Only one area to date in England has recently introduced a franchising model (several other areas are in the process of moving towards franchising). This means that many of the potential franchising models and hybrid approaches have yet to be implemented and tested. This further emphasises the importance of each LTA carefully considering all potential models and weighing up the best available evidence to design a franchising model that best works for them. Some examples of hybrid models are below, and each will have design features that are better suited to some circumstances than others.

Franchising for tendered services

- An LTA may franchise only its **existing tendered network** (e.g. the routes that are not profitable and need to be commissioned for socially necessary services). It is possible that some of these tendered routes could become profitable in the future (e.g. as a result of infrastructure improvements). Franchising this bundle of services could therefore allow for cross-subsidy.

Franchising demand-responsive transport services

- The same principles used for tendered services in the first example could be applied for any new **demand responsive services** (DRT) to be operated.
- A franchising scheme could cover a part of the authority's area and only its franchised DRT services would be able to operate within that area unless a service permit were granted.

Complementary franchising - working alongside an Enhanced Partnership

- Franchising could be used in smaller areas of an LTA to **address gaps in commercial provision** (instead of tendering). Other services that cross the boundary of the franchised area could be delivered via service permits. The rest of the authority's area would still be subject to the Enhanced Partnership. Franchising in this way may be more deliverable and less resource-intensive for the LTA than franchising all services in an area.

Micro franchising

- Specific services would be franchised to address localised service issues such as over-bussing or to maximise localised opportunities related to investment in bus priority measures or mass transit. Franchising could be used across a **very tightly defined area** (such as a bus rapid transit scheme corridor). An Enhanced Partnership would remain in place across all non-franchised areas.

Pros and cons: Hybrid models



The hybrid approaches will share some common pros and cons, which are outlined below. However, each specific model will have its own set of trade-offs that LTAs will need to navigate. Further work (e.g. DfT's forthcoming franchising pilot) is needed to tease out the specific conditions under which each model is likely to be appropriate.



Advantages

- A hybrid model **can give the LTA control over who uses parts of the local network and any new investments they have made** without incurring the costs of moving to a full franchised model.
- The hybrid model can **make best use of private sector investment and expertise** while also allowing the **LTA to directly set routes and define service characteristics** in specific areas.
- A hybrid model allows the LTA to **target the franchising** on specific parts of the local area or specific aspects of the market which are causing issues. This avoids dismantling an entire partnership model which may be functioning well in some respects.
- A hybrid model could allow the LTA to realise some of the **benefits of franchising without taking on all of the associated risk** (which would remain with operators).
- A hybrid model allows the LTA to **cross-subsidise** between profitable and unprofitable routes within a micro franchise that operates within a specific corridor/ sub-area.
- A hybrid model allows for both **competition in the market** and **competition for the market**. Importantly LTAs can use a hybrid model and partial franchising to **test the suitability of franchising within their area** more broadly without destabilising the entire operator market.



Disadvantages

- The LTA will face some additional **administrative burden** if it manages an Enhanced Partnership alongside a contained franchise. The LTA would have to undertake a Franchising Assessment process regardless of whether full franchising or a hybrid model is pursued. However, the assessment process would be considerably shorter for a hybrid model.
- The design of hybrid models will require careful thought, and some **LTAs may need to build up their capacity** in certain key skillsets.
- There may still be **some instability in routes outside of the franchised area**. This could be partially mitigated via an ambitious Enhanced Partnership which mandates longer consultation periods.

07

Annex

This research has addressed several questions on behalf of CPT

1

What are the set of options that local areas will face in the future when selecting a model of local bus regulation?

2

How do the models differ in terms of key characteristics such as the allocation of risk, costs involved and role of the private sector?

3

What are the different considerations local authorities need to take account of so that they make an informed choice for their particular context?

4

What tools can be provided to local areas to help them make informed and transparent decisions regarding their future model of bus regulation?

Bibliography (1/6)

- ARUP & DfT (2024) Making the Case for Bus. Toolkit for local bus practitioners <https://static1.squarespace.com/static/6232009b167ab225de6cf418/t/675af70efd4ff20b4e00a411/1734014739172/Making+the+Case+for+Bus+Toolkit+-+Final+-+November+2024.pdf>
- Bus Centre of Excellence (2024) Enhanced Partnerships: Delivering better bus services https://static1.squarespace.com/static/6232009b167ab225de6cf418/t/67237dc11579b110ade74d93/1730379203718/EP_Report_FINAL.pdf
- Cambridgeshire and Peterborough Combined Authority (2024) Consultation document https://cpca-yourvoice.co.uk/wp-content/uploads/2024/09/Consultation_Document.pdf
- Campaign for Better Transport (2019) The future of the bus <https://bettertransport.org.uk/wp-content/uploads/legacy-files/research-files/The-future-of-the-bus-August-2019.pdf>
- Centre for Cities (2019) Delivering change – improving urban bus transport <https://www.centreforcities.org/reader/improving-urban-bus-services/deregulation-makes-improving-bus-services-harder-for-mayors/>
- Centre for Cities (2024) Everything you need to know about bus franchising <https://www.centreforcities.org/publication/everything-you-need-to-know-about-bus-franchising>
- CPT (2024 A) Response to proposed changes to franchising guidance <https://www.cpt-uk.org/media/wtbdhkes/cpt-franchising-guidance-consultation-response.pdf>
- CPT (2024 B) Bus Manifesto <https://www.cpt-uk.org/media/zmplppjg/cpt-bus-manifesto-2024.pdf>

Bibliography (2/6)

- CPT (2024 C) September 2024 Budget Submission <https://www.cpt-uk.org/media/ikdltc1q/cpt-budget-submission.pdf>
- CPT (2025 A) Spending Review Submission <https://www.cpt-uk.org/media/dd5fqw3x/2025-cpt-spending-review-submission-final.pdf>
- CPT (2025 B) Bus Industry Costs in June 2024 <https://www.cpt-uk.org/media/zuqn0o1h/cpt-cost-monitor-report-06-2024-public.pdf>
- DfT (2021 A) The National Bus Strategy Delivering Bus Service Improvement Plans using an Enhanced Partnership: Guidance
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1002507/national-bus-strategy.pdf
- DfT (2021 B) Bus Back Better <https://assets.publishing.service.gov.uk/media/6086912fd3bf7f013c8f4510/DfT-Bus-Back-Better-national-bus-strategy-for-England.pdf>
- DfT (2024 A) Setting up a bus franchising scheme <https://www.gov.uk/government/publications/bus-services-act-2017-bus-franchising-creation/setting-up-a-bus-franchising-scheme-december-2024>
- DfT (2024 B) Better buses on the way as government introduces new legislation to boost local control of services
<https://www.gov.uk/government/news/better-buses-on-the-way-as-government-introduces-new-legislation-to-boost-local-control-of-services>

Bibliography (3/6)

- DfT (2024 C) Providing accessible information onboard local bus and coach services <https://www.gov.uk/government/publications/providing-accessible-information-onboard-local-bus-and-coach-services/providing-accessible-information-onboard-local-bus-and-coach-services>
- DfT (2025) Government protects thousands of miles of bus services from being scrapped <https://www.gov.uk/government/news/government-protects-thousands-of-miles-of-bus-services-from-being-scrapped>
- Fodey et al. (2023) All aboard for local bus services: Bus franchising vs. enhanced partnerships <https://www.stephensonharwood.com/news/all-aboard-for-local-bus-services-bus-franchising-vs-enhanced-partnerships>
- Greater Manchester Combined Authority (2022) GMCA Provisional Revenue Outturn 2021/22 <https://democracy.greatermanchester-ca.gov.uk/mgConvert2PDF.aspx?ID=21042>
- Greater Manchester Combined Authority (2023) Franchising Scheme Procurement Update <https://democracy.greatermanchester-ca.gov.uk/documents/s26956/>
- Greater Manchester Combined Authority (2024) Delivering the Bee Network <https://democracy.greatermanchester-ca.gov.uk/mgConvert2PDF.aspx?ID=32912>
- Greater Manchester Combined Authority (2025 A) Network Performance <https://democracy.greatermanchester-ca.gov.uk/documents/s36803/11%20GMCA%2020250328%20Delivering%20the%20Bee%20Network.pdf>
- Greater Manchester Combined Authority (2025 B) Transport Revenue Budget <https://www.greatermanchester-ca.gov.uk/media/mfcfo01k/gmca-transport-revenue-budget.pdf>

Bibliography (4/6)

- Hensher & Stanley (2010) Contracting regimes for bus services: What have we learnt after 20 years? <https://www.sciencedirect.com/science/article/abs/pii/S073988591000048X?via%3Dihub>
- HMT, (2022) The Green Book Central Government Guidance on Appraisal and Evaluation https://assets.publishing.service.gov.uk/media/6645c709bd01f5ed32793cbc/Green_Book_2022_updated_links_.pdf
- Jeremy & Alibhai (2024) Bus franchising: one size does not fit all <https://www.passengertransport.co.uk/2024/06/bus-franchising-one-size-does-not-fit-all/>
- Johnson, Nash & Smith (2024) Bus franchising: a literature review of international practise. Guest Research Briefing. Welsh Parliament <https://senedd.wales/media/ih4jywtz/24-08-bus-franchising-english.pdf>
- KPMG, (2024) The economic impact of local bus services <https://www.cpt-uk.org/media/couiyy5y/240902-economic-impact-of-bus-final.pdf>
- National Audit Office (2020) Improving local bus services in England outside London <https://www.nao.org.uk/reports/improving-bus-services-in-england/?nab=2>
- National Audit Office (2025 A) Local government financial sustainability <https://www.nao.org.uk/reports/local-government-financial-sustainability-2025/>
- National Audit Office (2025 B) Local Bus Services in England <https://www.nao.org.uk/wp-content/uploads/2025/06/local-bus-services-in-england.pdf>
- Newson (2025) Bus Services Act [HL]. House of Lords Library Briefing <https://researchbriefings.files.parliament.uk/documents/LLN-2025-0001/LLN-2025-0001.pdf>

Bibliography (5/6)

- Sustainable Bus (2024) UK on the way to take back public ownership on the bus network via franchising? <https://www.sustainable-bus.com/news/uk-public-transport-franchising-services-bus/>
- Transport Focus (2025) Your Bus Journey 2024 Results <https://www.transportfocus.org.uk/publication/your-bus-journey-the-independent-bus-user-survey-2024-results/>
- Transport for Wales (2025) Our roadmap to bus reform <https://www.gov.wales/sites/default/files/publications/2025-03/our-roadmap-to-bus-reform-march-2025.pdf>
- Transport for West Midlands (2025) Consultation on a Proposed Bus Franchising Scheme for the West Midlands <https://www.tfwm.org.uk/media/wjwbpaph/west-midlands-bus-franchising-full-consultation-document-v5.pdf>
- Trapeze Group (2023) How to create a successful public transport services with a franchise model <https://trapezegroup.com.au/resources/how-to-create-a-successful-public-transport-service-with-a-franchise-model/>
- Tyers & Stewart (2024) Bus Policy in England. House of Commons Library. <https://researchbriefings.files.parliament.uk/documents/CBP-9464/CBP-9464.pdf>
- UK Infrastructure Bank (2023) Strategy Update: Zero-emission buses <https://static-files.nationalwealthfund.org.uk/s3fs-public/download/UKIB-Strategy-Update-Zero-Emission-Buses.pdf>
- Urban Mobility Partnership (2025) Community Bus Partnerships <https://urbanmobilitypartnership.com/ump-launches-community-bus-partnerships-report-in-collaboration-with-stagecoach/>
- Welsh Parliament Senedd Research: Johnson et al. (2024) Bus franchising: a literature review of international practice <https://senedd.wales/media/ih4jywtz/24-08-bus-franchising-english.pdf>

Bibliography (6/6)

- West Yorkshire Combined Authority (2023) Bus Reform Assessment <https://westyorks-ca.gov.uk/media/12052/appendix-1-the-bus-reform-assessment.pdf>
- West Yorkshire Combined Authority (2024) Improving West Yorkshire's Buses <https://www.westyorks-ca.gov.uk/improving-transport/improving-buses/>



Frontier Economics Ltd is a member of the Frontier Economics network, which consists of two separate companies based in Europe (Frontier Economics Ltd) and Australia (Frontier Economics Pty Ltd). Both companies are independently owned, and legal commitments entered into by one company do not impose any obligations on the other company in the network. All views expressed in this document are the views of Frontier Economics Ltd.