

Cabinet

Tuesday 30th July, 2024 at 2.00 pm

Meeting to be held: Pandon Room, Newcastle Civic Centre, Barras Bridge, Newcastle upon Tyne, NE1 8QH

The meeting will be livestreamed via https://www.youtube.com/@NorthEast_CA/streams

AGENDA

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1.	Apologies for Absence	
2.	Declarations of Interest	
3.	Announcements from the Mayor and/or Chief Executive	
4.	Minutes of the previous meeting held on 11 June 2024	1 - 8
5.	North East Combined Authority Senior Structure	9 - 14
6.	North East Combined Authority Strategic Portfolio Plans	15 - 54
7.	City Region Sustainable Transport Settlement	55 - 72
8.	Improving and Reforming North East Buses	73 - 386
9.	Time and date of next meeting	
	2.00pm on Tuesday 17 September in Quadrant, North Tyneside.	

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Agenda Item 4



Cabinet

11 June 2024

(2.00pm)

Meeting held in: The Whickham Room, Civic Centre, Gateshead

Minutes

Present: Mayor Kim McGuinness (Chair)

Councillor Richard Bell

Martin Brookes

Councillor Tracey Dixon Councillor Martin Gannon Councillor Nick Kemp Councillor Claire Rowntree Dame Norma Redfearn DBE Councillor Glen Sanderson

Lucy Winskell OBE

C8/6/24 Apologies for Absence and Substitutes

Apologies for absence were received from Councillor Amanda Hopgood. Councillor Richard Bell attended the meeting as her substitute.

C9/6/24 Declarations of Interest

There were no declarations of interest.

C10/6/24 Mayor's Announcements

Mayor Kim McGuinness extended a warm welcome to Martin Brookes, Chief Executive of Voluntary Organisations Network North East (VONNE), who was to be appointed CVS (Community and Voluntary Sector) Cabinet Member. She also announced that she had appointed Councillor Martin Gannon as Deputy Mayor and expressed her thanks to Dame Norma Redfearn DBE for steering the leadership group through the devolution process as Deputy Mayor of the North of Tyne Combined Authority.

C11/6/24 Minutes

Resolved that the minutes of the previous meeting held on 7 May 2024 be confirmed and signed by the Mayor as a correct record.

C12/6/24 Appointments to Cabinet, Committees and other bodies

The Cabinet considered a report from the Monitoring Officer in relation to the appointment of members to the Cabinet, the Authority's committees and other bodies.

Since the previous meeting of Cabinet Newcastle City Council had appointed Councillor Alex Hay as a Substitute Cabinet Member, South Tyneside Council had appointed Councillor Jane Carter as a Substitute Cabinet Member; and Sunderland City Council had appointed Councillor Michael Mordey as a Cabinet Member and Councillor Kelly Chequer as a Substitute Cabinet Member.

Following discussions with representatives of the voluntary and community sector, it was proposed that the incoming Chief Executive of the Voluntary Organisations Network North East (VONNE), Martin Brookes, be appointed as the CVS Cabinet Member.

The report contained proposals in relation to the allocation of Cabinet portfolios, a schedule of meetings for the year ahead and the appointment of the Overview and Scrutiny Committee (OSC) and the Audit and Standards Committee (ASC) reflecting political balance across the region as a whole. The Cabinet were advised that the Chair of the OSC must be an 'appropriate person', which meant an elected member from a political party other than that of the Mayor.

The positions of Independent Chair of the Audit and Standards Committee and Independent Person for the purposes of the standards regime had been advertised and applicants interviewed. As a result, it was proposed that Dave Willis OBE be appointed as Chair of the ASC and Mr Eric Richards be appointed as an Independent Person. Both appointments were to be for an initial term of 2 years with an option to extend the term for a period of two further years.

As a constituent authority of Transport for the North (TfN), the Authority was entitled to appoint elected members to various TfN boards and committees.

Resolved that:

- (1) the appointment of Councillor Michael Mordey as a Cabinet Member and Councillors Kelly Chequer, Alexander Hay and Jane Carter as Substitute Cabinet Members be noted;
- (2) the appointment of Martin Gannon as the Deputy Mayor be noted;
- (3) the allocation of Cabinet portfolios as set out in Appendix 1 of the report of the Monitoring Officer and the schedule of meetings for the municipal year 2024/25 as set out in Appendix 2 be approved;
- (4) Martin Brookes be appointed as the CVS Cabinet Member;
- (5) the Chief Executive be authorised to undertake a process to review the Business Board membership and the proposed appointments be reported to Cabinet for decision at a future meeting;
- (6) the membership of the Overview and Scrutiny Committee as set out in Appendix 3 of the report of the Monitoring Officer be approved;
- (7) Councillor Colin Ferguson be appointed as Chair of Overview and Scrutiny Committee;
- (8) David Willis OBE be appointed as the independent co-opted member and Chair of the Audit and Standards Committee;
- (9) the membership of the Audit and Standards Committee as set out in Appendix 4 of the Monitoring Officer's report, and including the appointment of Councillor Alison Smith as a substitute member by Sunderland City Council, be approved:
- (10) Eric Richards be appointed as the Independent Person for the purposes of the standards regime; and
- (11) the appointment of members and substitute members to the Transport for the North's Board, Partnership Board, Rail North Committee and General Purposes Committee as set out in Section 5 of the Monitoring Officer's report be approved and Councillor Colin Ferguson be appointed as member, and Councillor Tracey Dixon be appointed substitute member, of the TfN Scrutiny Committee.

C13/6/24 North East Deeper Devolution Deal – Ratification and Next Steps

The North East Deeper Devolution Deal, had been negotiated by North East Leaders and announced on 6 March 2024. The Cabinet considered a report from the Chief Executive seeking ratification of the Deal and approval to progress delivery of some time critical elements of the Deal.

The Deeper Devolution Deal provided the Authority with new tools to unlock key inclusive growth opportunities in the region, building on the powers and funding secured through the first Devolution Deal. This included increased powers and influence over a number of key policy areas, whilst also bringing forward £35m of new capital and £2m of revenue funding, plus a new Growth Zone at Sunderland Riverside – with a combined expected impact value of at least £100m. In addition, the Deal closed the gap in capital funding for Metro maintenance funding in 2025/26 and 2026/27.

The Mayor congratulated leaders for securing with Government the Deeper Devolution Deal. She welcomed the additional powers and funding as a good start and hoped that the region could secure further devolution in the future. The business sector had indicated its support for the Deal and it was acknowledged that businesses would invest when there were clear plans, ambitions and certainty in the region, particularly in new and emerging sectors.

Resolved that:

- (1) the North East Deeper Devolution Deal be approved;
- (2) the positive progress in developing the Deal's priorities be noted;
- (3) £5m of funding allocated by Government for site remediation at the Health Innovation Neighbourhood to Newcastle University, as set out within the Deal, be approved;
- (4) delegated authority be granted to the Chief Executive, in consultation with the Mayor, relevant Portfolio Holders and the Finance and Investment Board, to approve final business cases for the Sunderland Riverside and Forth Yards sites, of up to £25m and £5m respectively, drawn from funding conferred as part of the Deeper Devolution Deal;
- (5) delegated authority be granted to the Director of Finance and Investment, working closely with colleagues at Sunderland City Council, to complete necessary documentation with Government for the North East Growth Zone at the Riverside Sunderland site, and to agree a subsequent Memorandum of Understanding (MOU) with Sunderland City Council for the use of retained Business Rates;
- (6) the Director of Finance and Investment, in collaboration with the Director of Finance at Sunderland City Council, be requested to bring forward a proposal for further investment into the Crown Works Studios project, reflecting the transformational opportunity it provides; and
- (7) delegated authority be granted to the Chief Executive and Director of Finance and Investment to finalise arrangements associated with delivery of other aspects of the Deeper Devolution Deal, including for the £2m of Revenue Funding, in line with the Combined Authority's normal processes.

C14/6/24 Early Funding Decisions and Investments

The Cabinet considered a report from the Chief Executive setting out a series of recommendations in order for time-sensitive investments and funding arrangements to be delivered.

The report sought approval for initial transport investments relating to the procurement of 92 electric vehicle charging points and the provision of 95 zero emission buses and associated infrastructure to be delivered by local bus operators. The funding for the decarbonisation of transport had previously been awarded to the Joint Transport Committee, the North East CA's predecessor for transport governance.

The North East Screen Industries Partnership (NESIP) had been established as a joint venture formed by combined and local authorities in the region and the BBC to facilitate the strategic development of the television and screen industry in the region. At the time the NESIP was

established, funding was provided from a combination of local and combined authorities. The establishment of the North East CA provided an opportunity to consolidate the approach to funding and Cabinet were asked to approve £2.528m of Investment Funds to cover the North East area contribution in full up to March 2027.

The North East CA already delivered a range of interventions to target child poverty and educational disadvantage through dedicated programmes within schools and to support families in communities where child poverty was prominent. To ensure equity of provision, the North East Devolution Deal included a commitment to extend these programmes across the whole of the North East to reduce inequalities and build on learning from earlier initiatives. Cabinet was therefore asked to approve an allocation of £2.4m of investment funds to allow programmes to benefit schools, families, children and young people across all the North East CA constituent authorities for the academic year 2024/25 and authorise officers to approve the final business case and associated funding.

Resolved that:

- (1) the investment set out below be approved in principle and delegated authority be granted to the Chief Executive to enter into the relevant agreements as required, in accordance with the Single Assurance Framework:
 - a) £3.211 million to procure electric vehicle charging infrastructure, of which £1.1 million is to be spent by the North East CA through contract awards, and £2.111 million is to be spent by Constituent Authorities through Grant Funding Agreements.
 - b) £17.635 million for the provision of zero emission buses and associated infrastructure to be delivered by local bus operators through Grant Funding Agreements.
- (2) £2.528m of Investment Funds to cover the North East area contribution to the North East Screen Industries Partnerships in full up to March 2027 be approved.
- (3) an allocation of up to £2.4m of Investment Funds be approved to extend the North East CA child poverty and education improvement programmes to benefit schools, families, children and young people across all North East CA constituent authorities for the academic year 2024/25, beginning in September; and the Chief Executive, in consultation with the Cabinet Member for the Education, Skills and Inclusion Portfolio, be authorised to approve the final business case and associated funding.

C15/6/24 North East Combined Authority Equality Objectives

The North East CA was required to comply with the public sector equality duty (PSED). The duty ensured that public bodies thought about how they could improve society and promote equality in every aspect of their day-to-day business. The PSED required the Authority to publish equality objectives to help focus attention on the priority equality issues for the organisation.

The Cabinet considered a report from the Chief Executive which set out proposed equality objectives for the first year of the Authority's operation in 2024/25. These were structured to reflect the different roles of the Authority as an employer; a commissioner and deliverer of services; and a civic leader. Throughout the year a full programme of evidence based work would be undertaken to inform a set of longer term equality objectives to be agreed by Cabinet in May 2025.

Resolved that the equality objectives as set out in Appendix 1 of the Chief Executive's report be adopted.

C16/6/24 North East Combined Authority Borrowing Powers

The North East Devolution Deal envisaged that the North East CA would have borrowing powers to support its functions. Borrowing powers for its transport functions were included in the legal order which created the Authority. However, legislative procedures meant that the borrowing powers for other functions would have to be conferred on the North East CA by a separate set of regulations.

The North East CA and its constituent councils were required to provide their consent before the regulations could be made.

The North East CA was also required to agree a debt cap with HM Treasury to limit the amount of borrowing which the North East CA could undertake in 2024/25 and to give an outline of the type of activity which the North East CA may want to use its borrowing powers to support. In January 2024 both the North of Tyne Combined Authority and the non-Mayoral North East Combined Authority agreed in principle a draft 2024-25 budget for the North East CA which included an indicative borrowing for the North East CA of £50 million together with a set of financial principles. It was therefore proposed that a debt cap of up to £50m be agreed with central government as the maximum borrowing which the North East CA could undertake for non-transport activity during 2024/25.

Resolved that:

- (1) Cabinet gives its consent to the making by central government of regulations to provide the North East CA with borrowing powers in respect of its functions which do not relate to transport;
- (2) a debt cap of up to £50m be agreed with central government as the maximum borrowing which the North East CA can undertake for non-transport activity during 2024/25; and
- (3) the Chief Executive, the Director of Finance and Investment and the Monitoring Officer, in consultation with the Mayor, be authorised to take all necessary steps to give effect to the recommendations above.

C17/6/24 Former NECA Statement of Accounts 2022-23

The Cabinet considered the Statement of Accounts of the former North East Combined Authority (NECA) for 2022/23 which set out the financial performance of the former NECA for the year ended 31 March 2023 and its financial position at that date. The accounts reflected the fact that, the former NECA and North of Tyne Combined Authority had jointly held transport assets and exercised transport functions jointly through the former Joint Transport Committee (JTC).

The Cabinet was presented with the Audit Completion Report 2022/23. The audit work was substantially complete and there were no matters of which the auditors were aware that would require modification of their audit opinion. The auditors anticipated issuing an unqualified opinion, without modification, on the financial statements. The report also confirmed that work on Value for Money was complete and there were no significant weaknesses to report in relation to the arrangements that NECA had put in place to secure economy, efficiency and effectiveness in its use of resources. The external auditors did not identify any internal control recommendations in respect of 2022/23 and internal control recommendations in respect of earlier years were completed.

The draft Auditor's Annual Report was also presented to Cabinet. This summarised the work undertaken by Mazars as auditor for NECA for the year ended 31 March 2023, and would be finalised when the audit opinion was issued, anticipated to be on 11 June 2024.

Resolved that:

- (1) the Audit Completion Report and the draft Auditor's Annual Report be noted.
- (2) the Statement of Accounts 2022/23, including the Narrative Report be approved; and
- (3) the Director of Finance and Investment, in consultation with the Mayor and Chief Executive, be authorised to agree any final amendments or changes to the former NECA 2022/23 Statement of Accounts and Narrative Report arising from the completion of the audit by the external auditors.

C18/6/24 Devolution of the Adult Education Budget

Councillor Tracey Dixon, Cabinet Member for Education, Inclusion and Skills, presented a report which provided an update on progress relating to devolution of the Adult Education Budget (AEB) and set out the proposed approach to commissioning AEB funded provision for North East CA residents for the academic year 2024/25. The North East CA's overall devolved AEB for the period 1st August 2024 to 31st July 2025 was £69.1m. The principal purpose of the AEB was to engage adults and provide them with the skills needed for entering and sustaining work, an apprenticeship or other further learning.

The planned approach to commission the AEB funds was via two routes:

- a) Establishing funding agreements with in-scope grant providers. In scope grant providers included: a) those who are wholly or mainly funded by the public purse; b) are currently grant funded; c) have an established place-based approach which supports North East CA priorities; and d) deliver significant volumes of activity within the North East CA region and support existing travel to learn patterns (e.g. further education colleges and local authorities). This approach would provide stability for residents and ensure that appropriate levels of statutory entitlement provision and community learning was available.
- b) Securing the remaining AEB funds via an open and competitive procurement process open to all skills providers. This would provide a sustainable and responsive skills offer aligned to specific, localised skills needs which would maximise employment opportunity for North East CA residents. This would also enable North East CA to test and pilot innovative new methods of delivery. This approach provided the opportunity to join up the area's skills and training offer, reduce duplication and reach communities most disadvantaged.

The report included detailed proposals for establishing funding agreements and awarding contracts for services. Cabinet also considered the proposed transitional and performance management arrangements, a proposed approach to making full use of the freedoms and flexibilities afforded by devolution of the AEB in relation to its funding rules, rates, and eligibility criteria and how the impact of the commissioning would be monitored and assessed.

In considering the report the Cabinet emphasised the importance of ensuring quality in the delivery of AEB funded provision and the need to deliver locally and flexibly to meet demands. Reference was also made to the ambition to extend the North East CA's activity to include post 16 provision and to tackle the barriers to training created by a lack of access to childcare.

Resolved that:

- (1) the proposal as set out in paragraph 3.1 of the report of the Head of Skills and Inclusion that 15 providers detailed in Appendix 1 of the report are classified as 'in scope' grant providers be approved and the North East CA continue to grant fund them for delivery of the Adult Education Budget (AEB) for the academic year 2024-25 to the value of the AEB allocations that they were in receipt of in the academic year 2022-23. This will result in 15 Grant Funding Agreements with an overall value of £47,125,157, circa 74% of North East CA's AEB funding.
- (2) the proposal as set out in paragraph 3.2 of the report of the Head of Skills and Inclusion to grant fund the 15 providers detailed in Appendix 1 for the delivery of Free Courses for Jobs (FCFJ) for the academic year 2024-25 to the value of the FCFJ allocations that they were in receipt of in the academic year 2022-23 be approved. This will result in 15 Grant Funding Agreements with an overall value of £2,620,976, circa 66% of North East CA's FCFJ funding.
- (3) the proposal set out in paragraph 4.6 of the report of the Head of Skills and Inclusion to award contract for services to those providers ranked from the highest evaluation score to the lowest, up to the Lot funding values detailed in Appendix 4 of the report be approved. This will result in 24 contracts for service awards in Lot 1 AEB with an overall value of £15,815,680 and 6 contract for service awards in Lot 2 Free Courses for Jobs with an overall value of £1,997,532.
- (4) the recommendation set out in paragraph 6.4 of the report of the Head of Skills and Inclusion be approved to utilise circa £2.5m of reserve funding to support transition during the first year of delivery of the AEB and make such approvals as it considers appropriate.

- (5) the approach to performance management of the devolved AEB set out in paragraphs 7.1 to 7.5 of the report of the Head of Skills and Inclusion be endorsed;
- (6) the approach to devolved AEB flexibilities as set out in paragraphs 8.1 to 8.5 of the report of the Head of Skills and Inclusion be endorsed;
- (7) the proposed next steps to devolved AEB as set out in paragraphs 9.1 to 9.2 of the report of the Head of Skills and Inclusion be endorsed.



Agenda Item 5



Cabinet 30 July 2024

Title: North East Combined Authority Senior Structure

Report of: Henry Kippin, Chief Executive

Portfolio: All

Report Summary

This report seeks approval for the proposed senior management and directorate structure for the North East Combined Authority (North East CA). It also seeks approval for a recruitment process to appoint into vacant posts.

The new structure has been designed to integrate teams and services from the five organisations that transferred into the North East CA. It comprises five directorates with clearly defined roles linked to the delivery of the Authority's corporate plan and strategic policy commitments. Each directorate is headed up by a Director.

The directorates are:

- Operations
- Finance and Investment
- Transport
- Skills, Inclusion and Public Service Reform
- Economic Growth and Innovation

Recommendations

Cabinet is recommended to:

- 1. Agree the proposed senior management structure as outlined in section 2;
- 2. Agree the proposed approach to the appointments to the senior management structure and recruitment to the vacant posts as set out in sections 3 to 5; and
- 3. Delegate authority to the Chief Executive (Head of Paid Service) to progress these arrangements.

A. Context

1. Background

- 1.1. On 7 May 2024, the North East CA was created by the North East Mayoral Combined Authority (Establishment and Functions) Order 2024. The Order provided that the employees of the five organisations mentioned above, who were all employed by the previous combined authorities in the area (i.e. the North of Tyne Combined Authority and the former North East Combined Authority), transferred on that date to the new combined authority on the basis of a "TUPE" transfer. As a result, 198 staff transferred into the new authority as the new employer.
- 1.2. At its meeting on 7 May 2024, Cabinet agreed to designate certain officers as its statutory officers, including the Head of Paid Service and Section 73 Officer (i.e. Chief Finance Officer). Cabinet also agreed that the Head of Paid Service should make arrangements to put in place temporary management capacity to ensure continuity of delivery.

2. The proposed Senior Management and Directorate structure

2.1. It is proposed that the organisation is headed up by a Chief Executive (Head of Paid Service). Underneath, there are five directorates, each one led by a Director. The Chief Executive and five Director posts comprise the Chief Officer roles for the new authority. Set out below is a summary of the proposed roles, functions, and strategic accountabilities for each of these.

2.2. Chief Executive and Head of Paid Service

This role provides the overall strategic direction for the Authority, overseeing a coherent investment strategy, corporate plan, and delivery plans. As Head of Paid Service, this role will ensure that the statutory functions of the Authority are delivered. The Chief Executive will be the principal interface with the Mayor and Cabinet, leading and influencing national policy and working with external key sector leads, regionally and nationally, including across Whitehall and the UK Mayors group.

2.3. **Director of Operations**

This role oversees the corporate functions for the authority (excluding finance and investment). The Director will take a lead role supporting the Chief Executive to ensure coherent and organisation wide delivery of the Corporate Plan and strategic policy priorities. The role is responsible for the following functions:

- Legal and governance
- Communications, marketing and engagement
- ICT and systems infrastructure
- Business transformation
- HR, Organisational Development, Health and Safety
- Performance and insight

2.4. Director of Finance and Investment

This role, which includes the statutory role of Section 73 Officer, ensures that the combined authority's financial resources are managed in accordance with statutory requirements. The Director provides a strategic finance and investment leadership role across the region and in collaboration with the seven constituent local authorities. The role is responsible for the following functions:

- Financial Strategy, Planning and Governance
- Statutory Reporting and Returns
- Budget Monitoring and Reporting
- Investments Programme Assurance (across all funds and programmes)
- Internal Audit
- Strategic Investment

2.5. **Director of Transport**

This role provides the strategic leadership and delivery functions on transport and includes the following functions:

- Transport strategy and wider integration with the new North East Combined Authority's Investment Strategy
- Managing the transport programme of city region transport funding through the transport assurance framework and delivery partners.
- Transport operations, including the interface with Nexus and local authorities with delegated functions, and through delivery contracts such as for the Tyne Tunnels.
- Transport partnerships including buses, rail, national highways, active travel, the EV charging sector, and other transport providers.

2.6. Director of Skills, Inclusion and Public Service Reform

This role provides the strategic leadership and service delivery on all aspects of skills, inclusion, employability, and public service reform, including better outcomes for women and girls and the following areas:

- Adult Education and Skills (including Employability)
- · Education and Health Inequalities
- Child Poverty Unit
- Public Service Reform

2.7. Director of Economic Growth and Innovation

This role provides the strategic leadership and service delivery on economy, housing, place, rural, net zero and digital including the following areas:

- Environment, coast and rural
- Culture, creative, tourism and sport
- Economy and regeneration
- Housing and land
- Net zero
- Digital

3. Current Position

- 3.1. As a consequence of the staff transfer set out in paragraph 1.1, three of the above posts have been filled:
 - Chief Executive: Henry Kippin, who was appointed as the Interim Chief Executive North East CA position through a competitive process and designated as Head of Paid Service for the new authority on 7 May 2024;
 - Director of Finance and Investment: Janice Gillespie, who was the Section 73 Officer for the North of Tyne Combined Authority, and designated as Section 73 Officer for the new authority on 7 May 2024;
 - **Director of Transport:** Tobyn Hughes, who was the Managing Director of Transport North East.
- 3.2. With regard to the remaining three Director roles (i.e. Director of Economic Growth and Innovation, Director of Skills, Inclusion and Public Sector Reform and Director of Operations) none of the transferring employees had TUPE rights of transfer into these positions and these permanent posts are currently vacant. However, in line with the Cabinet decision on 7 May 2024, an interim appointment (for a period of up to six months) to the post of Director of Operations was made to provide temporary management capacity to ensure continuity of delivery. Jacqueline Laughton has been appointed into that role on that basis on secondment from her permanent role as Assistant Chief Executive at North Tyneside Council.

4. Pay and Grading Structure

4.1. TUPE obligations requires that any staff transferring into the new organisation do so on their existing employment pay, terms and conditions of service. The North East CA has therefore inherited two pay and grading structures from the transferring organisations. A full review of these will be undertaken and Cabinet approval will be sought in due course to a single pay and grading structure for the new organisation. Up until that point any recruitment and appointment into vacant posts will be made on the basis of the previous North of Tyne Combined Authority pay and grading structure as this covers the majority of people who transferred under the new authority.

4.2. Under that pay and grading structure the vacant Director posts are graded at SM5 (Director 1) Grade post for the Director of Operations (salary range £116,266 - £138,102) and both the Director of Skills, Inclusion and Public Service Reform and the Director of Economic Growth and Innovation are graded at SM6 (Director 2) Grade posts (salary range £138,102 - £149,446).

5. Proposed approach to Recruitment and Selection

- 5.1. It is proposed that all three of the vacant Director posts (including the one currently filled on an interim basis) are recruited to through an open, competitive, and external selection process. This process will be supported by an external executive search company. Cabinet is asked to delegate the design and operation of this process to the Chief Executive as Head of Paid Service. The selection of an executive search company will require a clear value for money assessment.
- 5.2. In line with the Officer Employment Rules of Procedure in the Combined Authority's Constitution, it is proposed to establish an appointments panel to make each of these permanent appointments to the three director roles, namely the Director of Economic Growth and Innovation, Director of Skills, Inclusion and Public Sector Reform and Director of Operations. Each Panel will comprise the Mayor and at least two Cabinet Members including the portfolio lead for the relevant area and be advised by the Chief Executive. The final appointment decision by the Panel will be subject to consultation with all Cabinet members.

B. Impact on North East Combined Authority Objectives

1. The proposed senior structure will provide sufficient leadership and operational direction to ensure that the Authority is able to deliver on its commitments, policy priorities and objective. It will also ensure that it meets all of its relevant statutory duties and responsibilities.

C. Key risks

1. Delays to the recruitment process will mean that the Authority does not have sufficient senior capacity and oversight to deliver.

D. Financial and other resources implications

1. The costs of the proposed Chief Officer structure have been included in the North East CA 2024-25 Operational Budget agreed by North of Tyne Combined Authority Cabinet and the former North East Combined Authority Leadership Board in January 2024.

E. Legal implications

1. The comments of the Monitoring Officer have been included in this report.

F. Equalities Implications

1. The approach to fill vacancies will be in line with all relevant equalities legislation and the processes throughout will be equitable.

G. Consultation and engagement

1. Internal consultation has been conducted as part of the TUPE process when creating the new Combined Authority. There has also been consultation with the Mayor and Cabinet Members and the Chief Executives of the seven constituent authorities.

H. Appendices

Appendix 1 - Structure diagram.

I. Background papers

There are no background papers

J. Contact officer(s)

Tracey Elvin Tracey Elvin, Interim Head of People and Culture tracey.elvin@northeast-ca.gov.uk

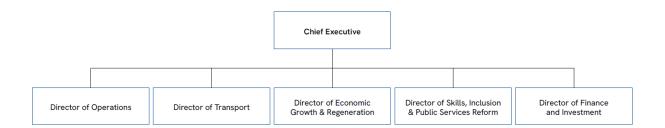
K. Glossary

None

Appendix 1

Senior Leadership Team

North East Combined Authority Organisation Structure



7 ENorth East Combined Authority

Agenda Item 6



Cabinet 30 July 2024

Title: North East Combined Authority – Strategic Portfolio Plans

Report of: Dr Henry Kippin, Chief Executive

Portfolio: All

Report Summary

The establishment of a Mayoral Combined Authority for the North East provides a once-in-a-generation opportunity for the region to take control of its own economic, social and environmental destiny – with the Devolution and subsequent Deeper Devolution Deals providing funding, additional powers and influence for the region.

This report sets out how these opportunities will be taken forward in a co-ordinated fashion, with our approach described in a number of Strategic Portfolios Plans. These have been developed by the respective Portfolio Holder, also incorporating Mayoral Manifesto priorities and the findings from significant external engagement. These Plans identify the ambition, evidence and next steps in each of their respective areas. Portfolio Advisory Boards will be set up to provide advice and guidance on an ongoing basis to the Portfolio Holder and the Combined Authority.

In addition to approving these Strategic Portfolio Plans, Cabinet is asked to agree a number of high priority investments, which reflect time-critical priorities identified within the Portfolio Plans and build on previous discussions by Cabinet.

- £25 million for Riverside Sunderland (Studio Development) Enabling and Preparatory works
- £4.99 million for Forth Yards to progress essential infrastructure works, of which £4.27m is for widening Pottery Lane and 0.73m will facilitate works for the Newcastle Highline
- £9.698 million from the North East Investment Zone (NEIZ) Flexible Fund to support delivery of technical education, skills training, industrial manufacturing and innovation with a focus on electrical vehicle and battery production.
- £4.58 million of Transforming Cities Funding for the Shields Ferry Landing scheme to be paid to Nexus through a Grant Funding Agreement,
- £8 million of North East CA's pre-allocated reserve funding to develop an Outline Business Case for the Washington Metro Loop, to be produced by Nexus through a Grant Funding Agreement,
- £0.6 million to commission a Strategic Outline Business Case for the southern section of the Leamside Line, of which £0.35 million is a contribution from the Department for Transport, £ 0.071m from North East CA's rail budget and £0.179m is from North East CA's pre-allocated reserves,
- £60.811 million (revenue) and £40.468 million (capital) of Bus Service Improvement Plan funding to deliver a range of improvements to bus services, to be delivered by partners through Grant Funding Agreements

Recommendations

It is recommended that Cabinet:

- 1. Notes the work to date in the development of the Strategic Portfolio Plans.
- 2. Endorses the Strategic Portfolio Plans as set out in Appendix A and agrees to progress the priorities identified in those Plans and to develop subsequent business cases to support investment decisions.
- 3. Delegates authority to the Chief Executive to progress subsequent business cases and make investment decisions associated with the activity described within the Strategic Portfolio Plans in consultation with the Mayor and relevant Portfolio Holder subject to the following thresholds which are included within the adopted Single Assurance Framework:
 - Investment approvals up to £500k are to be approved by the Chief Executive, in consultation with the S73 Officer and Monitoring Officer, under the Cabinet approved delegated authority.

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- Investment approvals over £500k and up to £1 million are approved by the Chief Executive, in consultation with the Technical Officers Group, S73 Officer and Monitoring Officer, under the Cabinet approved delegated authority.
- Investment approvals over £1 million and up to and including £5 million are approved by the Chief Executive, in consultation with the Finance and Investment Board, S73 Officer and Monitoring Officer, under the Cabinet approved delegated authority.
- 4. Agrees the establishment of seven Advisory Boards as set out in section A, paragraph 3 of this report, to ensure the functions and activities of the Combined Authority are undertaken in a collaborative way.
- 5. Agrees the terms of reference for the seven Advisory Boards, as set out in Appendix B, and delegates the appointment of individual members to those Boards to the Chief Executive in consultation with the relevant Portfolio Holder.
- 6. Approves the Investment Zone Manufacturing Automation Digitalisation Electrification North East (MADE NE) project subject to the conditions set out a paragraph 4.4.5 and delegates authority to the Chief Executive, to enter into the relevant agreements as required, in accordance with the Single Assurance Framework:
- 7. Notes progress in relation to Trailblazer funding decisions previously agreed by Cabinet on 11 June 2024 regarding Forth Yards and Riverside Sunderland
- 8. Note investments approved previously by the NE Joint Transport Committee as set out below and delegate authority to the Chief Executive to action the relevant agreements as required:
 - £4.58 million of Transforming Cities Fund grant for the Shields Ferry Landing scheme to be paid to Nexus through a Grant Funding Agreement,
 - £8 million of North East CA's pre-allocated reserve funding to develop an Outline Business Case for the Washington Metro Loop to be produced by Nexus through a Grant Funding Agreement,
 - £0.6 million to commission a Strategic Outline Case for the southern section of the Leamside Line, of which £0.35 million is a contribution from the Department for Transport, £ 0.071m from North East CA's rail budget and £0.179m is from North East CA's pre-allocated reserves,
- 9. Approve in principle the following investment and delegate authority to the Chief Executive, to enter into the relevant agreements as required, in accordance with the Single Assurance Framework:
 - £60.811 million (revenue) and £40.468 million (capital) of Bus Service Improvement Plan funding to deliver a range of improvements to bus services, to be delivered by partners through Grant Funding Agreements
- 10. Delegates authority to the Chief Executive, in consultation with the Mayor, Portfolio Holder and the seven constituent authority Chief Executives, for the North East CA to enter into a Memorandum of Understanding with Homes England to establish a North East Strategic Place Partnership (NESPP) and approve the NESPP Partnership Business Plan.

A. Context

1. Background to the Strategic Portfolio Plans

- 1.1 The North East Devolution Deal devolves a broad range of funding, powers and influence to the Combined Authority, added to significantly through the Deeper Devolution Deal approved by Cabinet in June 2024.
- 1.2 At the Cabinet meeting in June 2024, Portfolios were assigned to individual Cabinet Members who are accountable for development and delivery of associated portfolio activity, enabling the new Combined Authority to deploy those devolved powers and funds as effectively as possible.
- 1.3 Cabinet Members have led a comprehensive process of policy development, with the resultant Strategic Portfolio Plans setting out the ambition, evidence and next steps in their respective areas (Appendix A). Stakeholder engagement has been central to this approach, playing an important role in shaping proposals. To support this, a series of interim Portfolio Working Groups were established which included representation from our anchor institutions, educational institutions, community and voluntary organisations, the private sector and lead officers from our constituent authorities.

- 1.4 Now that the Combined Authority has been established, these interim Working Groups are to be replaced by Portfolio Advisory Boards, which will provide policy advice and information to the Authority and the Portfolio Holder, helping to support the delivery of our ambitions and programmes. The Terms of Reference of these groups are set out in Appendix B. We are clear that these Portfolio Advisory Boards are advisory they do not represent additional scrutiny or decision-making relative to North East CA Cabinet.
- 1.5 The ability to draw on the experience and expertise of experts has already strengthened both the evidence base and the associated programmes of activity; identifying where our interventions can make a genuine difference to the lives of our residents. This process has also included consideration of the interdependencies between portfolios and the North East CA's three cross cutting themes: Net Zero, Digital and Public Service Reform. Going forward, the work of Cabinet and the Portfolios will also be supported by the Business Board and input from the VCSE sector.
- 1.6 The Single Assurance Framework was agreed by Cabinet in May 2024 and sets out the robust decision making and delivery arrangements in place within the North East Combined Authority. To enable the rapid translation of Portfolio Priorities into delivery, support agility and proportionality, Cabinet is recommended to provide appropriate delegated authority for investment decisions directly associated with the activity described within the Strategic Portfolio Plans, in line with the business case approval process set out in the agreed Single Assurance Framework. A summary of this process is provided in Appendix C.

2. The Strategic Portfolio Plans

2.1 Transport

- 2.1.1 The Transport Portfolio is responsible for creating a greener, more inclusive and integrated transport network which is aligned with the economic needs of the region and benefits our residents through better health outcomes. We will introduce the Angel Network and an integrated approach to deliver green transport for the region, with the Transport Plan setting out the timeline and delivery details.
- 2.1.2 Early priorities include driving forward: bus reform, setting up a rail partnership, a major programme of investment in our transport routes and to progress business cases to secure funding for the Washington Metro Loop, re-opening of the Leamside line and future metro extensions.

2.2 Environment, Coast and Rural

- 2.2.1 The Environment, Coast and Rural Portfolio will develop new solutions to natural environment, coastal and rural challenges. We will deliver sustainable inclusive growth, tackle inequality, improving the wellbeing and quality of life of all our people, communities and businesses. We will share our learning widely, spreading the benefits across the region and beyond.
- 2.2.2 The early priorities include bringing forward a Rural Business Growth and Rural Place-Based Regeneration programme and to establish the North East Coastal and Rural Taskforce. Cabinet is asked to receive an update on these priorities at its September meeting.

2.3 Economy

2.3.1 The Economy Portfolio will use the powers and influence set out in the Devolution Deal to invest in our region, drive inclusive economic growth and support our most vulnerable. Our plan is to develop and grow the economy, improving pay and employment outcomes.

2.3.2 Early priorities include: bringing forward a comprehensive programme of support for our growth opportunity areas, including the Foundational Economy, to be set out within the forthcoming Inclusive Industrial Strategy; working with our ports and riverside landowners to develop propositions to best unlock their potential; and setting up the North East Strategic Energy Board. Cabinet is asked to receive an update on proposals to unlock access to finance, where our approach will include investing to fill gaps in funding for early and growth-stage companies to support the next generation of good quality jobs for the region and the authority's Inclusive Growth priorities.

2.4 Culture, Creative, Tourism and Sport

- 2.4.1 This portfolio will leverage and realise the region's cultural, creative, heritage, visitor and sport assets and opportunities to help deliver a vibrant, sustainable and inclusive economy and better outcomes for our residents. We will seek to increase leisure and business tourism and ensure a thriving creative sector, including supporting music, writing and screen industries.
- 2.4.2 Early priorities include supporting the regional screen industry, including the Crown Works Film studio project, with Cabinet asked to approve ground remediation works at its Riverside Sunderland location in this report. In addition, the Portfolio Plan highlights the importance of delivering a regional events and festivals programme and Cabinet is asked to agree to the development of a business case, alongside an indicative pipeline of events which includes the potential for supporting early and large-scale events with regional benefits.

2.5 Finance and Investment

- 2.5.1 The Finance and Investment Portfolio is responsible for the ongoing success of the North East in securing opportunities from inward investment, including by maximising the impact of the Investment Zone, which is expected to create 4,000 new jobs over the next ten years, building and adding to existing regional strengths in key sectors and a strong pipeline of interest. The portfolio is responsible for ensuring that the authority makes the best use of its financial resources and for overseeing its project assurance processes; this will include ensuring that we incorporate the impact on reducing child poverty within our assessment processes.
- 2.5.2 Early priorities include bringing forward the first Investment Zone projects for support, including supporting the skills pipeline for the Electric Vehicle and Offshore wind sectors alongside bringing forward proposals to support innovation and the next phase of development at NETPark. Other priorities include the development of marketing and promotional activities, bringing forward proposals for a North East CA Inward Investment Fund; and the development of a successor to the North East Fund.

2.6 Housing and Land

- 2.6.1 The Housing and Land Portfolio is responsible for developing policy approaches around housing, strategic regional infrastructure and spatial planning and regional growth. This includes unlocking more new homes, including more affordable and social housing; taking steps to improve the vitality of our High Streets, Town and City Centres; reducing CO2 emissions; and to improve housing quality.
- 2.6.2 Early priorities include: the delivery of over £120m of investment in housing and other capital projects including through the Brownfield Housing and Capital Regeneration Fund Programmes; launching a High Street Commission creating locally-led propositions and investment pipelines for our towns and highstreets; launching a Community Infrastructure Fund to support community projects; and to develop proposals to retrofit more homes.

2.6.3 The North East Deeper Devolution Deal (2024) included an agreement for Homes England and the North East CA to establish a North East Strategic Place Partnership (NESPP), to enable greater collaboration and partnership working that will accelerate housing delivery and regeneration in key sites across the region by setting out joint priorities. The partnership will be formalised through a Memorandum of Understanding and Partnership Business Plan. Both are being developed in conjunction with the local authorities and Cabinet is asked to delegate authority for approval to the Chief Executive, in consultation with the Mayor and Portfolio Holder.

2.7 Education, Inclusion and Skills

- 2.7.1 Through the work of the Education, Inclusion and Skills portfolio we will work with a diverse range of partners, employers and communities to deliver new and ambitious approaches to growing a more inclusive economy, including encouraging good work that helps to lift residents, especially our children, out of poverty. Priorities include: addressing the symptoms and causes of child poverty by supporting children, families, schools and employers; reducing educational disparities and improving life chances for children and young people; mobilising an inclusive and cohesive skills offer; and improving employability and employment programmes.
- 2.7.2 Early priorities include the delivery of major regional adult skills programmes including the devolved Adult Skills Fund, Free Courses for Jobs and Skills Bootcamps building on proposals agreed by Cabinet at its last meeting. In addition, we will deliver a North East CA Child Poverty Prevention Programme; support early-childhood services; deliver an Education Improvement Programme and launch the new North East Careers Hubs.

3. Portfolio Advisory Boards

- 3.1 It is proposed that the ongoing work of the Portfolios is supported through the introduction of a Portfolio Advisory Boards for each of the Portfolios set out above.
- 3.2 Subject to the approval of Cabinet, their purpose will be to:
 - Support members of the Authority in overseeing the delivery of the vision, ambitions and programmes of activity set out in the Authority's Corporate Plan and associated Portfolio Plans and strategies;
 - Steer strategy and policy development on matters relevant to the scope of the respective portfolio and recommend courses of action to Cabinet.
 - Bring together key stakeholders to support the delivery of these ambitions and programmes; and
 - Provide advice and information to the Authority to ensure there is a robust evidence base for decision-making.
- 3.3 Each Advisory Board is an informal working group and not a committee or subcommittee of the Authority. As such, it does not have formal decision-making powers and will be directly accountable to the Cabinet, operating in an advisory capacity monitoring and reporting progress and making recommendations as appropriate. The Advisory Boards will be chaired by the Cabinet Member with the relevant portfolio responsibility and the membership will consist of key partners and organisations in each portfolio area.
- 3.4 Officers from the North East CA will provide support to the Boards to facilitate co-ordinated work programmes and ensure information is requested, collated, shared and considered at the appropriate time to provide the Mayor and Cabinet with relevant and timely recommendations.
- 3.5 The Terms of Reference for the Advisory Boards are attached for approval at Appendix B which sets out the purpose, role and responsibility and reporting mechanisms. Any person appointed as a

member of an advisory board will be expected to adhere to the Nolan Principles of Public Life and will also be expected to declare any interests in matters to be considered.

- 3.6 Work is ongoing to ensure the membership of the Advisory Boards is proportionate, representative and knowledgeable and it is recommended that Cabinet delegates the appointment of individual members to those Boards to the Chief Executive in consultation with the relevant Portfolio Holder to ensure they can progress over the summer.
- 3.7 Observers can be invited to the meetings for specific purposes and whilst the meetings will not be public, it is intended that information about the work of the Boards will be shared on the North East CA website.

4. Investment Decisions

4.1 The following programmes of activity are included within the Strategic Portfolio Plans for Transport, Finance and Investment; Culture, Creative, Tourism and Sport.

4.2 Transport projects

- 4.2.1 In order to continue delivery of the North East CA's transport programme, approval for the following investments is requested:
- 4.2.2 An investment of £4.58 million of Transforming Cities Fund grant for the Shields Ferry Landing scheme. Agreement has been reached with the DfT for this funding to be reallocated from the Metro Flow project, and Cabinet's authority is required to pay the funding to Nexus through a Grant Funding Agreement upon the resolution of outstanding assurance requirements, in line with the Single Assurance Framework. This will enable Nexus to commence the project, with further funding to be allocated from CRSTS in coming months which will mean that the scheme is fully funded.
- 4.2.3 An investment of £8 million of North East CA's pre-allocated reserve funding to commission the development of an Outline Business Case for the Washington Metro Loop from Nexus through a Grant Funding Agreement. The development of this business case is essential to establish the costs and benefits to secure funding to extend the Metro from Pelaw to Washington. At the March 2024 meeting of the JTC, £8.179 million of reserves were set aside for investment in Transport related schemes and activities in support of the Regional Transport Plan from 2024/25 onwards. It is recommended that £8 million of these funds are allocated to undertake the production of this business case and a Grant Funding Agreement is signed with Nexus to take it forward.
- 4.2.4 An investment of £600,000 to commission a Strategic Outline Case for the southern section of the Leamside Line, of which £350,000 is a contribution from the Department for Transport, £71,000 from North East CA's rail budget and £179,000 is from North East CA's pre-allocated reserves. Interfacing with a separate project to open a station at Ferryhill, this work will establish the costs and benefits of reopening the southern section of the Leamside Line a crucial step towards attracting funding to the project. It is recommended that budget be allocated to procure a Strategic Outline Case (SOC) and delegate authority to award the contract allowing this project to advance.
- 4.2.5 An investment of £60.811 million (revenue) and £40.468 (capital) of Bus Service Improvement Plan funding to deliver a range of improvements to bus services. A detailed breakdown of interventions is included in section 7 of this report. Prior to May 2024 the North East's transport policies, funding and delivery activities were co-ordinated by the Joint Transport Committee (JTC) on behalf of the two combined authorities that preceded the North East CA. At the March 2023 meeting of the Joint Transport Committee (JTC), Members approved and made the Enhanced Partnership Plan and Scheme which set out through a statutory partnership, how Local Transport Authorities (LTAs) and local bus operators will work together to deliver our BSIP outcomes.

- 4.2.6 On the 19 March 2024 the JTC set out an agreed budget for BSIP funding which this recommendation re-confirms. The measures proposed for funding within the region's BSIP comprise a range of capital and revenue-based interventions, including extensive bus priority measures on roads and at junctions to speed buses up through capital funding, and fares and ticketing products including affordable fare 'caps' that work across all buses and,
- 4.2.7 Metro services, lowering fares for young people and providing travel passes for care leavers through revenue funding. In the previous financial year £16.691 million has been spent on these initiatives following earlier funding approvals by the JTC.

4.3 Riverside Sunderland: unlocking the Crown Works Studios development

- 4.3.1 Cabinet is requested to note that the Finance and Investment Board have recommended approval of £25m of funding linked to the Growth Zone announced in the Trailblazer Deal and the funding will be awarded by the Chief Executive in line with existing delegations. This funding will enable site remediation and preparation works on the 31.42 hectare Brownfield Riverside Studio Development site in Sunderland. This is subject to final confirmation from Government of the funding agreed through the North East Deeper Devolution Deal. This includes producing technical designs up to RIBA stage 4, early contractor involvement, delivering site infrastructure, and conducting site preparation and enabling works, paving the way for Phase 1 of the commercial development, and helping unlock further investment.
- 4.3.2 The proposed works pave the way for a brownfield site on the banks of the River Wear to become the beating heart of the region's creative economy, increasing the site's potential to attract a worldclass film/high-end TV (HETV) production facility and ultimately support the creation of up to 8,450 new jobs (directly and indirectly) across the North East Region by 2033.

4.4 Manufacturing Automation Digitalisation Electrification North East supporting skills development in the Investment Zone

- 4.4.1 In April 2024 the North East Investment Zone was launched, bringing up to £160m of investment over the next ten years. It focuses on four intervention sites, with Tax Sites at Blyth Energy Central in Northumberland and the International Advanced Manufacturing Strategic Site (IAMSS) in Sunderland and South Tyneside; and Growth Sites at NETPark in County Durham and the River Tyne Economic Corridor (Newcastle, North Tyneside, and Northumberland).
- 4.4.2 The North East Investment Zone has a sectoral focus on Advanced Manufacturing and Green Industries, building on the 'Arc of Innovation' set out in the North East Combined Authority Devolution Deal. Funding will be particularly focused on supporting growth in offshore and renewable energy, electric vehicle and battery manufacturing, and associated low-carbon manufacturing, materials and research.
- 4.4.3 Good progress is being made in the early delivery of the North East Investment Zone, including active discussions with a number of inward investors, building on the initial £3bn announcement from Nissan. In addition, a pipeline of IZ-funded projects which will accelerate future growth is being developed. The Investment Zone Advisory Board, set up at the request of MHCLG to facilitate collaborative working amongst stakeholders and enable delivery of the IZ have been updated on the proposal outlined below, alongside others which are expected to be brought forward in the next few months to strengthen the skills pipeline for offshore wind, increase innovation in the IZ sectors, and support the next phase of development at NETPark.
- 4.4.4 Cabinet is asked to consider the first Investment Zone proposal at today's meeting. Approval of £9,698,882 is requested from the North East Investment Zone flexible fund to establish a skills

training and industrial innovation centre, co-located across two facilities at the International Advanced Manufacturing Strategic Site (IAMSS) in Sunderland. The facilities will deliver industry-led skills training and innovation activities for the advanced manufacturing sector in the North East, with a particular focus on Electric Vehicle and battery manufacturing.

- 4.4.5 The project has been developed by Nissan Motor Manufacturing (UK) Limited (NMUK) and is supported by a range of partners including Education Partnership North East (EPNE), Sunderland City Council, AESC, Vantec, Newcastle University, the Offshore Renewable Energy Catapult, and the North East Automotive Alliance (NEAA). It will provide open access facilities for the delivery of skills training and industrial innovation activities for the advanced manufacturing sector, with a particular focus on electric vehicle and battery manufacturing.
- 4.4.6 This investment will create 470 apprenticeships with a minimum level 2 qualification to be based within Nissan, and a further 118 new apprenticeships within the supply chain, over the next five years. The project will also engage 16,800 school children, promoting STEM career opportunities, deliver commercial training and support increased industry knowledge within the Higher Education and Further Education sector. This will ensure the sector has the skilled workforce it needs both now and, in the future, better place the region to lead the UK's Green Economy and create opportunities for our residents to be an integral part of this.
- 4.4.7 Finance and Investment Board recommended the project be referred to Cabinet for approval subject to the following funding conditions:
 - The applicant agrees the exact definition and number of training and related outputs to align with the target requirements of the IZ.
 - The applicant updates the Equalities Impact Assessment to explicitly address the impact on reducing child poverty.
 - A minimal level of acceptable outputs is agreed with the applicant below which future funding could be withheld.
 - An independent market assessment of the lease costs of the SCC facilities is provided to understand market rental levels (and expected incentives), which would be provided to the new lessees.
 - A risk/reward schedule is agreed with the applicant, ensuring the North East CA contribution is reduced if the facility overachieves against its projected financial returns.
 - Confirmation of a compliant subsidy control agreed by North East CA prior to contract.
 - A signed agreement between NMUK and EPNE alongside confirmation of MoUs by strategic partners.
 - The applicant commits to a full evaluation mid-way through the project and to annual updates on progress.

4.5 Forth Yards: Unlocking Housing Development

4.5.1 Forth Yards is a once in a generation strategic place making opportunity in what is the last major underdeveloped water frontage area of the city of Newcastle and one of the region's most challenging brownfield sites. Following consideration by Finance and Investment Board, £5m has now been approved by delegation for two projects within the Forth Yards Development namely, Pottery lane, widening of this important access road (£4.27m) and the Newcastle Highline Early Facilitating Works (£730,000), an ambitious project to create a high quality pedestrian and cycle way on a 1.6km stretch of the railway viaduct connecting the site to the central station. Cabinet is asked to note progress on securing funding to support development of this important strategic site.

B. Impact on North East Combined Authority Objectives

1. All the activity described above supports the strategic aspirations of the North East Combined Authority as described in the North East Devolution Deal (December 2022), the Deeper Devolution Deal announced in March this year and the interim Corporate Plan. The activities included within these Portfolio Plans, provide clear accountability and ensuring a golden thread across Combined Authority investments.

C. Key risks

- 1. Risks will be managed in line with the Combined Authority's Risk Management Framework, as well as through continued engagement with government and delivery partners.
- 2. Individual project delivery risks will be included in the Programme Level risk register and key mitigation actions highlighted; both will be subject to regular review.
- 3. Project and Programme risks will be managed throughout the delivery of the projects by the applicant, the North East Combined Authority's Delivery Teams and the Programme Assurance Team.

D. Financial and other resources implications

1. Strategic Portfolio Plans

- 1.1 Financial implications will be considered following the development of comprehensive full business cases and will follow due process for approval.
- 1.2 Existing resources within the Combined Authority will be used to progress programmes of activity within the Strategic Portfolio Plans with specialist advice bought in as required.
- 1.3 The specific funding available for the proposals seeking approval in this report are set out in Section 2 below.
- **2.** Details of funding sources for specific approvals set out in recommendation 5-7 in this report are set out below.

2.1 **Shields Ferry Landing:**

Fund	2023/24	2024/25	2025/26	Total
Transforming Cities Fund	£0.564m	£0.473m	£3.543m	£4.580m

2.2 Leamside Line:

Funds	2023/24	2024/25	2025/26	Total
Department for Transport Grant	£0.200m	£0.150m	-	£0.350m
Allocated Transport Reserve	-	£0.179m	-	£0.179m
Rail Management Budget	-	£0.071m	-	£0.071m
Total	£0.200m	£0.400m	-	£0.600m

2.3 Washington Metro Loop

Fund	2023/24	2024/25	2025/26	Total
Allocated Transport				
Reserve	£0.637m	£2.752m	£4.611m	£8.0m

2.4 Bus Service Improvement Programme (Capital)

Scheme (Capital funding)	2024/25	Total
Bus Priority Infrastructure Tranche 2	£ 20.950m	£ 20.950m
Strategic Park & Ride	£ 9.860m	£ 9.860m
Pocket Park & Ride	£ 3.000m	£ 3.000m
Safe & Accessible Stops & Stations	£ 5.000m	£ 5.000m
Smart Ticketing (Pop 2.0)	£ 1.360m	£ 1.360m
Passenger Information*	£ 0.298m	£ 0.298 m
Total	£ 40.468m	£ 40.468m

2.5 **Bus Service Improvement Programme (Revenue)**

Scheme (Revenue funding)	2023/24 (actuals)	2024/25	2025/26	Total
Bus Service Support and Enhancements	£3.560m	£15.720m	£15.720m	£35.000m
Additional Staffing	-	£1.140m	£1.720m	£2.860m
Fares and Ticketing	£12.391m	£16.380m	£5.950m	34.721m
Branding for website & app	-	£0.040m	-	£0.040m
Community Bus Partnerships	-	£0.480m	£0.720m	£1.200m
Passenger Information*	-	£0.009m	-	£0.009m
Partnership Delivery Costs	£0.700m	£1.526m	-	£2.226m
Programme Management	£0.040m	£1.406m	-	£1.446m
Total	£16.691m	£36.701m	£24.110m	£77.502m

^{*}Funded through both capital and revenue

2.6 Riverside Sunderland: unlocking the Crown Works Studios development.

FUNDING			
	24/25	25/26	Total
Capital Regeneration Fund (Trailblazer)	£14.990m	£10.010m	£25.000m
Match Funding			
Total	£14.990m	£10.010m	£25.000m

2.7 Manufacturing Automation Digitalisation Electrification North East supporting skills development in the Investment Zone

FUNDING							
	24/25	25/26	26/27	27/28	28/29	29/30	Total
NE Investment Zone flexible fund - CDEL	£1.350m	£0	£0	£0	£0	£0	£1.350m
NE Investment Zone flexible fund - RDEL	£1.366m	£1.665m	£1.427m	£1.283m	£1.269m	£1.339m	£8.349m
Match Funding	£0.209m	£0.750	£1.077m	£1.135m	£1.163m	£0.525m	£4.859m
Total	£2.925m	£2.415m	£2.504m	£2.418m	£2.432m	£1.864m	£14.558m

E. Legal implications

- 1. The comments of the Monitoring Officer have been included in this report. A comprehensive business case will be required for all investment proposals, these will be subject to a robust assessment of their subsidy control position prior to any formal award of funding in line with the Single Assurance Framework.
- 2. All contracts will be reviewed by the North East Combined Authority's legal team to ensure statutory obligations are met in full.

F. Equalities Implications

The North East CA follows the <u>Public Sector Equality duty</u> and is conscious of the need to achieve the objectives set out under s149 of the Equality Act 2010. In June 2024 the North East CA adopted equality objectives to reflect the different roles of the Combined Authority as an employer, a commissioner and deliverer of services, and a civic leader. The programmes developed, approved and delivered by and/or for the North East CA will also be assessed for their impact on equalities.

G. Consultation and engagement

1. Ongoing engagement and consultation has taken place with Local Authorities and stakeholders throughout the development of the Strategic Portfolio Plans.

H. Appendices

Appendix A North East Combined Authority Strategic Portfolio Plans

Appendix B North East Combined Authority Advisory Boards – Terms of Reference

Appendix C Summary of Single Assurance Framework Approval Process.

I. Background papers

North East CA Interim Corporate Plan
North East CA Medium Term Financial Plan (interim)
North East CA Single Assurance Framework

J. Contact officer(s)

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K. Glossary

BSIP Bus Service Improvement Plan

CRSTS City Region Sustainable Transport Settlement

DDP Destination Development Pilot DfT Department for Transport

HETV high-end TV

JTC Joint Transport Committee
LTA Local Transport Authorities
MOU Memorandum of Understanding

NESPP North East Strategic Place Partnership

North East CA North East Combined Authority

STEM Science, Technology, Engineering and Maths

SOC Strategic Outline Case

VCSE Voluntary, Community and Social Enterprises



The North East CA Strategic Portfolio Plans July 2024

Transport

Introduction

The North East has faced years of dramatically lower levels of transport investment than other parts of the country. We will address this imbalance and increase spending on schemes which will be transformational for the region. Our transport plan will create opportunities and improve people's lives, including our health, our environment and our economy.

Context

North East residents make on average 1,009 trips a year, more than any other region in England. Most of these trips are made by car or van (59%). However not everyone has access to private transport and all the opportunities that should be available to them with residents at risk of social exclusion due to poor access to transport. This partly reflects the unique geography of the North East, including its extensive rural areas. Enhancements to the transport network can improve access to opportunity for the 31% of residents (approximately 622,000 people) who are currently at risk of transport related social exclusion.

Estimates from the latest National Travel Survey data for our region show that 30% of all trips were made by active travel. Each trip is estimated to generate and additional £1.50 for the local economy.

Approximately 32 million trips are taken annually on the Tyne and Wear Metro and our buses support over 100 million journeys each year. Each trip on Metro or Local Rail services is estimated to provide £11.80 in economic benefits for the region, and every trip made on a bus by a concessionary pass-holder generates £5.75 in social value to the economy. An effective transport system is integral to success across the portfolio areas – from the visitor economy to access to employment and from decarbonization to housing growth.

An increase in sustainable travel will reduce greenhouse gas emissions from transport which currently stands at 30%. If, by 2035, over half of all shorter journeys in the North East were made by active travel we could save around 80,000 tonnes of CO2 emissions per year, improve air quality and contribute £350m per year to the economy. Improved air quality could prevent an estimated 360 deaths in Central Tyneside each year.

Delivery will be enabled by the suite of funding, powers and partnerships available to us through the devolution deal including:

- £2.581bn of transport funding, enabling the region to make major investments in bus, rail and Metro infrastructure, cycling and walking networks, electric vehicle charge-points, and zero emission buses.
- · Bus franchising powers
- The establishment of a highways key route network (KRN).

Partnerships with National Highways, Great British Railways and Active Travel England

It builds on current operational delivery through Nexus, and the region's enhanced bus partnership.

Our ambition for Transport

Better transport will enable the success of the region, and our work as a combined authority. Our transport plan will introduce the Angel Network concept and an integrated approach to green transport for the region. It will set a timeline and plan for delivery.

We have set out a clear and comprehensive programme of investment which will:

- Ensure our towns and city centres, strategic sites, main employment sectors and training and learning opportunities are well connected.
- Improve social mobility through investment to make the transport network more accessible, including meeting the needs of rural communities and businesses
- Improve accessibility by public transport to regional cultural assets and visitor attractions, ensuring resilience within our public transport system to support demands of both local and major events.
- Invest in active travel, opening up opportunities for residents to improve their health and wellbeing. This will be supported through the appointment of an active travel champion.

Transport is a true "crosscutting" portfolio – there to enable the success of the others. The local transport plan, under development, will introduce the Angel Network concept, the integrated approach to green transport for the region, and will set out how transport supports this and the timeline and plan for delivery.

Our ambition is to create a greener, more inclusive and integrated transport network which is aligned with the economic needs of the region and benefits our residents through better health outcomes.

Over the next 12 months

- Launch our statutory transport plan, following extensive consultation.
- Drive forward bus reform.
- Deliver the transport programme (including £147m of new CRSTS funding), to deliver better bus infrastructure, improved bus stops and stations, electric
- Vehicle charging infrastructure, park and ride upgrades, mobility hubs, integrated and smart ticketing, additional gatelines on metro, better cycling and walking facilities, and zero emission buses
- Progress business cases to design and secure funding for the Washington Metro Loop and future local rail and Metro extensions, commission a strategic outline business case for the Leamside Line and work with the government to make the re-opening of the Leamside line a national priority.
- Establish a shadow North East Rail Board on the route to a rail partnership, and secure roll out of the Pop Card to more local rail stations.
- Make improvements to our Metro service including roll out of the new Metro train fleet.
- Work with bus companies to expand the 'Take the Kids Free' scheme on buses and improve fares and passenger information.
- Commence the Shields Ferry Landing scheme in North Shields.
- Introduce safety initiatives in public transport, especially for women and girls.

- Promote sustainable travel through delivery of our active travel fund and the development of 'Making the right travel choice', which will include working with cycling groups to create a regionwide campaign to encourage people to cycle and investing in the facilities to support this.
- Introduce free travel passes for the bus and Metro for residents getting back into work or training/ leaving care/ working parents
- 'Subject to funding confirmation, commence delivery of our £15.8m Local Electric Vehicle Infrastructure (LEVI) capital programme to increase provision of electric vehicle charge points.

Longer term

- Introduce the Angel Network as our integrated transport network with integrated information, ticketing and customer experience standards.
- Implement better buses through our Bus Reform work, including a full review of public transport accessibility to identify areas where we can improve accessibility across the network
- Improve local rail services through a formal Rail Partnership with Great British Railways, including the potential to take stations under local control
- Build and launch the Washington Metro Loop, progress the construction of Leamside Line and other local rail and Metro extensions, and secure the investment needed to upgrade Metro signalling.
- Develop a prospectus for an Institute of Future Mobility.
- Work in partnership with National Highways to progress several regionally significant projects including dualling the A1 to Scotland, improvements to the A19, and facilitate the delivery of a wellmanaged highways network through the Transport Asset Management Plan
- Deliver the Zero Emissions Vehicle Strategy, including increasing EV charging infrastructure across the region from our urban centres out to our rural and coastal areas.
- Undertake detailed preparations for the second round of City Region Sustainable Transport
 Settlement funding which indicatively stands at £1.8bn and work with government to agree a single
 transport funding settlement.

Environment, Coast and Rural

Introduction

The natural environment, our coast and rural areas, are at the heart of the Devolution Deal, reflecting the North East's diverse geography, environment and economy, and the distinctive opportunities and challenges this presents for our region. We believe that safeguarding the natural environment, growing the economy and boosting wellbeing work hand-in-hand in areas like ours where the land, coast, natural environment, economy and communities are so interdependent.

Context

Rural and coastal areas are an important part of our economy, geography and natural environment. Around 40% of people live in largely rural local authority areas (including those with long stretches of coastline in outlying areas) and more than 30% of the North East's land area is designated landscape, including a National Park, two National Landscapes, and other designations. The region's rural area and coastal areas account for 12% and 19% of the total North East GVA respectively.

The diverse natural landscape and geography presents complex issues, from opportunities to lead the way in tackling nature recovery, addressing climate adaptation, and delivering net zero land management, to the challenges of poor connectivity, health inequalities, longstanding deprivation, and access to good quality jobs, skills, and housing in outlying rural and coastal communities.

One significant opportunity is for the collective natural capital and low carbon economic assets of the region – which are extensive in both scale and quality – to place the Combined Authority at the national forefront of environmental stewardship, coastal management, and rural regeneration.

The Devolution Deal highlights the North East's unique natural environment, heritage, coastal and rural geography and economy, recognising the distinctive challenges and opportunities this presents for the region. It sets out additional powers and measures to address these issues and to build on previous progress with key commitments being to:

- develop a North East Environmental Stewardship, Coast, and Rural Growth Investment Plan
- establish the North East as a leader in climate adaptation, natural capital investment, nature recovery, and food security
- proactively collaborate with government to support rural infrastructure development
- promote close collaboration with Scotland
- establish, jointly with Government, a North East Coastal and Rural Taskforce to develop a Transformation Blueprint of shared policy and new solutions to address environmental, coastal and rural issues.

Our ambition for Environment, Coast and Rural

Working collaboratively across the region, we have the opportunity to be a UK innovation trailblazer, developing new solutions to natural environment, coastal and rural challenges. We will deliver sustainable inclusive growth, tackle inequality, improving the wellbeing and quality of life of all our people, communities and businesses. We will share our learning widely, spreading the benefits across the region and beyond.

We will focus on six strategic priorities, investing in our natural assets and heritage to deliver positive change:

 Food Supply and Decarbonisation - Supporting farmers and landowners on the journey to net zero, balancing the need to produce secure local food supplies; storing more carbon using natural assets including increasing our forest cover; and generating more renewable energy through natural assets.

- Building Climate Resilience Delivering measures to build resilience to climate events among households, communities and businesses in all parts of the region. Including piloting initial activities at the coast and estuaries.
- Promoting nature recovery Restoring and enhancing local habitats and species, including Nature Recovery Demonstrator Projects.
- Boosting health, wellbeing and community action on net zero Improving physical and mental wellbeing by supporting people from all backgrounds to engage with nature and the outdoors and involving local communities in the net zero transition.
- Growing businesses, jobs, and skills sustainably Supporting sustainable business growth, jobs and skills in our rural economy and in smaller coastal towns and villages.
- Regenerating rural and coastal towns and villages Building sustainable rural and coastal
 communities by improving local infrastructure, facilities and services and working with communities
 to strengthen community activities and pride in place.

Our cross-cutting aim is to establish the North East as an innovation trailblazer, leading the UK in developing and sharing new solutions to natural environment, coastal and rural challenges, across our six strategic priorities.

Part of the role of the portfolio will also be to champion investment in rural and coastal areas for appropriate housing, digital and transport infrastructure.

Priorities for next 12 months

- Bring forward a proposal for Rural Business Growth and Rural Place-Based Regeneration programme, ensuring all North East rural areas benefit.
- Develop business growth and regeneration programme to support our coastal areas, this will be evidence led ensuring targeted support in areas of most need.
- Establish the North East Coastal and Rural Taskforce and develop a programme of work.
- Prepare our prescribed Local Nature Recovery Strategies to define our nature recovery priorities and deliver the Local Investment in Natural Capital (LINC) Pilot with government, exploring approaches to investing in natural capital.
- Commence the Local Authority Climate Service Pilot with government and the Met Office, as a precursor to our climate adaptation plan.

Subsequent priorities

Delivery of the portfolio will be supported through the production of a comprehensive Environmental Stewardship, Coast and Rural Growth Investment Plan due for consideration by Cabinet in September 2024. Developed collaboratively with partners and stakeholders, this will build on the £9m investment by the North of Tyne Authority by focusing on progressively delivering the following long-term investment programmes:

- Sustainable Rural and Coastal Business Growth
- Place-based Rural and Coastal Regeneration
- Food Supply and Decarbonisation
- Climate Adaptation, consistent with our strategic approach to be set out in the North East Climate Adaptation Plan
- Local Nature Recovery, consistent with our strategic approach to be set out in the Local Nature Recovery Strategies
- Health, Wellbeing and Community Action
- Innovation
- Evidence

In resourcing this activity, we will proactively seek support from national funders including UK Government, national agencies, investment institutions (such as the National Infrastructure Bank), private investors, and charitable trusts and foundations, promoting the significant opportunities

presented by the region to deliver environmental, social and economic returns for investors and funders. Our approach to Green Finance will include a focus on seeking private investment in natural capital and the net zero transition. Support is expected to build gradually as we present our ideas and proposals to these wider audiences, and as new funding and investment opportunities present themselves.

Economy

Intro

This Portfolio will build on the economic priorities, assets and potential of the region; establishing a bold overall economic strategy that guides investment, boosts growth and productivity, and proactively guides our economic transition while reducing inequality.

Context

The North East is home to nearly 2 million people, with an economy worth £40.7bn and 68,850 businesses providing 887,000 jobs, with more people in the North East employed by SMEs than in other parts of England. The region covers a vast and diverse economic geography, with three cities, many vibrant towns, extensive rural and coastal communities and sharing 60 miles of border with Scotland.

The NE has significant capabilities that must play a role in a successful UK economy. There is a large and productive advanced manufacturing sector, a thriving tech sector and growing opportunities around space and screen industries. Machinery and materials make particularly strong regional economic contributions, with high productivity and above-average weekly pay compared to other jobs. There are a high number of people employed in foundational economy, providing essential services to residents and visitors.

But the region also faces a number of challenges including lower than national average productivity and wages, lower employment and relatively low business dynamism. Some sectors are facing skills shortages for the first time.

The North East has a thriving ecosystem of knowledge and capacity for innovative delivery that underpin the regional economy. This includes an extensive catapult network, six national innovation centres, four universities and nine Further Education Colleges. Collaboration between research institutions and industry within the region is driving innovation across sectors, supporting the industrial transition and attracting internationally significant companies.

Our ambition for the Economy

We will use all the powers and influence available through the Devolution Deal to invest in our region, drive inclusive economic growth and support our most vulnerable, helping create a New Deal for working people.

Our plan is to develop and grow the economy, improving pay and employment outcomes. This will require higher productivity and innovation, enabling growth and investment to flow into the region. This will be underpinned by an ambitious Inclusive Industrial Strategy, a practical and targeted plan to develop and grow the economy, improve overall productivity and innovation in the region and unlock potential in key opportunity areas.

The Inclusive Industrial Strategy will set out our strengths, emerging areas of opportunity and how our regional capabilities will enable us to deliver tangible impact on a national and international scale, while strengthening the social and economic outcomes for the region. It will set out how we will realise our ambitions for our growth opportunities including in green energy, electrification and electric vehicles, life-sciences, film and creative content including writing, music and design, digital and space clusters, the visitor economy and wider foundational economy. It will also make available best in class innovation support for our local businesses to ensure they drive the economic future of the region. We will set out clear, evidence based and industry informed plans to unlock our growth opportunities, backed by North East CA investment and clear asks of Government.

It will form part of a holistic economic strategy which draws on existing regional capabilities in advanced manufacturing, creativity and exporting and will promote the importance of social impact and the foundational economy. Further objectives include:

- Creating Green jobs and just transition
- Exemplary innovation support and investment to drive research and development

- Build our capacity to support growth propositions to develop and deliver at scale
- Champion projects with transformational potential for the region and UK
- Working with other portfolio holders around Skills for Growth; unlocking the economic potential of our culture and creative sector; access to finance; and to connecting jobs with employment; ensuring every resident, place and institution plays a role in the region's success.

The Economy portfolio will work in close collaboration with the Mayor, Business Board and other portfolio holders to bring forward practical and deliverable proposals and next steps, linked to the emerging industrial strategy priorities, that enable early impact and lay the foundations for a more comprehensive delivery plan and wider economic strategy.

Next 12 months

- Bring forward a programme of support for our growth opportunity areas, to be set out within the forthcoming Inclusive Industrial Strategy.
- Working with the Finance and Investment Portfolio, bring forward the next access to investment programme for local businesses. This will tackle gaps in the availability of finance (debt and equity).
- Support implementation of the Green Superport, to enhance collaboration across the region's marine ports and international airport with a view to accelerating inclusive growth in the offshore, clean energy and advanced manufacturing sectors.
- Establish the North East Strategic Energy Board (NESEB) to understand more and escalate to Government/National Grid where there are issues, such as around current grid connectivity and constraints, and future capacity needs.
- Work with the Education, Inclusion and Skills portfolio to urgently addressing near-term supply of skills that are currently constraining growth of good quality jobs. Longer term, through the development of the Skills Strategy help shape proactive and ambitious plans to support skills transition in the context of net-zero, automation and AI.
- Drive up employment standards in the region, working with the Trade Unions and building on examples including the Good Work Pledge, Better Health at Work, Durham Pound and South Tyneside Pledge (working with the Education, Inclusion and Skills portfolio).
- Work with the Education, Inclusion and Skills portfolio to drive up employment standards in the region, working with businesses and the Trade Unions and building on examples including the Good Work Pledge, Durham Pound and South Tyneside Pledge.

Subsequent priorities

- Deliver an updated Business Support programme, including general and specialist innovation support for businesses.
- In conjunction with our businesses, Universities and Catapults unlock higher levels of R&D and Innovation Funding – translating the region's world class research expertise into jobs, skills and inclusive growth outcomes. With the Inclusive Innovation Deal also helping us establish a new relationship with UKRI and Innovate UK.
- Develop options for consideration by Cabinet to accelerate delivery using the Mayoral Development Corporation model.

We will also consider how our delivery capacity and funding can best enable our objectives to be an 'International North East', bringing forward proposals for refreshed capabilities to bolster our ability to attract visitors, inward investment, trade, and internationally significant events into the region. Our strategic approach will be set out in the Inclusive Industrial Strategy, Inclusive Innovation Deal. We will also review the existing Enterprise Zone programme and bring forward recommendations on how the current programme, which is in operation until 2042, can be maximised, as a part of a wider strategic approach to unlocking key employment sites and the development of an Investment Strategy for the North East CA.

Culture, Creative, Tourism and Sport

Introduction

The activities of this portfolio – culture, creativity, heritage, tourism and sport – help define who we are as a region; it's our showcase to the world and the source of pride for everyone who calls it home. Three cities each with their own authentic identity with a national and international profile, sweeping rural landscapes, innovation districts, coastlines, market towns, world heritage sites, world class events and festivals, premier league football, first class cricket and premiership rugby. There is no comparative regional offer in the UK.

Working together we will open up new opportunities, improve infrastructure, stimulate new ideas and showcase new voices; strengthening social capital, enhancing innovation capability and inclusive growth, driving and leveraging investment. Our focus is on developing our region as an exemplar model for cultural place-making, cementing its appeal as a place to visit, learn, live, and work.

Context

The portfolio represents growing sectors with 10% employment growth compared to the region's average of 3%; we are the home of internationally recognised brands such as Premier League and UNESCO World Heritage Sites. Major infrastructure opportunities in Crown Works Studios and Sage ICEC will be game changers. Low productivity, deep-rooted inequalities and post-COVID recovery, lower levels of research and development, and the need to improve productivity are potential limiting factors, mitigated through inclusive economic growth interventions.

The Devolution and Deeper Devolution Deals highlight the importance and contribution – now, and for the future – of the North East's cultural, creative, heritage, tourism and sport sectors. It sets out a number of commitments to work in new ways together delivering economic and social outcomes, including:

- Supporting the development of an ambitious cultural framework that makes the most of our distinctive natural, cultural and heritage assets
- Aligning government funding and the work of the DCMS Arm's Length Bodies, with the authority and promoting joint investment, collaboration and decision making
- Promoting grassroots sport and physical activity to improve health and wellbeing
- Develop and promote our creative talent, including music, writing.
- Investing in and growing the screen industries
- Connect activity across the region to promote and grow the visitor economy
- Promoting the region as a location for world-class events, including through the Gateshead Sage Arena and ICC.

Our ambitions for Culture, Creative, Tourism and Sport

The portfolio will deliver a vibrant, sustainable and inclusive economy by leveraging and realising the region's cultural, creative, heritage, visitor and sport assets and opportunities. We will seek to increase leisure and business tourism and ensure a thriving creative sector, including supporting music, writing and screen. Our objectives are as follows:

- To support and proactively contribute to regional inclusive economic growth, capitalising on the values and opportunities that are unique and specific to this portfolio.
- Strengthen a sense of place: Leveraging the organisations, activity, sectors and spaces in this
 portfolio to shape and strengthen our identity helping raising pride, belonging, and aspirations
 across the region.
- Increase internationalisation and investment: Growing the visitor economy across the region and raising the region's global profile to build new relationships and attract new investment.
- Improve and grow jobs creating sustainable growth: Supporting our businesses, organisations and freelancers to grow, thrive and create high-quality jobs in industries across this portfolio, working to attract new and regional young talent to these opportunities.

- Strengthen skills and training for the sector, and to strengthen employment routeways, recognising its importance as part of the wider foundational economy.
- Support health and wellbeing: Unlocking a broad range of opportunities in our cultural, sporting and heritage assets that will enable residents to live healthier lives and improve their wellbeing.

Over the next 12 months

- Deliver a comprehensive programme of investment to maximise opportunities from leisure and business tourism. This will be set out in a 10-year vision and strategy that builds on the current Destination Development Pilot (DDP) and explores investment options to support the sector, such as the introduction of a tourism levy.
- Develop and deliver a regional events programme to support a programme of major and impactful
 events and festivals for both regional audiences and to attract more visitors underpinned by a
 business case for regional events delivery and structure.
- To expand and enhance the North East Screen Industries Partnership increasing productions, jobs and investment, further strengthening our screen industry sector.
- Investment in Riverside Sunderland, to unlock the Crown Works Studios site
- Develop and commission a programme for cultural and creative industries investment and business/practitioner support including for music, literature and other creative sectors.
- Establishing the North East as the first UK Region of Sport, commencing work to strategically scale up sport and physical activity to support economic, health and wellbeing outcomes.
- Progress a North East brand that builds on our remarkable creative cultural and sport and visitor economy assets
- Develop the North East Cultural Observatory a region-wide research, evidence and impact evaluation forum to drive and aggregate policy innovation, data analysis and impact evaluation.

Longer Term

- Implement the deeper devolution deal commitments including the Cultural, Creative, Tourism, Sport and Heritage Blueprint, Culture and Creative Investment Catalyst, and Skills for Screen Exemplar.
- Develop and invest in support of an ambitious Cultural Framework that capitalises upon our distinctive natural, cultural and heritage assets supporting the regional economy, our places and our communities.
- Assess and scope cross-portfolio approach to capital infrastructure / retrofit for the portfolio.
- Invest in both sectoral and place-based approaches to supporting and investing in the creative economy.
- Support the development of the Gateshead Sage Arena and ICC capitalising on its potential to drive wider place-based economic and social outcomes.
- Position the region to attract national institutions.

We will work across our portfolios, in particular with Education, Inclusion, and Skills and Economy, Environment, Coast and Rural, while also contributing significantly towards our cross-cutting ambitions on Net Zero and Digital.

Finance and Investment

Introduction

The Finance and Investment Portfolio is at the heart of the North East's devolution ambitions and is responsible for overseeing the Framework and financial programmes which will deliver the priorities of the Mayor and Cabinet. The oversight role includes developing and maintaining the strategic Framework and cross-portfolio evidence base; oversight of project development, approval, monitoring and claims processes, as set out in the Assurance Framework; and Chairing the Finance and Investment Board.

It is also responsible for major investment programmes, including:

- The North East Investment Zone (IZ), which is supporting growth of the Offshore Energy, Electric Vehicles and Associated Advanced Low-Carbon Manufacturing sectors – based at Blyth, the Tyne Corridor, the International Advanced Manufacturing Strategic Site (in Sunderland and South Tyneside) and NETpark (in County Durham).
- The operation of our Inward Investment Fund, which helps attract more businesses to the region, creating jobs for local residents and contributing to the economic vibrancy of the region (working with the Economy Portfolio).
- The 'Access to Finance' programme, aimed at supporting SMEs to access to the finance necessary for them to grow, alongside management of the legacy from previous programmes (working with the Economy Portfolio).

Context

The Investment Framework will set out an ambitious and strategic approach to investment for the North East region. The initial budget for the authority for the 24/25 financial year is £402 million, including funding for transport, skills, housing and economic development.

The Devolution Deal confirmed the Investment Fund at £48m per year for 30 years (£34m revenue and £14m capital). It highlights the opportunity for the authority to undertake financial borrowing and notes our ambitions to create a Regional Wealth Fund. The Deeper Devolution Deal confirmed the £160m North East Investment Zone, which is expected to create 4,000 new jobs over the next ten years, building and adding to existing regional strengths in key sectors and a strong pipeline of interest.

Through our devolved powers and Investment Framework, we want to work alongside business, investors and other partners to secure the best possible outcomes for the North East, working across portfolios and geographies to leverage:

- Greater fiscal innovation introducing new ways of generating and recycling wealth in the region including through a Growth Zone and by removing ringfences around allocations from Government, ensuring we invest in our strategic priorities and where we can have the greatest impact.
- Government support for Inward Investment, including strengthened engagement with Department of Business and Trade to develop and market propositions, and collaborative work to increase the number of businesses who invest in the region.
- A commitment from Government to support access to finance, including through innovative approaches such as a Regional Wealth Fund and Land Value Capture on the next phase of transport infrastructure development.

This portfolio is also responsible for developing and maintaining a strategic evidence base to provide a source of evidence on the region's economy based on a comprehensive quantitative and qualitative analysis – demonstrating impact and guiding decision making for the best possible outcomes for the region.

Our Ambition for Finance and Investment

This portfolio's work will not only create the conditions for growth for the region but also ensure there is strategic alignment between the Combined Authority's vision and commitments, and wider portfolio plans, to ensure greatest positive impact for the North East. Through the Finance and Investment Board, this portfolio will champion and track the overall progress of our objectives and delivery towards our strategic commitments in line with our Assurance Framework. This will also mean ensuring that the strategic evidence base remains current, insightful and identifies changes in the economy and any new opportunities for the region.

The North East has been one of the most successful regions outside London in attracting inward investment, with foreign-owned businesses providing thousands of jobs within the region. Continuing this success will be a key objective of any new inward investment fund. It is also a core objective of the Investment Zone, which is expected to create 4,000 new jobs over the next ten years, building and adding to existing regional strengths in key sectors and a strong pipeline of interest.

The portfolio will also develop an approach for Access-to-Finance, addressing significant evidence that businesses in the region have more restricted access to both debt and equity finance than other parts of the UK.

Next 12 Months

- Shape and oversee the deployment of financial resources, with priorities to be set out in the Investment Framework.
- Kickstart the Finance and Investment Board and ensure that the Assurance Framework and
 effective project governance processes are up and running; including incorporating the impact on
 child poverty within our assessment process.
- Delivery of early Investment Zone priorities, including the first phase of Combined Authority investment; the development of marketing and promotional strategy; and operationalising all governance processes.
- Engage with potential Inward Investors, understanding their needs and helping them overcome the
 costs of starting up the region through an inward investment fund, and developing a proposal for
 additional resources.
- Ensure that the existing North East Fund continues to deliver loan and equity finance for businesses, and to develop the evidence base for successor programmes. Whilst undertaking a review and bringing forward proposals to support availability of growth and innovation finance, including Green Finance, with any direct investment proposals in the context of an investment framework for the Combined Authority working with the Economy Portfolio.

Longer Term

- Maintain the strategic direction for the authority, refreshing the Investment Framework on a regular basis, whilst updating the evidence base and developing other strategic plans, as appropriate – including around performance and evaluation.
- Develop an updated Assurance Process and approach to support discussions with Government around greater financial flexibilities, including the 'single pot' measures identified in the Deeper Devolution deal.
- Maximise impact of the ten-year Investment Zone programme, working with the local authorities and other strategic partners to attract business investment and unlock associated skills and innovation to meet the needs of businesses in the key sectors.
- Working closely with the Economy portfolio, ensure that the region continues to maximise opportunities to secure inward investment, creating new jobs and opportunities for residents across the whole region.
- Consult, develop and implement the preferred approaches to an Access to Finance /Regional Wealth programme and to inward investment (working with the Economy Portfolio).

Housing and Land

Introduction

This portfolio will unlock investment which improves the range, quality and affordability of housing; creates stronger neighbourhoods and more sustainable high streets; and supports wider infrastructure investment.

The standard of our homes and neighbourhoods provides the foundations for wellbeing and a quality of life in our communities. We want to see more and better homes in great, safe and sustainable neighbourhoods. Our residents and our communities must be connected to jobs and services, with everyone having a warm, healthy and safe home. Homes need to be well designed and energy efficient, meeting a range of housing needs. In addition to the creation of new homes, we need more social and affordable housing. We are equally committed to working in partnership to raise standards in our existing housing stock and to create vibrant places to live.

Context

The region has one of the lowest home ownership rates in the country outside London, with only 59.7% of households owning their own property. At the same time, 75% of households' accommodation is considered under-occupied and there are over 30,700 vacant dwellings across the area, indicating a mismatch in the supply and demand of properties.

While standard statistical measures suggest the region has more affordable housing than elsewhere in the country, the reality is that those on lower incomes, particularly in the lowest 25%, struggle to afford to buy their own homes and that rental levels are high. This challenge is exacerbated by slower-than-average construction of affordable homes since 2015/16 and by private rent increasing by 24% over the same period, much of which has been in the last 3 years. There has been negligible new social housing.

Although the region benefits from relatively good quality living environments, this is typically driven by relatively good access to greenspaces; 100,000 properties are considered non-decent homes, and 14% of households are in fuel poverty partly because of old housing stock.

The devolution and deeper devolution deals set out a broad set of powers and functions that will drive housing growth and wider regeneration, including enabling the authority to:

- acquire and dispose of land to assemble sites and build houses and commercial space;
- designate mayoral development areas and create mayoral development corporations;
- drive place-based economic regeneration across key sites in the region
- take a collaborative approach to infrastructure investment and place shaping, supporting a sustainable future for our high streets, towns, and city centres.
- develop infrastructure plans and progress collaborative approaches to funding and investment to increase the number of affordable homes.
- create sustainable development, utilising heat network zoning and exploring the potential benefits
 and model design of a place-based approach to delivery retrofit, playing a key role in the delivery of
 heat decarbonisation infrastructure.
- tackle the poor quality of housing
- be innovative in our approach to homelessness prevention, with a commitment to work together with Government to establish a Homelessness Prevention Blueprint.

This will build on work already taking place within our Local Authorities and include strong collaboration with the housing sector to align policy and funding, building on learning regionally and from across the Country.

Our ambitions for Housing and Land

Through the work of the Housing and Land Portfolio – working in collaboration with the housing sector, the Local Authorities and national Government – we will set out our policy approaches around housing, strategic regional infrastructure and spatial planning and regional growth. We will:

- Increase the number of new homes delivered, including more affordable and social housing and brownfield site developments.
- Improve the vitality of our High Streets, Town and City Centres
- Facilitate the provision of more new Commercial Space to meet our ambition for job growth
- Advance opportunities to reduce CO2 emissions to create energy efficient homes, including through retrofitting social housing and supporting retrofit across other tenure types
- Deliver the Housing First Trailblazer to reduce homelessness
- Work with the local authorities and other partners to improve the quality of existing stock within the Private Rented Sector setting clear standards.

In the next 12 months we will:

- Develop proposals to accelerate the delivery of new affordable homes, investment in our strategic regeneration sites and supporting economic growth, working with Homes England through our Strategic Place Partnership, supported by the North East Housing Partnership.
- Deliver over £120m of investment in housing and other capital projects including through the Brownfield Housing and Capital Regeneration Fund Programmes
- Launch a High Streets Commission, working with our communities and constituent authorities to create a locally led propositions and investment pipelines for our towns and highstreets, supporting the development of masterplans, delivery strategies and business cases to leverage investment.
- Launch a Community Infrastructure Fund, with partners, to help communities take control of spaces and opportunities.
- Develop, with Government, a North East Homelessness Prevention Blueprint
- Deliver housing retrofit advice through Local Energy Advice Demonstrator and One Stop Shop.

Subsequent priorities include:

- Developing a collaborative regional model for delivering targeted, integrated interventions that support the homeless, relieving pressures on temporary accommodation and raising standards
- Working with Government, businesses and Housing Providers to deliver a comprehensive housing retrofit programme, starting first with social housing and identifying measures needed to promote a viable, stable, long-term approach to retrofit alongside the case for public and private sector investment.
- Working with the Local Authorities and Homes England to deliver more Affordable Homes
- Playing an active role in regional strategic net zero activity e.g. Regional Strategic Energy Planning, Heat Network Zoning
- Increasing capital investment into infrastructure and sites to unlock private sector investment.

We will also consider delivery models and funds required to support brownfield remediation, housing growth and land assembly to bring forward place-based regeneration, including by seeking increased devolved resources, powers and functions. With our strategic approach to be set out in the NE Housing Plan and NE Infrastructure and Regional Spatial Plan.

Education, Inclusion and Skills

Introduction

We will work with partners to deliver a co-ordinated and inclusive education, skills and employment system. Our focus will be on increasing opportunities for all our residents through removing barriers to work and learning, driving collaboration across the local education system, and seeking to reduce the symptoms and causes of child poverty, This will ensure that employers are able to employ local people with the skills their businesses need to grow and thrive, and everyone can access the support they need to live well and contribute to the region's success.

Context

The North East lags behind the rest of the UK in a number of areas. Median income in the region is the second lowest among Core Cities areas and child poverty is persistently high and deepening, with one in three children in our region living in poverty. The region's employment rate is consistently lower than the national average and we face rising levels of economic inactivity driven by long—term sickness.

There is a persistent gap between academic outcomes for our pupils compared to their peers nationally, exacerbated for those from a disadvantaged background.

Apprenticeship starts in the region are declining, with an increasing number of students unable to find a local apprenticeship vacancy for their career choice. We have a higher proportion of residents with no qualifications and a lower proportion of residents with level 3 or 4 qualifications than the national averages. The region also has the highest percentage of 16-24 year olds who are not in education, employment or training (NEET) in England.

The Devolution Deal provides an expansive range of powers and investment opportunities to develop this area of work with a clear commitment to increasing opportunities and living standards through inclusive growth.

This includes a fully devolved Adult Skills Fund of £68m a year and a commitment to provide local leadership of the overall skills system across the region, improve life chances for children and young people and measures to improve employability and future employment programmes through the development of a joint Employment Framework with DWP.

Our ambition for Education, Inclusion and Skills

Through the work of the Education, Inclusion and Skills portfolio we will work with a diverse range of partners, employers and communities to deliver new and ambitious approaches to growing a more inclusive economy, including encouraging good work that helps to lift residents, especially our children, out of poverty. Co-design and collaboration will be at the heart of our approach ensuring local needs are understood and embedded in our interventions.

Our objectives are to:

- Address the symptoms and causes of child poverty by supporting children, families, schools and employers.
- Reduce educational disparities and improving life chances for children and young people, improving
 the provision of early childhood services to support families and enabling young people to
 identify routes into work, underpinning business growth in the region.
- Mobilise an inclusive and cohesive skills offer that drives improved productivity, economic growth and transition to net zero.
- Improve employability and employment programmes, including support for residents with complex barriers, and physical and mental ill health to access and sustain good work.
- Support strong and connected communities that help to reduce inequalities and improve wellbeing for all.

In the next 12 months we will:

- Deliver a North East CA Child Poverty Prevention Programme, addressing symptoms and causes of child poverty by providing support to children, families, schools and employers, including welfare and benefit advice.
- Support early-childhood services, including through the Mayor's Opportunity Fund and by supporting childcare to help people into work and with career progression.
- Deliver an Education Improvement Programme, reducing educational disparities and improving life chances for children and young people by adding value to the local education system.
- Launch the new North East Careers Hubs physical and on-line to ensure everyone can access training and development alongside integration to other services
- Deliver the regional adult skills programmes e.g. devolved Adult Skills Fund, Free Courses for Jobs and Skills Bootcamps
- Deliver an Employment programme to support residents with multiple and complex barriers into work and to sustain good work. Including through support to help residents with mental and physical ill health into sustainable employment.
- Working with employers to deliver targeted, employer-led, 'Skills for Growth' programmes
- Work with the Economy Portfolio to drive up employment standards in the region, working with businesses and the Trade Unions and building on examples including the Good Work Pledge, Better Health at Work, Durham Pound and South Tyneside Pledge.

Subsequent priorities include:

- To maintain delivery and outcomes from substantial devolved resources around Education, Inclusion and Skills
- Working with the Housing and Land Portfolio, launch a Community Infrastructure Fund, with partners, to help communities take control of spaces and opportunities.
- To consider delivery models and funds required to support our ambitions on inclusive growth, including by seeking increased devolved resources, powers and functions – alongside greater flexibilities on existing funding so that it can be better used to remove barriers to work.

Our strategic approach will be set out in the Regional Skills Strategy, Strategic Employment Plan and Joint Employment Framework, Inclusive Economy Framework and Work and Health Strategy.



Advisory Boards Terms of Reference

Purpose

The purpose of each Advisory Board is to provide advice to the Mayor and Cabinet on the exercise of their functions. This includes:

- a) supporting members of the Authority in overseeing the delivery of the vision, ambitions and programmes of activity set out in the Authority's Corporate Plan and associated plans and strategies;
- b) bringing together key stakeholders to support the development and delivery of these ambitions and programmes; and
- c) providing advice and information to the Authority to ensure there is a robust evidence base for decision-making.

Role and responsibilities

The advisory boards have no decision-making powers. Advisory Boards will:

- a) consider and provide advice on policy proposals;
- b) work with a range of agencies and delivery partners to oversee the development and implementation of delivery programmes, ensuring that the ambitions in the Authority's Corporate Plan are taken forward and implemented:
- c) seek assurance that the Authority's strategies, policies and programmes are integrated with, or aligned to, other complementary strategies, communicating regularly with other relevant advisory boards, partnerships and forums;
- d) identify apparent barriers to delivery and broker agreement at a strategic level to resolve them; and
- e) secure the attendance of external persons with the relevant experience and expertise if they consider this necessary.

The Chair

Each Advisory Board will be chaired by the Cabinet member with the responsibility for the appropriate portfolio ('the portfolio holder'). This designation will be agreed by Cabinet, usually at its annual meeting. The Chair will nominate a member of the Advisory Board to act as Chair of meetings in their absence.

Membership

Membership of the Advisory Boards will normally be determined annually by the Cabinet. The majority of the membership of an advisory board will generally be people and organisations from outside the combined authority and represent key partners and organisations in each portfolio area. In-year appointments can be agreed by the Chief Executive, in consultation with the appropriate Advisory Board Chair.

Any person appointed as a member of an Advisory Board will be expected to adhere to the <u>Nolan</u> <u>Principles of Public Life</u> and will also be expected to declare any interests in matters to be considered.

Observers and guests can be invited to meetings for specific purposes. Each Advisory Board will have available to them officers from the North East CA and its seven constituent authorities to advise, support and facilitate their work.

Attendance

Consistent attendance by the same people will create a knowledgeable, effective and trusted working environment and each member is expected to commit to attend the board meetings. If a member is unable to attend an advisory board meeting, they can send an appropriate person to represent them at that meeting.

Meetings

Advisory boards are not decision making or formal committee meetings and as such will:

- meet in private to facilitate open and honest discussion
- meet online to support regular attendance
- ensure their work programme complements key decisions to be taken throughout the year
- not have a quorum
- circulate, via email, an agenda 3 working days in advance of the meeting

Advisory boards will agree a schedule of meetings at the beginning of the year and will be able to call additional meetings if required or hold workshops to facilitate wider cross board working.

Reporting mechanism

The Chair of the Advisory Boards will be responsible for reporting to Cabinet the views, recommendations and considerations of the boards. This can be done through a variety of methods, including but not limited to a report to Cabinet, specific sections of a report to Cabinet, contributing to a task and finish group or attendance at other meetings.

The Finance and Investment Board has a specific function set out in the Single Assurance Framework and will ensure its reporting is in line with these requirements.

The Chair will be supported by a 'link officer(s)' – a named senior officer(s) within the appropriate area of work to assist in work planning, information gathering and briefings. The meetings will be supported by the North East CA Governance Team.

Review

It is proposed that the organisation and terms of reference of Advisory Boards will be reviewed and reappointed by Cabinet on an annual basis. This will ensure that the advisory boards reflect any changes in portfolios and that their methods of operation can be adapted to respond to lessons learned from experience.

North East Combined Authority Advisory Boards

- Transport
- Environment, Coast and Rural
- Economy
- Culture, Creative, Tourism and Sport
- Finance and Investment
- Housing and Land
- Education, Inclusion and Skills

More information on the specific work areas of each advisory board is below. All Advisory Boards have a responsibility to consider the cross-cutting themes of Digital, Net Zero and Public Service Reform in their work.

Transport Advisory Board

Portfolio
Holder &
Chair
Areas of
work

Councillor Martin Gannon, Leader Gateshead Council

Development of the transport investment programme, including:

- Local Transport Plan (LTP) development and delivery
 - Input into the ongoing review, development and delivery of the LTP and its associated strategies, policies, and delivery plan.
 - Integration between transport and other NECA Portfolio areas Alignment of the policies and plans of partner delivery agencies to NECA Plans
 - Supporting NECA's Mayor and Transport Portfolio Holder in interactions and memberships of wider bodies, e.g. Transport for the North
 - Monitoring changes in government policy, regulation or funding approach, considering the impact on NECA's own activities, and supporting NECA's Mayor and Transport Portfolio Holder in developing an appropriate response
- Development of the Transport Programme
 - Considering prioritisation of transport investments and application of the Transport elements of the Single Assurance Framework
 - Monitoring project delivery and programme management, including upholding design standards where appropriate
 - Assisting in the development of transport funding bids to government and external bodies
 - Considering opportunities for partnership and private sector investment
 - Working with partner organisations to consider how NECA's delivery can be best achieved through effective joint working arrangements

Environment, Coast and Rural Advisory Board

Portfolio Holder & Chair Areas of work

Councillor Glen Sanderson, Leader Northumberland County Council

- Rural Economic Investment Programme
- Clear joint plan for rural growth, stewardship and net zero
- Environmental Stewardship, Coast and Rural Growth Plan
- Local Nature Recovery Strategy
- Borderlands Inclusive Growth Deal
- Rural by Design Initiative.
- Natural capital Framework

Economy Advisory Board

Portfolio Holder & Chair Areas of

work

Councillor Nick Kemp, Leader Newcastle City Council

The Economy Portfolio will use the powers and influence set out in the Devolution Deal to invest in our region, drive inclusive economic growth and support our most vulnerable. Our plan is to develop and grow the economy, improving pay and employment outcomes.

The Economy advisory board will support the development of the early priorities set out in the Strategic Portfolio Plan, including:

- The development of the Inclusive Economic Strategy and other economy and growth focussed plans
- bringing forward a comprehensive programme of support for our growth opportunity areas, including the Foundational Economy, to be set out within the forthcoming Inclusive Industrial Strategy;
- informing work with ports and riverside landowners to develop propositions to best unlock their potential; and
- setting up the North East Strategic Energy Board.
- informing our approach to unlock access to finance, include investing to fill gaps in funding for early and growth-stage companies.
- informing our approach to unlocking the next generation of good quality jobs for the region and the authority's Inclusive Growth priorities.

Culture, Creative, Tourism and Sport Advisory Board

Portfolio
Holder &
Chair
Areas of
work

Councillor Amanda Hopgood, Durham County Council

The Culture, Creative, Tourism and Sport Advisory Board will support the development of the early priorities set out in the Strategic Portfolio Plan, including:

- Development of a long-term Visitor Economy programme and delivery structure
- Development of an ambitious and inclusive Cultural Framework
- Establish the North East as the first UK Region of Sport
- Culture and Creative Industries Investment programme
- North East Cultural Observatory
- Regional Events Strategy and programme
- Development and scaling of the regional screen industries
- Place-based investment to support the creative economy
- Strategic collaboration with national Arms-Length Bodies through a Cultural Blueprint
- Development of a new Culture and Creative Investment Catalyst
- Realising the regional ambition for the Gateshead Sage ICEC
- Positioning the region as a home for national institutions

Finance and Investment Board

Portfolio holder & Chair Areas of work

Councillor Michael Mordey, Leader Sunderland City Council

- To ensure there is strategic alignment between the Combined Authority's vision and commitments, and its financial programmes, to ensure greatest positive impact for the North East.
- To make recommendations to Cabinet, or the designated officer in line with agreed delegations, in respect to investment decisions on funding programmes operated by the North East CA.
- In accordance with the Single Assurance Framework, consider new funding applications and project variations and make recommendations to the Mayor and/or Cabinet, or designated officer, on investment decisions.
- Play a key part in the overall assurance arrangements of the Combined Authority through delivery of its functions.
- Assess investment proposals against strategic fit with North East CA's Investment Framework ensuring golden thread.
- Scrutinise the technical review of applications and project appraisals to provide assurance around value for money, due diligence, transparency and equity.
- Oversight of performance and management of strategic risk at a programme level
- As appropriate, act as a sounding board to provide strategic advice and guidance to North East CA on the development of external bids for additional funding, where North East CA will be the accountable body

Written Procedure

By exception, Members of the Board can consider reports by written procedure with 5 working days to respond unless an urgent decision is required. Nil response is taken as approval of the report and its recommendations.

Housing and Land Advisory Board

Portfolio
Holder &
Chair
Areas of
work

Dame Mayor Norma Redfearn, North Tyneside Council

To improve the range, quality and affordability of housing in the North East; drive economic growth and productivity and support the most vulnerable.

To support the regeneration of our communities, revitalisation of town centres and infrastructure investment that makes the North East an attractive place to live, work and invest.

The Board will act in an advisory capacity to support:

- the delivery of housing growth ambitions;
- the alignment of public sector resources to maximise land supply, investment and impact on the delivery of housing through land supply, funding and statutory powers
- Revitalisation of town centres and wider placemaking through alignment of resources
- Infrastructure investment that will make the North East an attractive place to live, work and invest
- Raising the quality of housing for tenants by working with LAs and DLUHC to work in partnership to share best practice, shape policy and implementation of investment/schemes
- Champion the importance of innovating in homelessness prevention. Establish a Homelessness Prevention Blueprint and shaping policy
- Support the development and delivery of retrofit programmes to raise the standards and efficiency of homes across the North East
- Shaping national housing and regeneration policy
- Championing the delivery of the Strategic Place Partnership and co development of affordable housing investment across the North East

The Board will advise the Cabinet in its role of:

- Overseeing a strategic approach to the delivery of more and better homes across the North East area - this will enable an improved range of tenures and type of home, including affordable and specialist housing, within the overall number of net new homes
- Overseeing an integrated long term investment programme to increase supply and the pace of delivery of quality homes from 1,800 per year to 3,000 per year
- Coordinating existing local authority partnerships and delivery vehicles to support the delivery of key housing/regeneration sites, expanding delivery options and remits in line with emerging opportunities
- Identifying opportunities for the assembly of strategic housing sites across multiple public and private landowners, as well as convening the appropriate partnerships and discussions to take these forward
- Overseeing the area's One Public Estate programme to maximise the use of surplus public sector land for housing and other uses – develop a Public Land Commission with DLUHC
- Identifying opportunities for innovation, including making use of modular build initiatives

- Exploring how assets, further capital investments and delivery vehicles could be used to reduce future revenue burdens
- Exploring opportunities to improve the quality and management standards of private sector properties

Education, Inclusion and Skills Advisory Board

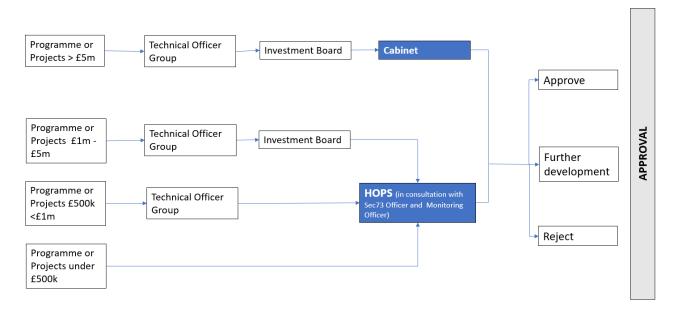
Portfolio Holder & Chair Areas of work

Councillor Tracey Dixon, Leader South Tyneside Council

- Create the conditions for members to develop a deep and shared understanding of key issues, through pooling data and insights.
- Create the conditions for members to develop a collaborative and coordinated approach to addressing key issues, reducing the risk of siloed thinking and working.
- Enable members to speak with one voice as regional and national ambassadors of the work being delivered across the EIS portfolio.
- Ensure that the different needs of residents across the region are being addressed, by including representation of minoritised voices.
- Hold North East CA accountable for meeting the Public Sector Equality Duty

 ensuring the EIS programme shows due regard for ending discrimination,
 advancing equal opportunities and fostering good relations.
- Create the conditions for members to think strategically and long-term about they can work together to respond to the future needs and challenges of the region.

1. Approval process



2. Required assurance documentation to support decisions

NECA Chief Executive

Initiation

- PIP
- Strategic Programme Board Assessment (Investments > £500k or In year proposals)
- Report to Cabinet (In year proposals)

Development

- Business Case
- Business Case Appraisal
- SRO sign off
- S73 and Monitoring Officer sign off

Approvals

 TOG technical challenge and advice (if over £500k)

Finance and Investment Board

Initiation

- PIF
- Strategic Programme Board Assessment (Investments > £500k or In year proposals)
- Report to Cabinet (In year proposals)

Development

- Business Case
- Business Case Appraisal
- · SRO sign off
- S73 and Monitoring Officer sign off

Approvals

- TOG technical challenge and advice
- Investment Board Report

Cabinet

Initiation

- PIF
- Strategic Programme Board Assessment (Investments > £500k or In year proposals)
- Report to Cabinet (In year proposals)

Development

- Business Case
- Business Case Appraisal
- SRO sign off
- S73 and Monitoring Officer sign off

Approvals

- TOG technical challenge and advice
- Investment Board consideration and recommendation
- Cabinet Report

Up to £1m

£1m - £5m

> £5m

Glossary:

North East CA North East Combined Authority
PIP Project Initiation Paper
TOG Technical Officer Group



Agenda Item 7



Cabinet 30 July 2024

Title: City Region Sustainable Transport Settlement

Report of: Tobyn Hughes, Director of Transport

Portfolio: Transport

Report Summary

This report provides an overview of the North East City Region Sustainable Transport Settlement programme. It outlines the process undertaken to date to identify and prioritise a programme of sustainable transport investment and asks Cabinet to note and agree the prospective programme, outlined in section 4 of this report and within the North East City Region Sustainable Transport Prospectus, provided at Appendix 1.

The report recommends that authority is delegated to the Chief Executive to finalise the Business Case that is required to unlock the capital funding associated with the City Region Sustainable Transport Settlement, and to submit it to Government for consideration on behalf of the North East Combined Authority (North East CA).

Recommendations

Cabinet is recommended to:

- 1. Note the City Region Sustainable Transport Settlement update and the progress undertaken to develop the North East City Region Sustainable Transport Settlement Programme.
- 2. Agree the North East City Region Sustainable Transport Settlement Programme, including:
 - a) A programme of sustainable transport capital investment totalling £181m inclusive of overprogramming, outlined at section 4 of this report and in Appendix 1
 - b) The allocation of £346m of City Region Sustainable Transport funding for Highways Maintenance, to be accounted for within the forthcoming regional Transport Asset Management Plan
- 3. Delegate authority to the Chief Executive in consultation with the Cabinet Member for Transport and the Director of Finance and Investment to finalise the North East City Region Sustainable Transport Settlement Business Case, and submit it to Government on behalf of the North East CA.

A. Context

- 1.1. City Region Sustainable Transport Settlements (CRSTS) were announced as part of the 2020 UK Budget, the Budget set out that 8 English City Regions, inclusive of the North East, would be eligible for a share of additional funding for local transport networks over a five-year period (2022/23 to 2026/27). It was subsequently announced that £5.7bn would be shared between the City Regions, however, for the North East access to a settlement was subject to the creation of a Mayoral Combined Authority. The 2022 Devolution Deal which set out the establishment of the North East CA, also detailed the arrangements for a North East City Region Sustainable Transport Settlement (CRSTS).
- 1.2. The North East CRSTS totals £563m of capital funding for the period up to March 2027, and consolidates existing funds including Highways Maintenance funding, Pothole Funding, Integrated Transport Block, and a proportion of Transforming Cities Funding (TCF), with additional monies provided for local sustainable transport enhancements. The totality of existing funds included within the settlement is circa £416m, with up to £147m available as capital funding for local transport enhancements. In addition to the capital funding provided by CRSTS, the programme is supported by a further £11.36m of revenue funds to �����, 56 nage, and assure the CRSTS programme.

- 1.3. Though initial CRSTS funds released to 2027 will not include the delivery of CRSTS projects in County Durham, in February 2024 Government announced that the North East CA will receive an additional £72.844 million of capital funding from the Local Transport Fund (LTF) to support local transport improvements in County Durham for the financial years 2025/26 and 2026/27. Further detail on a programme of interventions to be brought forward utilising LTF will be presented to Cabinet in due course.
- 1.4. In October 2023, the Government announced that a further round of CRSTS will be made available to the North East CA for the five-year period starting in the financial year 2027/28 through to 2031/32, indicatively, the total sum of funding to be provided through this second tranche of CRSTS funding is up to £1.8 billion.

2. City Region Sustainable Transport Settlement Programme Development

- 2.1. Government established the CRSTS programme with the aim of providing consolidated, long-term capital funding for investment in public and sustainable transport infrastructure across the geography of a Mayoral Combined Authority area. Specifically, CRSTS is intended to leverage investment in integrated and cross-modal sustainable transport, for example, bus, rail, cycling and walking. As such, the Government have identified the following objectives that must be addressed in CRSTS proposals:
 - Driving growth and productivity through infrastructure investment and improved connectivity;
 - Levelling up services towards the standard of the best;
 - Decarbonising transport, especially promoting modal shift from cars to public transport, walking and cycling; and
 - Tackling air pollution and reducing carbon emissions.
- 2.2. Access to CRSTS is dependent on the submission of a Business Case by the Mayor, that outlines, in detail, investment propositions, how the North East CA has selected proposed interventions, the scale, timing and outcomes of those interventions in addition to clearly demonstrating how proposals are deliverable and achieve value for money. This Business Case is subject to review and agreement from the Department of Transport (DfT) before funding is formally awarded and released.
- 2.3. Prior to May 2024 the North East's transport policies, funding and delivery activities were coordinated by the Joint Transport Committee (JTC) on behalf of the two combined authorities that preceded the North East CA. Following the North East devolution deal announcement in December 2022, the region through its existing governance mechanisms, commenced collaborative and collective preparations to enable the assembly and submission of the Business Case required to unlock CRSTS funding at the earliest opportunity.
- 2.4. These preparations included the allocation of CRSTS revenue funding to undertake an independent assessment of CRSTS candidate schemes, both as a means of identifying a prospective programme and providing an evidence-based rationale for the allocation of further CRSTS revenue funding for the development of prospective CRSTS schemes. In total, £3.66m of CRSTS revenue funds were allocated to scheme promoters to undertake scheme development and feed the CRSTS Business Case with sufficient detail to ensure its swift appraisal and approval upon submission.
- 2.5. The JTC also awarded, in total, £1.1m to procure professional services to undertake necessary Business Case development and production. Since this point the development of the Business Case for CRSTS has been ongoing, in collaboration with Local Authorities and appointed consultants with a view to formal submission to the DfT as soon as is practicable.

3. Highways Maintenance Funding

3.1. As noted, the 2022 Devolution Deal placed all local roads maintenance funding under the control of the North East CA as part of CRSTS, consolidating existing funds including: Highways

Maintenance, Pothole Funding and the Integrated Transport Block. In total, the amount of existing funds for roads maintenance included within CRSTS totals £66.3m per annum.

- 3.2. Decisions regarding the allocation and investment of CRSTS are to be made locally and agreed with Government through the CRSTS Business Case, however, the Devolution Deal stipulated that proposals for CRSTS must account for the effective management and maintenance of highways assets and meet the obligations of existing funds, ensuring that each of the seven Highways Authorities in the region receive appropriate funding for roads maintenance.
- 3.3. The allocation of maintenance funding to Highways Authorities is articulated in and guided by a new regional Transport Asset Management Plan (TAMP) which is being developed collaboratively with Local Authority officers and the support of specialist transport consultants, it will be brought before Cabinet in due course.
- 3.4. Highways infrastructure provides the foundation for transport throughout the region; supporting the needs of private vehicles, public transport, road freight and active travel. Through the course of the production of the TAMP both the qualitative input from Highway Authorities, and the asset data that underpins the TAMP has demonstrated that there is a need to utilise the flexibility provided by CRSTS to re-balance funding to ensure it is appropriately allocated where there is defined need. It is proposed to supplement the £66.3m per annum of existing funding for highways maintenance with a further £4.76m per annum over the next three financial years, totalling £14.28m.
- 3.5. The means by which allocations have been calculated is based on the existing DfT Highways Maintenance Block formula, which takes into account road length and the number of bridges and street lighting columns that each authority is responsible for maintaining, this has been applied consistently over the six authorities with access to CRSTS resulting in an allocation per annum over the three years of the programme. Financial allocations are provided per authority in section D.
- 3.6. This approach not only will ensure that Highways Authorities can undertake pro-active maintenance opposed to re-active, smoothing journeys for bus users and cyclists where surfacing is an issue, reducing emissions and saving money over the longer-term, but also takes a delivery focused approach to the allocation of CRSTS funding, mitigating against some of the challenges associated with the delivery of the programme in the available timescales.

4. Proposed Programme

- 4.1. The CRSTS programme has been assembled through an extensive independent and rigorous evidence-based assessment, built on an initial pipeline of schemes identified in the North East Transport Plan and supplemented with information supplied in collaboration with Local Authorities and regional partners. The purpose of the independent assessment was to assemble a programme of schemes taking into account:
 - Deliverability
 - Development stage and readiness
 - Complexity of scheme delivery (including land, powers, and consents)
 - Alignment to CRSTS objectives
 - Support of wider investment and strategic priorities
 - Value for Money
 - Consultation and engagement
- 4.2. An iterative sifting process followed, refining scheme details and feeding into the development of the CRSTS Business Case. Following engagement through the Joint Transport Committee, and the allocation of £3.66m in development funding de-risking delivery constraints owing the need to deliver the CRSTS programme by March 2027, a viable pipeline of investment was identified. The programme of CRSTS investment is balanced, both spatially and thematically with 40 schemes totalling circa £181m in value.

4.3. A detailed overview of the proposed CRSTS programme is provided within Appendix 1. A summary of the programme is also provided below for information:

Scheme Promoter	Scheme name	CRSTS Allocation
	Active Travel link improvements boroughwide	£9,480,945
	Active mode improvements between High Spen and Greenside	£659,015
	Derwent Cycle Route Improvements	£394,865
Gateshead	Birtley town centre active travel improvement	£6,749,112
	Askew Road West cycleway	£1,015,117
	Active travel improvements - at Metrogreen	£2,503,948
	A195 New Road / Lingey Lane Bus Lanes	£2,243,756
Gateshead & Newcastle	Sustainable access improvements across the Tyne	£6,500,000
	Active mode improvements in Newcastle City Centre	£3,680,500
Newcastle	Active Travel link improvements citywide	£5,950,000
	Active mode improvements - Newcastle to North Tyneside	£3,400,000
	Active Travel link improvements boroughwide	£13,200,000
North Tyneside	Connecting North Shields Fish Quay	£6,375,000
North Tynesiae	Wallsend Masterplan - sustainable transport	£6,615,400
	Active mode links - NW of the borough	£3,935,000
	Active Travel link improvements four towns in Northumberland	£13,965,119
Northumberland	Blyth to St Mary's Cycle Scheme	£6,206,080
	Average speed camera initiative - Otterburn	£127,500
	Active Mode Improvements - Jarrow-Hebburn (NCN14)	£2,956,530
	South Shields Town Centre Active Travel Route	£2,541,394
South Tyneside	Boldon Strategic Junction Improvements	£2,932,191
	The Nook Strategic Junction Improvements	£4,197,118
	South Shields Interchange - Microbility Hub	£263,500
	Northern Spire to Washington Cycle Route	£3,825,000
	Phase 2 - Ryhope Road Strategic Active Travel Route	£2,125,000
Sunderland	Silksworth – City Centre cycle route	£2,550,000
Gariacriana	South Sunderland Growth Area to Ryhope Active Modes	£1,870,000
	Sunderland Inner Ring Road improvements	£9,282,000
	Sunderland Station Central Entrance	£10,790,301
	Bus Infrastructure Measures: Stops	£3,500,000
	Mobility Hubs	£1,500,000
Regionwide	Electric Vehicle Infrastructure	£4,420,000
	Decarbonising Public Transport (buses)	£2,550,000
	North East - Connected Stations	£6,000,000
	Regent Centre Interchange Upgrade	£3,657,804
	North Shields Ferry Landing	£8,180,000
Nexus	Callerton Park and Ride Extension	£3,570,000
11071010	Washington Metro Loop (Development)	£200,000
	Additional gatelines on Metro	£2,125,000
	Integrated and Smart Ticketing	£8,862,100
Durham	Projects supporting local transport improvements in County Durham will receive funding from the Local Transport Fund (LTF) over the period 2025/26 – 2026/27. Further detail on a programme	£72,844,000
Total	of interventions to be brought forward utilising LTF will be presented to Cabinet in due course.	C490 900 205*
Total		£180,899,295*

Table 1: Prospective CRSTS Programme

^{*} Not including the Local Transport Fund indicative allocation for schemes in County Durham

- 4.4. CRSTS will be a key enabler of the forthcoming North East Local Transport Plan, it will assist in the delivery of Mayoral manifesto commitments, and in the delivery of the ambitions outlined within the Devolution Deal. With investment secured through CRSTS over the next three years and through subsequent rounds of CRSTS funding, collectively the region will seek to deliver substantial improvements to our network and infrastructure, our stations and interchanges and our connectivity and accessibility. Furthermore, CRSTS will be central to delivering wider economic investment goals leveraging local transport improvements as an enabler and facilitator of growth.
- 4.5. The programme of investment outlined in the table above and in Appendix 1, builds on established investments delivered through the Transforming Cities Fund, Active Travel Fund, Levelling up Fund and Bus Service Improvement Plan Funding extending the reach of investments, and maximising benefits, whilst providing the foundations for delivering a truly integrated transport system. It includes simpler ticketing and payment for the traveling public, enhanced infrastructure and facilities, security to provide confidence in our public transport network, and improvements to existing assets to ease the interchange between different forms of transport.
- 4.6. Business Case development work has shown the proposed CRSTS programme, generates 'high value for money' returning equivalent benefits in excess of £2 for every £1 spent. Benefits of the programme are centred on improving the attractiveness of public transport and active travel, leading to more people choosing to travel sustainably, journey time savings for people choosing to travel sustainably and the reduction in harmful emissions owing to a concerted focus on decarbonisation.

5. Management

- 5.1. Although the totality of new capital funds available through CRSTS totals approx. £147m with the transfer of £14.2m of these funds to highways maintenance as described in section 3, the level of funding available for new capital propositions totals circa £132m. In line with best practice and in alignment with DfT guidance the programme presented in Appendix 1 and in section 4 has been developed with an element of over-programming, the programme pipeline for new capital propositions therefore totals circa £181m.
- 5.2. This approach reflects the potential for schemes to change in timing, scope or cost. Over-programming will be managed on an ongoing basis, measured against progress in terms of scheme development, delivery confidence, spend (CRSTS and match contributions) and outputs in line with the CRSTS objectives. This will include:
 - Progression of interventions through the scheme development process (including 'delivery confidence' and risk)
 - Progression of interventions towards Outline Business Case
 - Scope of scheme and ability to sequence phased delivery of scalable projects
 - Ongoing review of CRSTS expenditure and contingencies
 - Availability of additional funding identified, through either local contributions or alternative Government funding sources
- 5.3. Business case approvals and investment decisions will be taken in line with approved the Single Assurance Framework, with each intervention requiring appraisal and approval through agreed governance routes prior to the award of funding and the signing of grant fund agreements. Furthermore, it should be noted that all schemes contained within the CRSTS programme pipeline will be subject to required Local Authority approvals including any associated governance requirements such as local Cabinet approvals, local consultation, the finalisation of designs and any appropriate consents.
- 5.4. Where several individual schemes contribute to shared overarching aims and objectives, subprogramme business cases will be developed to expedite delivery with some matters reserved during scheme assurance. Sub-programme business cases are currently being developed for active

travel projects and those projects which can be implemented at multiple locations across the region, as identified below.

Sub-programme/Business Case	Scheme
Active Travel Programme OBC/FBC	22 projects including: Active travel link improvements in Gateshead, Newcastle, North Tyneside, Northumberland, Birtley Town Centre, North Shields Fish Quay, Wallsend, South Shields Town Centre, South Sunderland growth area and sustainable access improvements across the Tyne.
Regional Accessible Stations Programme OBC/FBC	North East – Connected Stations
Regional Bus Stop Programme OBC/FBC	Bus Stop upgrades region-wide
Regional Electric Vehicle Infrastructure Programme OBC/FBC	Electric Vehicle infrastructure upgrades and Electric Vehicle region-wide destination charging
Regional Mobility Hubs Programme OBC/FBC	Trailing mobility hubs

Table 2: CRSTS Sub-programme Business Cases

- 5.5. Over 50% of the CRSTS programme will therefore be administered through development of subprogramme business cases, removing an additional assurance burden from Local Authorities and enabling resources to be focused on scheme design and preparation.
- 5.6. In line with North East CA governance arrangements, risk management will be undertaken in accordance with the emerging Risk Management Framework, to ensure there is a consistent, streamlined and joined-up approach to managing risk. Throughout the development stage of schemes, risks will be identified, recorded and actively managed. Where appropriate, risk owners will be allocated and tasked with eliminating risks, where possible, or identifying mitigation measures for residual risks. The same ethos will be taken through to the delivery stage of schemes.
- 5.7. Each scheme included in the North East CA CRSTS programme will be categorised according to its deliverability risk status. A full risk assessment for the CRSTS programme has been prepared and will be actively managed over the lifetime of the programme to minimise delay to project and programme delivery.

6. Next Steps

6.1. It is anticipated that the CRSTS Business Case which forms the application to unlock associated capital funding will be finalised in August and will be formally submitted to Government thereafter. Upon confirmation of funding award, a report will be brought before Cabinet presenting the finalised Business Case, accompanied by the Transport Asset Management Plan (TAMP). Upon commencement of the programme, regular reporting on progress in line with the requirements of the Single Assurance Framework will be provided.

B. Impact on North East Combined Authority Objectives

CRSTS and its programme of activity as described in section 4 and Appendix 1 supports the strategic aspirations of the North East CA, as detailed in the North East Devolution Deal signed in December 2022 and the Deeper Devolution Deal agreed at the June meeting of the North East CA Cabinet. The benefits that will be realised through the delivery of the CRSTS programme will improve the attractiveness of public transport and active travel, leading to more people choosing to travel sustainably, journey time savings for people choosing to travel sustainably and the reduction in harmful emissions owing to a concerted focus on decarbonisation. The indicative Value for

Money statement falls into the 'high value for money' categorisation. The programme as a whole lays the foundations for an integrated and inclusive transport network that will deliver a fairer, greener, better connected and successful North East.

C. Key risks

Approval and agreement of the proposals outlined within this report aid in the delivery of the CRSTS programme as there would, otherwise, be a risk of delay in the submission of the required Business Case and subsequently a delay in the release of funding. Delegated authority is sought to finalise the Business Case for CRSTS to ensure its swift submission upon completion.

The DfT requires that a minimum local match contribution of 15% is provided towards the CRSTS programme. This local contribution must be fully additional to Government funding and may not be derived from a Central Government funding pot. This equates to a £22.05m contribution based on the £147m of CRSTS funding provided for local transport enhancements. The DfT has confirmed this figure as correct and noted that local contributions will be monitored at the programme level only, opposed to on an individual scheme by scheme basis. Discussions remain ongoing with scheme promoters to fully define all eligible local contributions, however, at present the total level of match funding included within the programme stands at £36.4m representing a 24% commitment. It should, however, be noted that commitments are subject to local confirmation and agreement, as such there is a need to secure formal confirmation from scheme promoters' Section 151 Officers, until this point match funding commitments should be considered to be unconfirmed.

Delivery risks associated with CRSTS are centred on ensuring that schemes within the proposed programme meet the required timeframes for expenditure in line with conditions of funding (expenditure by March 2027). This report therefore seeks to ensure risks of delivery are mitigated and minimised as far as possible by expediting approvals.

A full risk assessment for the CRSTS programme has been prepared with detailed mitigations identified. This will be maintained and reported on through the lifetime of the programme. Scheme risks will be managed throughout the delivery of schemes by scheme promoters, reported on quarterly through the claims and monitoring process and fed into the overarching CRSTS programme risk register.

D. Financial and other resources implications

The total amount of funding associated with CRSTS is £563m, of this £346m has been identified for Highways Maintenance, though this figure includes £66.3m per annum for the financial years 2022/23, 2023/24 and 2024/25 which has been disbursed to Highways Authorities prior to the formation of the North East CA and the establishment of the CRSTS programme through the former mechanism of funding disbursement. In addition, circa £85m of TCF funding is included within CRSTS, which has majorly been incurred or is presently in delivery.

The following profile of expenditure for CRSTS grant funding is provided exclusive of overprogramming, and is predicated on the release of funds from Government this financial year:

Funding (£)	2024/25	2025/26	2026/27	Total
CRSTS Programme	£2.932m	£49.087m	£80.692	£132.711m

The following profile of expenditure for the £14.289m uplift in highways maintenance funding, per authority, is provided below:

Local Authority (£)	2024/25	2025/26	2026/27	Total
Gateshead	£0.435m	£0.435m	£0.435m	£1.305m

Newcastle Lines Ture	CO 424 m	CO 424 m	CO 424 m	C4 202
Newcastle Upon Tyne	£0.431m	£0.431m	£0.431m	£1.293m
North Tyneside	£0.358m	£0.358m	£0.358m	£1.074m
Northumberland	£2.768m	£2.768m	£2.768m	£8.304m
South Tyneside	£0.246m	£0.246m	£0.246m	£0.738m
Sunderland	£0.525m	£0.525m	£0.525m	£1.575m
Total	£4.763m	£4.763m	£4.763m	£14.289m

E. Legal implications

The Monitoring Officer has been consulted on this report. As part of the development of the Business Case for CRSTS a subsidy control regime is being created, the regime sets out rules regarding eligibility and the conditions under which subsidy is to be provided. This approach mitigates risk associated with the subsidy control regime and aims to avoid delay with regard to assessment. All schemes within the CRSTS programme will be subject to a robust assessment of the subsidy control position in line with the established subsidy control regime and in line with the Single Assurance Framework, prior to the award of funding.

F. Consultation and engagement

Decisions pre-dating the North East CA relating to the allocation and release of CRSTS revenue funding in respect of scheme development and Business Case production were agreed via the Joint Transport Committee (JTC) on behalf of the two combined authorities that preceded the North East CA. This paper has been considered through Heads of Transport and Economic Directors of the LA7 constituent authorities. Schemes included within the proposed CRSTS programme outlined within Appendix 1, will be subject to local approval, consultation and onwards approval in line with the processes outlined within the agreed Single Assurance Framework. It is a requirement of funding to host the CRSTS Business Case, upon approval, on the North East CA website. Scheme promoters are responsible for undertaking consultation pertaining to each individual scheme over the course of scheme development.

G. Appendices

Appendix 1: City Region Sustainable Transport Settlement Prospectus

H. Background papers

North East Joint Transport Committee Meeting November 2023

I. Contact officer(s)

Jonathan Bailes, Head of Transport Programmes <u>jonathan.bailes@northeast-ca.gov.uk</u>

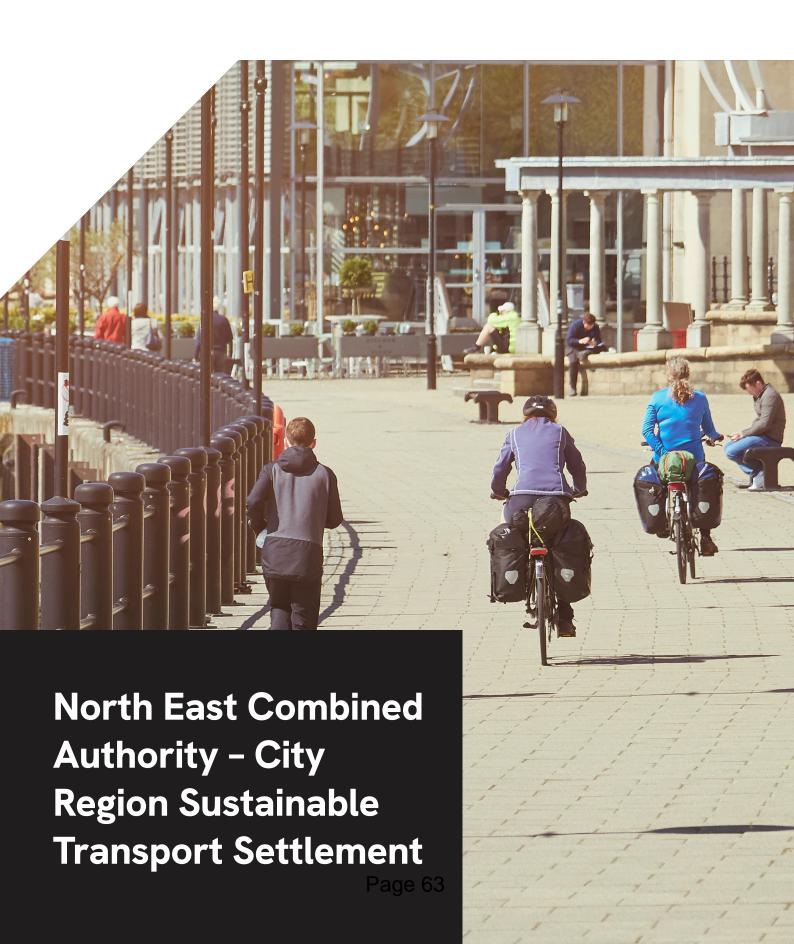
J. Glossary

North East CA North East Combined Authority

CRSTS City Region Sustainable Transport Settlement

TCF Transforming Cities Fund
LTF Local Transport Fund
JTC Joint Transport Committee
DfT Department for Transport





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Foreword

As the North East Mayor I am committed to making our transport the greenest in the country. I will prioritise public transport and active travel to better connect our communities to jobs, education and leisure opportunities.

The region needs a fully integrated transport network which makes travel affordable, safe, and reliable.

Through our City Region Sustainable Transport Settlement we will extend the reach of our investment to date, bringing people within easy reach of employment, skills, and training, enabling economic growth and supporting the North East to overcome inequalities.

We are focusing on green, connected transport solutions from the outset, with safe and accessible active travel routes directly supporting integrated public transport choices. Our programme has been developed to ensure people can easily access bus, Metro, and rail stations and interchanges, whilst also providing safe and quality stops that give people the public transport information that they need. Contactless payment technology will be delivered that enables capped fares on buses, metro and the Ferry across the North East.

These ambitious plans support both economic growth and transport's role in revitalising high streets with focused public realm initiatives, encouraging increased footfall and events in our communities, with expanded and revitalised station infrastructure.

The road network that most people use daily, whether that's for walking to the local shops, commuting to work, or for leisure pursuits requires significant investment. As such we have uplifted highways maintenance allocations.

In addition, I'm keen to ensure that there is infrastructure in place allowing for key services to continue supporting the wider growth ambitions of the region, a key component of our programme is the North Shields Ferry which requires a new

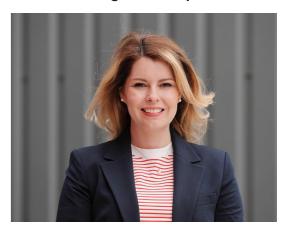
landing and in doing so we can support the plans of the council to drive forward economic growth.

The North East is already investing in new electric buses, which is why we will test 'network opportunity charging' to enable green buses to reach more of the region that hasn't previously been possible.

Reflecting on the diversity of the region and our geography, we're investing in rural mobility solutions such as rapid electric vehicle charging, new mobility hubs, and expanded park and ride provision to encourage onward travel by public transport. As well as this package of investment, I am making separate progress on my priority to reform our buses to make them more reliable, safer and cheaper

The region has a track record in delivering infrastructure to the highest standards and we have built strong foundations to ensure we can move at pace once funding is confirmed. Our first CRSTS programme is only part of the story it provides us with the platform to deliver a further step change in transport investment through the transformational scale of the second round of CRSTS in combination with our wider investment ambitions.

We will deliver green transport that works for all.



Kim McGuinness

01. Setting the scene

The North East Mayor and Combined Authority (North East CA) are working with our partners to deliver a well-connected, green transport network that works for all. Our City Region Sustainable Transport Settlement (CRSTS) proposals are central to realising our ambition for our transport network and the delivery of a fully integrated transport system.

Over the next three years and beyond we plan to deliver substantial improvements to our network and infrastructure, our stations and interchanges and our connectivity and accessibility. We will deliver new cycle routes right across the region, the modern EV charging network we need in our villages, towns and cities and put safety and accessibility at the forefront of our plans including upgrading bus stops and providing more gatelines at our stations.

The 2022 Devolution Deal that set out the establishment of North East CA recognised the scale of our ambition and provided us with the means of delivering significant improvements to our transport network with surety of substantial capital funding through the City Region Sustainable Transport Settlement (CRSTS). The first tranche of CRSTS totals £563m and runs through to March 2027.



CRSTS will be a key enabler for our wider plans, not only will it help realise the commitments of the Mayoral Manifesto and the Devolution Deal, but it will be a vital tool in creating opportunity for our people, better connecting our communities to jobs, education, and leisure.

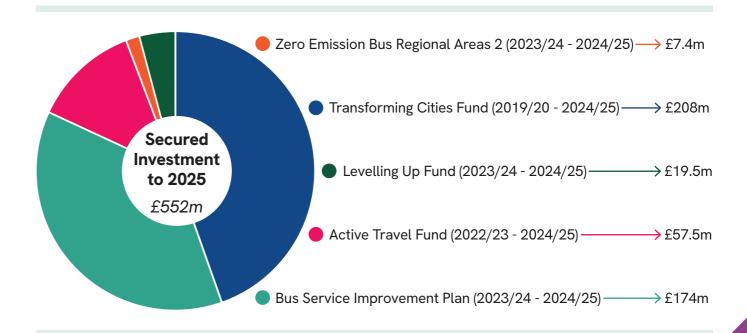
Through CRSTS we will leverage local transport improvements as an enabler and facilitator of growth, at the same time as making a significant contribution to the decarbonisation of the region and our economy. Our proposals for CRSTS will therefore support and deliver upon the Government's key priorities for the CRSTS programme including growth, regeneration and decarbonisation.

Our first CRSTS settlement focuses on building on our existing programme of delivery, extending the reach of investments, and maximising benefits, whilst providing the foundations for delivering a truly integrated transport system. From there, we will capitalise on this platform through the transformational scale of the second CRSTS settlement, which indicatively stands at £1.8 billion over the five-year period from April 2027 through to March 2032.

To date we have secured significant funding and through partnership working have delivered against the priorities of the North East Transport Plan, including:

- Investing in over 30 upgraded active travel routes
- Transforming our Metro service through the Metro Flow scheme resulting in a rise in punctuality over 10%
- Increasing the availability and accessibility of zero emission transport options with 10% of the bus fleet to be zero emission by 2026.
- Improving the safety, convenience and capacity of park and ride sites across the region

- Improving the punctuality, reliability, and accessibility of the bus network through the region's BSIP
- Providing multi-modal fare solutions with over 15.8m journeys have taking place on BSIP ticketing products since their introduction generating a social and economic benefit to those passengers of approximately £25.65m.
- Re-opening of Northumberland Line brining passenger trains back into service between Ashington and Newcastle for the first time since the 1960s.



We're building the greenest and bestconnected transport network in the UK prioritising active travel (walking, wheeling, and cycling) and public transport, but we aren't starting from a blank canvas; we have a successful track record of delivery and an established pipeline of investment. Since 2018, in partnership with our seven Local Authorities and Government, we have secured substantial funding for sustainable transport totaling more than £552 million, all underpinned by local match funding commitments.

02. The case for change

Transport plays a key role in how people access jobs and opportunities; our transport network has a direct impact on our economic performance, and the health of our residents.

We are the second largest Mayoral Combined Authority by geographic scale, we have diverse urban, suburban, and rural communities which creates a variety of transport needs and challenges for our residents. This ranges from the risk of isolation in our rural communities (31% of our residents are at risk of transport related social exclusion), to areas of significant deprivation in our cities (33% of the local areas in the North East are in the top 20% most

deprived areas in England). Our region also faces a number of economic and health related challenges, including widening inequalities, which have been exaggerated by the COVID-19 pandemic and the rise in the cost of living.

Our region has structural challenges that investment through our CRSTS programme can help alleviate.

Our CRSTS programme focuses on increasing the accessibility and the quality of transport links, joining communities to opportunities across the region, acting to reduce transport related social exclusion, promoting healthier transport choices and reducing social and health inequalities. Our investment will support placemaking and economic regeneration by connecting people to high-quality well-paid jobs and training opportunities.

Our ambition is to create a fully integrated transport network which is accessible and inclusive for all, promoting and facilitating inclusive, sustainable economic growth and improving quality of life for residents in support of the North East CA vision of delivering a fairer, greener, connected, international and successful North East.

Structural Challenges

Growing population that is ageing over time (25% over 67 by 2040).

Plans for 100k new homes by 2039 need to be supported by good quality public & sustainable transport opportunities.

Productivity levels below the average for England (17.4%), impacting on the competitiveness and resilience of business.

Major Health, income and skills inequalities with a high percentage of income support for families (60% in 2022) and child poverty rates (24.9%).

A lack of high quality well paid jobs and therefore lower wages (£75 per week lower than the UK avg).

31% of residents are at risk of Transport Related Social Exclusion.

Climate emergency declared in all Local Authorities across the region.

Transport is the single biggest contributor to carbon emissions of transport emissions, 98% of which are from roads. There are areas in the region where pollutant levels exceed legal limits impacting on health and wellbeing.

Lower levels of car ownership than the England average but car use is increasing (59% of all journeys).

Public transport patronage is lower than 2019. Bus use has declined by 36% since 2010 and bus mileage is down by 31%.

Safety and security, are frequntly cited as barriers to public transport use and active travel uptake



03. The programme

Our CRSTS programme

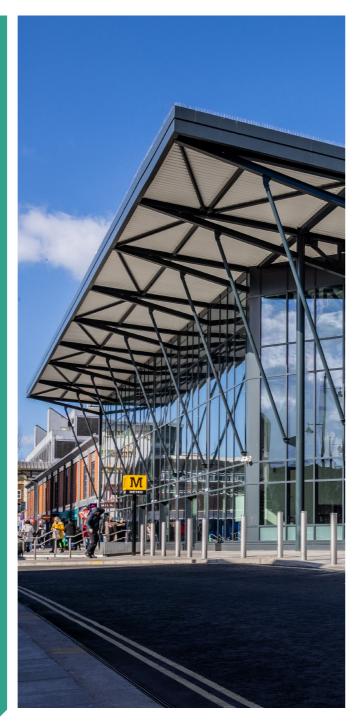
CRSTS will form the cornerstone of our capital programme, providing us with an opportunity to work in deeper partnership with Government in pursuit of shared objectives, giving surety of funding in the longterm, and enabling us to take a forward thinking, holistic, and rigorously planned approach to delivering investment and its benefits to the people of the North East. CRSTS will present us with an early opportunity to demonstrate the delivery capacity and capability of the region, whilst also providing an effective platform for a further step change in transport investment through the transformational scale of CRSTS2.

Our programme will support the **foundations** of the **economy** delivering growth, connecting people to opportunities, and forming part of a wider solution to overcome social and economic nequalities including poverty.

Through CRSTS we will provide a choice of integrated, easily accessible, affordable, and attractive transport options.

By targeting investment in **integrated options** our programme will help make the **journey** experience seamless and convenient for people across all forms of transport, supporting active travel use and public transport patronage growth.

Our proposals are focused on deliverability and are located in rural, urban, and suburban areas, recognising and supporting the varying transport needs of our region and our people.





The region and its assets become more accessible and appealing places to visit supporting economic diversification.

An international **North East**

Transport directly supports placemaking and economic regeneration improving investment and vitality by creating better jobs for a helathier and productive workforce.

A successful North East

A more productive, healthier and diversified economy, underpinning robust growth, levelling up and decarbonisation.

A greener and fairer **North East**

Transport enables opportunity

Directly supports healthier

transport choices through

transport decarbonisation

whilst improved access to services improves health and

active travel, enables

educational outcomes.

A fairer North East

Supports an integrated transport system and improved multimodal connectivity resulting in improved access to services and opportunities. **A connected North East**

Reduced social and health inequalities improves economic productivity enables economic growth.

A fairer North East

Our first CRSTS programme builds on established investments delivered through the Transforming Cities Fund, Active Travel Fund, Levelling up Fund and Bus Service Improvement Plan Funding. It includes simpler ticketing and payment for the traveling public, enhanced infrastructure and facilities, security to provide confidence in our public transport network, and improvements to existing assets to ease the interchange between different forms of transport.

Through our planned programme of investment we will continue the journey towards the creation of a greener transport network where active travel (walking, wheeling and cycling), public transport (bus, Metro, ferry and local rail) and public Zero Emission Vehicle (ZEV) charging are integrated to improve connectivity to all of our communities, increasing sustainable journeys

for the benefit of our residents economy, and environment and leading towards the establishment of a properly integrated and efficient public transport network across the whole of the North East.

We've rigorously tested and prioritised our programme to ensure it is deliverable, presents a value for money proposition and contributes toward the realisation of our vision for an integrated network. The programme is comprised of **40 schemes** which have a strong focus on improving walking, wheeling, cycling and public transport infrastructure. Our CRSTS proposals also take into account the need for ensuring we have a resilient transport network, we're therefore prioritising further investment in maintenance so that roads are safer for cyclists and smoother for buses.



Outcome





Active Travel - New and better connected networks

Extending the network for cyclists, wheelers and pedestrians to reach more parts of the region with high quality and safe infrastructure to encourage active travel.



Next Generation Stations and Interchanges

Metro, ferry rail and bus station/ interchange improvements including new facilities, refurbishments or upgrades.

11%



Measures to mitigate adverse impacts, as well as driving towards solutions for future fuels and supplies, e.g. energy supplies, zero emission vehicles (where appropriate) chargers and brings in operational projects

£21.3 million



£22.2 million

11%

Bus Priority and On Street Infrastructure

Bus priority and on street infrastructure measures, supporting the millions of bus journeys made every year in the region



£10.8 million



Micromobility, Technology and Innovation

Delivering the next phase of contactless technology across the network through Integrated and Smart Ticketing cementing benefits fright across the region, exploring options for micromobility and mobility hubs.



High level summary of what programme is delivering:



High value for money, returning £2 for every £1 spent



Over 90km of new active travel routes, with schemes connecting and expanding provision already delivered through other funding routes



Bus priority measures at five locations, improving journey times and complimenting existing bus priority measures



An expanded network of chargepoints for Zero Emission Vehicles



23 improved stations, interchanges, and stops (including rail, Metro, Shields Ferry, bus, and park-and-ride)



Network improvements on 13 key corridors, delivered through junction improvements to enable bus priority and improved conditions for active travel



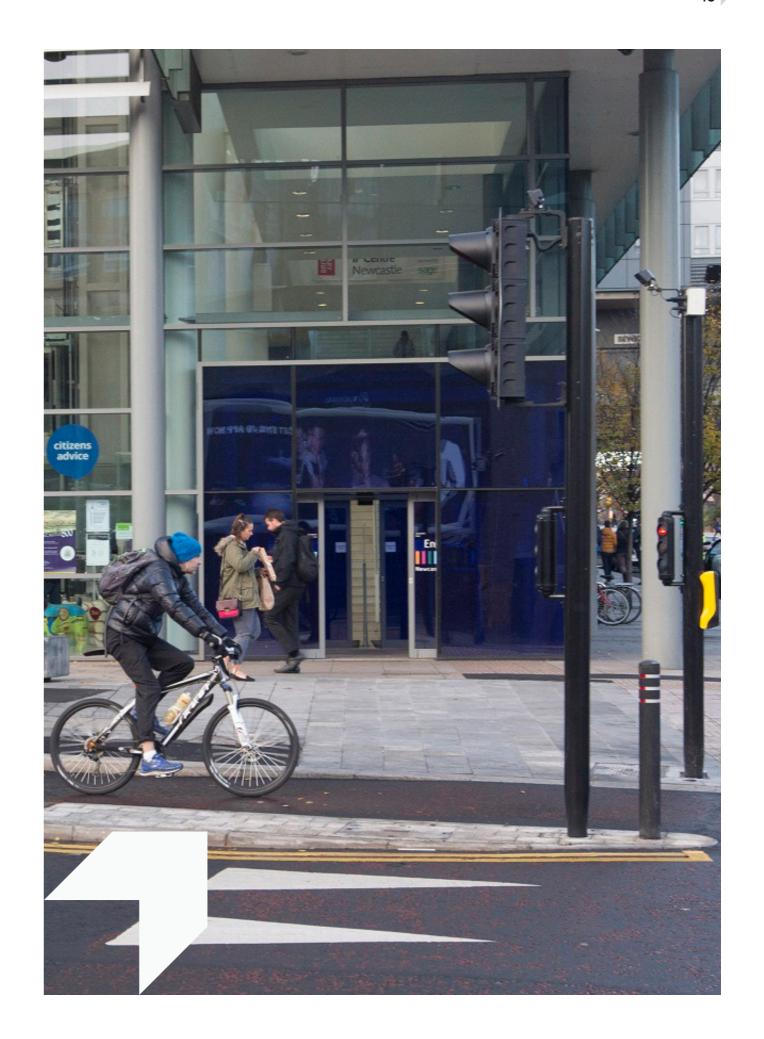
Development of circa two mobility hubs increasing sustainable transport options

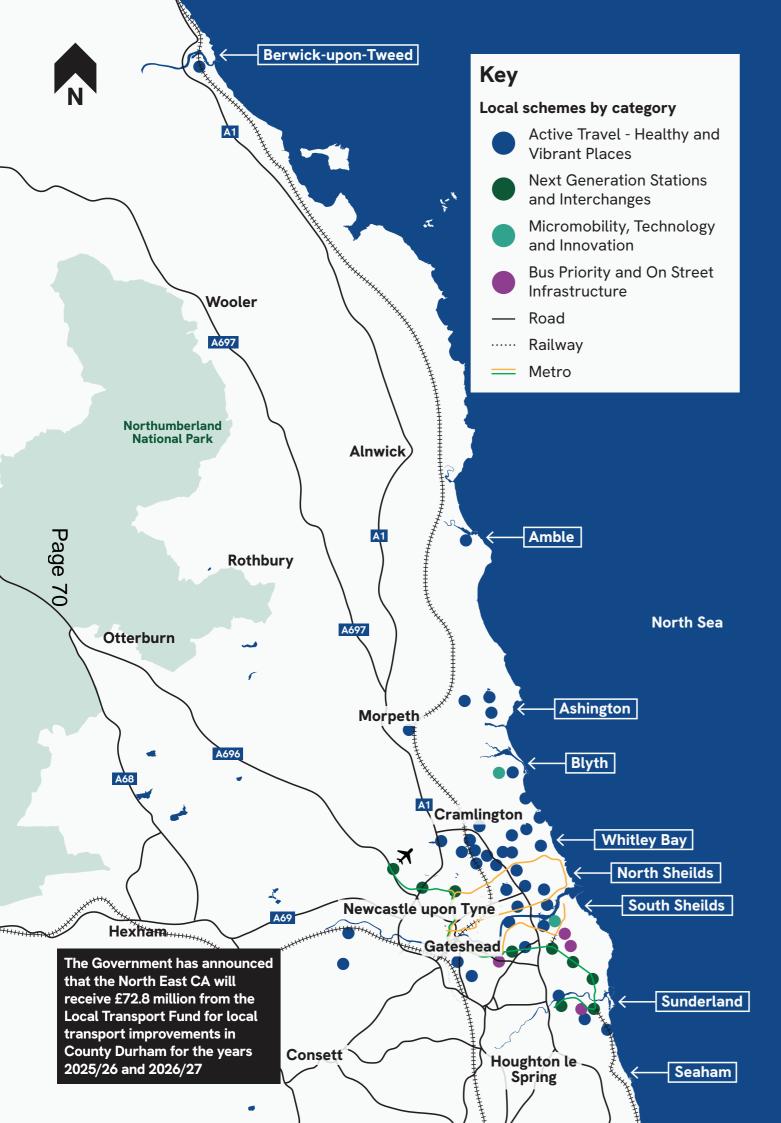


23 schemes demonstrating adjacency with other funding programmes including TCF, ATF and BSIP

Our CRSTS programme will improve the attractiveness of public transport and active travel, leading to more people choosing to travel sustainably, journey time savings for people choosing to travel sustainably and the reduction in harmful emissions owing to a concerted focus on decarbonisation.

It is value for money focused and lays the foundations for an integrated and inclusive transport network that delivers a fairer, greener, better connected and successful North East.





Regional schemes



Next Generation Stations and Interchanges

- Additional gatelines on Metro: £2.1 million
- North East Connected Stations:
- Washington Metro Loop: £200k



A decarbonised resilient network

- Electric Vehicle Infrastructure: £4.4 million
- **Decarbonising Public Transport (buses):** £2.5 million
- **Essential Highway Maintenance:** £14.3 million



Micromobility, Technology • and Innovation

- Mobility Hubs: £1.5 million
- Integrated and Smart Ticketing: £8.9 million

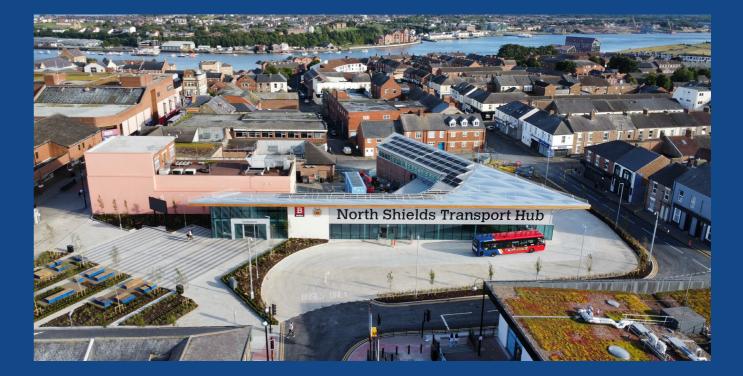


Bus Priority and On **Street Infrastructure**

Bus Infrastructure Measures: Stops and Stations: £3.5 million

Total regional schemes: £43.4 million

These projects will be sponsored either by the North East CA or Nexus and will deliver pan regional benefits helping to fulfil the commitments of the Mayoral Manifesto and North East Devolution Deal.



Local Schemes

Active Travel - New and better connected networks

Bus Priority and On Street Infrastructure

works

Micromobility, Technology and Innovation

Next Generation and Safe Stations and Interchanges

,	bus i flority and on street limastructure Next defici and sale stations and interchanges				
	Scheme Promoter	Scheme name	CRSTS Allocation (Rounded)		
	Gateshead	Active Travel link improvements boroughwide	£9.5m		
		Active mode improvements between High Spen and Greenside	£659k		
		Derwent Cycle Route Improvements	£395K		
		Birtley town centre active travel improvement	£6.7m		
		Askew Road West cycleway	£1m		
		Active Travel improvements at Metrogreen	£2.5m		
	Gateshead & Newcastle	Sustainable access improvements across the Tyne	£6.5m		
	Newcastle City	Active mode improvements in Newcastle City Centre	£3.7m		
		Active Travel link improvements citywide	£5.9m		
		Active mode improvements- Newcastle and North Tyneside	£3.4m		
	North Tyneside	Active Travel link improvements boroughwide	£13.2m		
		Connecting North Shields Fish Quay	£6.4m		
		Wallsend Masterplan - sustainable transport	£6.7m		
		Active mode links - NW of the borough	£3.9m		
Page /1	Northumberland County Council	Active Travel link improvements four towns in Northumberland	£14m		
		Blyth to St Mary's Cycle Scheme	£6.2m		
	South Tyneside	Active Travel Improvements - Jarrow-Hebburn (NCN14)	£3m		
		South Shields Town Centre Active Travel Route	£2.5m		
	Sunderland	Northern Spire to Washington Cycle route	£3.8m		
		Phase 2 - Ryhope Road Strategic Cycle Route	£2.1m		
		Silksworth - city centre cycle route	£2.5m		
		South Sunderland Growth Area to Ryhope Active Modes	£1.9m		
	Gateshead	A195 New Road / Lingey Lane Bus Lanes	£2.2m		
	South Tyneside	New Road / Hubert Street / North Road Junction Improvements, Boldon	£2.9m		
		The Nook Strategic Junction Improvements	£4.2m		
	Sunderland	Sunderland Inner Ring Road improvements	£9.3m		
	Northumberland County Council	Average speed camera initiative - Otterburn	£128k		
	South Tyneside	South Shields Interchange - Microbility Hub	£264k		
	Sunderland	Sunderland Station Central Entrance	£11m		
	Nexus	Regent Centre Interchange Upgrade	£3.7m		
		North Shields Ferry Landing	£8.2m		
		Callerton Park and Ride Extension	£3.6m		
	Durham	Projects supporting local transport improvements in County Durham will receive funding from the Local Transport Fund (LTF) over the period 2025/26 – 2026/27	£72.8m		

These figures represent the CRSTS scheme ask exclusive of any match funding requirements. All schemes will be subject to further development, design, engagement, and onwards delivery by Nexus and the participating local authorities.

04. Delivery.

Our CRSTS programme has been assembled from a well established pipeline of transport investment, which has been rigorously tested and prioritised to take into account::

- Development stage and readiness
- Value for Money
- ➤ Complexity of scheme delivery (including land, powers and consents)
- Compatibility with Government's CRSTS criteria
- Consultation and engagement

We have a proven track record of delivering investment at scale through our local authorities and Nexus, with established delivery models and procurement routes.

In line with best practice and the agreement of DfT we have overprogrammed our CRSTS programme by £49m. The total CRSTS ask is £181m.

Our investment decisions are underpinned by our approved Single Assurance Framework, providing Government, local partners and the Combined Authority itself with the confidence that decisions over funding are proper, transparent, and deliver good value for money.

Ongoing communication and engagement will be central to the successful delivery of our CRSTS programme, we aim to proactively publish plans and engage with communities in the development and delivery of our programmes and the schemes which are within it.

We will promote a benefits focused approach taking forward good practice into the development of our programme for the second CRSTS settlement and realising complimentary investment. Our CRSTS programme will set us on the path towards realising a green transport network that works for all.



VOLTRA

ND70 AEV

Green transport that works for all.

- enquiries@northeast-ca.gov.uk
- northeast-ca.gov.uk

Agenda Item 8



Cabinet 30 July 2024

Title: Improving and Reforming North East Buses

Report of: Tobyn Hughes, Director of Transport

Portfolio: Transport

Report Summary

One hundred and six million bus journeys were taken in the North East in 2022/23, making buses by far the most commonly used form of public transport. Without the bus network many residents would be deprived of access to basic services, streets would be clogged with congestion and the economy and environment would suffer. Twenty-Eight percent of North East households do not own a car.

The bus system in the North East was deregulated in the 1980s. Under this system bus operators compete for passengers and are responsible for setting commercial bus routes, timetables, fares and overall standards.

Passengers often feel let down by the current bus network, saying that it often cannot be relied on, does not take them where they want to go, is not integrated with other modes of transport or simply is not attractive when compared to their car.

This is reflected in the long-term decline of the bus network. The number of passengers has reduced by 36% since 2010 and the bus network is 31% smaller than 2010 (measured in mileage operated). Despite this, the amount of public sector funding used to support the North East's bus network is growing - £103.8 million in 2022/23, representing 43% of all bus operator income.

The Mayor has been elected on a strong mandate to bring buses back into public control. Both the Mayor and Cabinet have set out previously the vision of the region to be recognised as an outstanding place to live, work, visit and invest. For this to happen, more people will use buses, not fewer. An improved, more integrated bus network will help in addressing the wider objectives of the North East CA.

For this reason, a Bus Reform Options Report has been developed. It looks at the current situation, the case for change and begins to explore options as to how bus operations can be reformed, as well as offering high level commentary on the potential cost and implications of doing so.

The Options Report recommends that the Mayor and Cabinet proceed to preparing a Franchising Scheme Assessment (FSA). Franchising holds the potential to deliver far reaching benefits for the region and should be explored more closely. It is also a model that many other combined authorities are pursuing or have introduced, such as Greater Manchester, Liverpool City Region and West Yorkshire.

If Cabinet agrees with the recommendation, the FSA will set out and consider the merits of franchising and consider them alongside the further development of alternative deliverable options, explain how far these will deliver our regional needs and allow for detailed financial modelling to confirm whether franchising is affordable and deliverable. The FSA will carefully examine issues in the context of our region including the need to protect and improve the connectivity of rural communities, the task of tackling congestion and air pollution in urban areas and improving integration with other forms of transport.

It is also an essential step if a franchising scheme is to be introduced at a later stage. However, it should be noted that the development of an FSA is not a binding commitment to introduce franchising.

While bus reform is a long-term project, the region's existing Enhanced Partnership (EP) is the mechanism currently in place that seeks to deliver the aims of our Bus Service Improvement Plan (BSIP). The BSIP sets out ambitious improvement plans and targets for buses in the region, including simpler and cheaper fares, an enhanced network and infrastructure improvements to speed up buses. The region was allocated £163.5m in BSIP funding for a 3-year period to support in achieving those aims.

The Department for Transport (DfT) requires an annual review and update of the BSIP to reflect progress made to date and to set out plans beyond March 2025. Submission of the 2024 BSIP refresh is a condition to the release of BSIP funding within the financial year of 2024/25 and the refreshed BSIP is presented as Appendix 3 to this report.

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Recommendations

Cabinet is recommended to:

- 1. Note the Options Report as set out in Appendix 1.
- 2. Agree to publish a notice of intent to prepare a Franchising Scheme Assessment as required by the legislation and proceed to preparation of a Franchising Scheme Assessment covering the area of the North East CA.
- 3. Approve a total budget allocation of £8.5 million for a Franchising Scheme Assessment across financial years 2024/25, 2025/26 and 2026/27 to be funded by a combination of existing transport budgets, reserves previously earmarked for transport, and interest which will be earned on transport balances held during the current financial year, as set out in section D below.
- 4. Approve for publication the updated version of the Bus Service Improvement Plan attached at Appendix 3.

A. Context

1. Background Information

- 1.1 Buses can be a key enabler of equitable growth by increasing economic mobility, reducing congestion and providing sustainable transport options. Residents in the North East use buses more than in other English regions and, due to lower car ownership, some people have a high reliance on buses. Consequently, an attractive, integrated and reliable North East bus network could tackle regional challenges far beyond transport.
- 1.2 The bus network has seen long term decline however with the number of miles operated in the region reducing by 31% since 2010 and patronage by 36% in the same period. This is a worrying trend and can be seen alongside negative feedback received from residents, discussed earlier in this document, who often do not see the bus as an attractive choice. Fragmentation is also a common feature of our transport network which can impact the user experience. Our mix of bus operators and other transport providers, such as the Tyne and Wear Metro, means it can be challenging to align route planning, ticketing and customer information.
- 1.3 This is despite an increasing amount of public funding spent on supporting the bus network. The Options Report (Appendix 1) estimates that £103.8 million of public funding was expended on the North East bus network in 2022/23, representing approximately 43% of bus operator income. Public funding for the bus network is paid across in a number of different ways, including local authority funding of commercially unviable services, concessionary travel reimbursement and central government grants. The deregulated system can mean there is a mismatch between the extent of taxpayer investment and the level of influence public authorities have to determine outcomes in the bus network.
- 1.4 The bus reform project has been initiated to consider how we can address these problems and deliver the truly integrated transport network set out in our Transport Plan. This network must meet the needs of customers and enable buses to support the delivery of the North East Combined Authority (North East CA)'s wider commitments and ambitions.
- 1.5 A comprehensive Options Report has been developed to inform the Mayor and Cabinet on the possibilities for Bus Reform. It outlines the successes and challenges of the current operating model and details the benefits, potential costs and implications of the different reform options available to the North East CA.
- 1.6 The Bus Service Improvement Plan (BSIP) and associated funding allow the North East CA, working in partnership with bus operators, to make improvements to the bus network in the more immediate term whilst longer-term options for reform are developed.

2. Bus Reform Options Report

- 2.1 In anticipation of the formation of the North East CA, the North East Joint Transport Committee (the JTC) commenced a project to explore at a high level the different options available for bus operations in our region. This project has produced the Options Report.
- 2.2 Pulling together insights from stakeholder engagement, previous public surveys and market research as well as building on the current Local Transport Plan and BSIP, the Options Report illustrates how the current provision is not meeting the ambitions for the region. It establishes a strong case for change, outlining how reform would support addressing the region's economic, environmental and health challenges. Buses also cut across portfolio boundaries; reform could aid the delivery of other North East CA portfolio objectives in areas such as education, housing and economy. Similarly, if change is not achieved the future of our bus network cannot be guaranteed, choices may have to be made between allowing bus services to disappear from communities or supporting them using increasingly stretched local authority budgets.
- 2.3 The Options Report includes detailed analysis of two potential reform options expanding our current Enhanced Partnership (EP) or a franchising scheme. This was informed by a feasibility study conducted by independent consultants and aligns to the National Bus Strategy and subsequent DfT guidance that present an EP and franchising scheme as the primary options available. An abridged analysis of public ownership has also been incorporated in response to stakeholder engagement.
- 2.4 The North East CA could continue with the current EP and possibly evolve it to an 'EP+' or 'EP Max', which seeks to deliver expansive benefits for passengers. This would push the boundaries of the current legislative framework, subsidy regulations and competition law while retaining the current operator-led delivery model. Any improvements would be subject to agreement with operators following negotiations, but the North East CA could seek greater ticketing integration, reduced service duplication and better interchange opportunities with Tyne and Wear Metro services. Negotiations would also determine the exact scope, timescales and funding required, though expanding the EP avoids the lengthy legal process required for franchising and could therefore likely be delivered sooner.
- 2.5 The North East CA could alternatively pursue a franchising scheme that would significantly change how buses operate in the region. Franchising sees buses brought under public control, meaning the authority determines the routes, fares, timetables and vehicle standards in the franchised area. This would create opportunities for greater integration with other transport modes, centralised network planning as well as alignment with other North East CA priorities such as education, economy and housing. Associated with this increase of control of the network, it is likely that bus revenue risk would also be transferred from the operators to the authority. This would mean the authority would be required to cover any shortfall if revenues are below expectations, but equally would benefit from any profits that could be reinvested into the network. It is also possible that greater control could bring improved outcomes from the estimated £103.8m of public funding already invested in the North East bus network annually. Due to the scale of the change to the local bus market and of the financial implications to the public sector, any decision to proceed with implementing a franchising scheme must only be taken if an FSA determines that franchising is the best option. An independent audit and consultation must also be taken into account before any final informed decision is taken.
- 2.6 Legislation requires that any decision to implement a franchising scheme is preceded by an FSA. An FSA is effectively a business case which will set out the franchising proposal and needs to meet the requirements of the legislation including by setting out in respect of the proposed franchising scheme: its likely effects; whether it would contribute to implementation of the local transport plan and other policies affecting bus in the North East CA and neighbouring authorities; how it would be made and operated by the North East CA and whether the North East CA could afford to do this; whether it represented value for money and if the North East CA is likely to be able to secure the operation of franchised services under franchise contracts. Under the legislation, the proposed franchising scheme must be compared to one or more other courses of action and DfT guidance requires that the FSA compares franchising with the "best EP alternative". Together with preparing

the FSA, the North East CA would also need to develop the proposed franchising scheme itself - the statutory document which implements franchising and the legislation sets out what this must specify, including the franchising scheme area or sub-areas, the services which will be franchised and the date that franchise contracts can first be entered into.

- 2.7 Informed by the experience of other combined authorities and preliminary programme planning, developing an FSA covering the North East would likely require approximately £8.5 million in funding and take approximately 32 months to complete (2 years and 8 months). Implementation timescales for a franchising scheme (following an FSA) are heavily dependent on the preferred operational model and implementation strategy and these will be produced through the FSA. Indicative estimates based on experience from other combined authorities show it would take in the region of 30 months (2 years and 6 months) from completion of an FSA for the first busses to enter service under a franchising scheme. The duration and costs for implementing the entire preferred franchising model can only be fully established through an FSA, but this is expected to require significant time, resource and financial investment. This is in line with costs and timelines seen in other combined authorities, as well as reflecting the need to consider the size of the region and its unique urban, rural and costal geography.
- 2.8 It is possible that some of these timescales may be accelerated as a result of future legislative or regulatory change, and if that is the case then the programme to conduct an FSA will be updated accordingly. However, the programme is currently based on the experiences of other combined authorities who have completed, or are in the processes of completing, an FSA.
- 2.9 The Options Report recommends that the Mayor and Cabinet proceed to preparation of an FSA. Developing an FSA involves a substantial financial commitment of approximately £8.5 million, but the justification for this is it represents approximately 8% of public funding spent in a single year on supporting bus services and the FSA will help the North East CA to establish the best outcomes for public transport in return for this recurring annual expenditure. Bus franchising would also provide opportunities to better deliver BSIP objectives, as well as the Local Transport Plan and wider North East CA goals.

3. Bus Service Improvement Plan annual update

- 3.1 While the bus reform project explores possible future delivery models for the North East bus network, the North East CA, local authorities and Nexus continue to work in partnership with operators under the EP to deliver improvements to bus services. The BSIP was first published in October 2021 and provides the region's strategic plan for buses, setting out the vision for improving bus services and growing bus patronage in our local areas, in line with the National Bus Strategy. The plan was developed jointly with input from bus operators and highways authorities to deliver a strategy which improves services for all passengers within the region. Through BSIP funding, the government awarded the North East £163.5m to start investment in the projects set out in the BSIP over the period April 2022 to March 2025. An EP is a statutory scheme made by the Local Transport Authority (LTA) which, as a condition of their registration within the EP area, places binding commitments on bus operators, as well as highways authorities.
- 3.2 BSIP funding has enabled the delivery of initiatives, which include discounted ticketing (such as 21 and under and multi-modal adult day tickets), the introduction of new and improved services which would otherwise have been cut and bus priority measures to speed up buses and give priority to buses that are running late.
- 3.3 It is a DfT requirement for the BSIP to be updated annually. For 2024, submission of the refreshed document is a condition to the release of BSIP funding within the financial year of 2024/2025. To align with DfT guidance the refresh should update baseline data to 2023/2024, while also reflecting the progress made to date and proposing plans for the improvement of buses looking beyond March 2025.

4. Key changes made to the 2024 BSIP

- 4.1 The updated BSIP captures the vision set out for integrated travel across our network, while also providing an update on the delivery of current and proposed (post 2025) schemes.
- 4.2 The initiatives for the improvements programme for 2024/25 include the following:
 - Continuation of the multi-modal tickets (such as 21 and under and day saver tickets).
 - Deployment of turnaround cleaners at bus stations.
 - Continuation of the highways and infrastructure programme.
 - In the absence of the DfT £2 fare cap being continued, we aspire to utilise BSIP funding to continue this until at least March 2025.
- 4.3 To ensure the region continues to work towards the vision beyond 2025 further initiatives have been proposed. These include:
 - Continuation of care experienced passes until 2026, with an aspiration to continue funding until 2029.
 - Additional highways and infrastructure schemes including Pocket Park and Ride sites.
 - The launch of Pop 2.0 for Spring/Summer 2025, which is an account-based ticketing system, with further intention to deliver "tap off" readers on buses with future funding.
 - Ensuring audio-visual next steps announcements on every bus by 2026 in line with accessibility regulations.
 - Service enhancements including increased frequencies and new services until March 2026 where there is demand and capacity.
- 4.4 To achieve a long-term vision of delivering a truly integrated public transport network which works for the region long-term funding and support will be required and opportunities for improvements arising from bus reform must be taken into account.

5. Proposals

- 5.1 It is proposed that the Mayor and Cabinet note the Options Report, accept its recommendation to develop an FSA, and allocate the necessary budget for this activity. This would start with the publication of a statutory notice of intent to prepare an FSA.
- 5.2 It is proposed that the Mayor and Cabinet also approve the refreshed BSIP for publication as a regional policy document for bus, attached at Appendix 3. The document is a sub-strategy of the Local Transport Plan (LTP). If adopted this will supersede the existing BSIP document and BSIP funding will be released for the financial year of 2024/2025.

6. Reasons for proposals

- 6.1 Buses are crucial to the region with 106 million bus journeys taken in 2022/23. However, the bus network is in long term decline with fewer bus journeys and fewer services available. Regional leaders recognise the economic, social and environmental benefits that can be achieved through an attractive bus network.
- 6.2 The Options Report investigates whether reform of the bus service delivery model could bring improvements to the North East's bus network. The Options Report concludes that, given the importance to the region, there was value in proceeding to an FSA. Conducting an FSA would build on the Options Report and allow the North East CA to test the affordability, deliverability and desirability of reform options. Completing an FSA is a legal requirement, which must be satisfied to enable a decision to be made on whether the North East CA should proceed with making a franchising scheme.
- 6.3 At present, existing and ongoing plans for the buses are delivered through the BSIP and EP, this BSIP update provides the opportunity to renew our immediate ambitions for bus through monitoring our customers needs. Furthermore, national guidance states that the BSIP should be reviewed and

updated annually and an annual review of our BSIP document is a condition to the release of £45.6 million of government BSIP funding.

7. Next Steps and Timetable for Implementation

- 7.1 If the Cabinet approves this report, the formal notice of intent to prepare an FSA (Appendix 2) will be issued by publishing it on the North East CA website as soon as practicable.
- 7.2 This would enable officers to begin work to prepare for the FSA, including recruitment and procurement exercises. It is estimated that it would take approximately 32 months (2 years and 8 months) to complete the FSA, including the required independent audit and consultation; any opportunities to accelerate this timescale would be considered.
- 7.3 Subject to approval by the Mayor and Cabinet the refreshed version of the BSIP will be published on the North East CA's website no later than 8 August 2024.

B. Impact on North East Combined Authority Objectives

- 1. The proposals set out within the BSIP and Options Report impact positively on overarching North East CA objectives by:
 - Making sustainable transport methods, including bus services, accessible and appealing to those living, working and learning in the North East, helping to close the health and life expectancy gap within the region.
 - The provisions set out for buses will enable those living, working and learning in the North East to have the best possible access to opportunity to build the social, economic and digital infrastructure of the region. Having a more seamless and integrated bus network works to reduce social polarisation across the region, including transport social exclusion, through improved access to social and economic opportunities, such as employment, education and leisure. This will enable people to thrive with new skills and aspirational jobs to improve quality of life. Promoting a sustainable transport network utilising emerging technologies, such as zero emission buses alongside attractive opportunities to create multi-modal trips incorporating active travel will also facilitate the regional ambition to lead the green industrial revolution. Improved bus provisions will contribute to an increased modal share of sustainable options, which in turn will reduce car dependency creating a greener North East.
 - Intelligent Transport Systems (ITS) and other bus priority measures will continue to provide efficient, safe and sustainable travel options at key events across the North East. Providing access to culture, sports and art champions our heritage and attracts investment.

C. Key risks

- 1. Completing an FSA is a complex project. Areas such as procurement, recruitment, governance, stakeholder management and scope creep can all present risks leading to potential time and cost implications.
- 2. A key risk of the process of making a franchising scheme is the risk of judicial review of decisions or actions made during the process. This could relate to challenging whether the final decision had been improperly made, failures to consult or other deficiencies in the process. However, the FSA process mitigates this, by ensuring that a detailed assessment of the options is made, that an independent audit of the assessment and materials is carried out and that a consultation is held with relevant stakeholders to provide their input before any decision is made.
- 3. An FSA is held to robust standards and must comply with legislation. The information relied on by the authority in producing the economic and financial cases must be of sufficient quality, the analysis of that information in the FSA must be of sufficient quality and due regard must be made to DfT's guidance in preparing the FSA. Any failures in this regard could leave the North East CA with financial shortfalls, unforeseen liabilities and reputational consequences. This would also severely

limit the potential benefits bus reform may deliver. However, the independent audit which is an essential part of the FSA process represents a strong mitigation against such potential shortcomings. The auditor's report together with the FSA should be sufficiently robust to enable an informed decision, and reduce the risks of challenge to decisions made by the Mayor and the North East CA.

D. Financial and other resource implications

- 1. Approximately £8.5 million would be required to conduct a North East FSA. This estimate has been derived from the experience of other combined authorities who have already completed or are in the process of completing an FSA and local experience of BSIP development. It is proposed that the budget for this work is funded through a combination of remaining previously approved budgets for Bus Reform work (up to £1.0 million), reserves transferred to the North East CA from the JTC (up to £2.6 million) and the remainder from interest income which will be earned on cash balances already held associated with Transport funding, during the current financial year, which will be transferred to reserves and applied as required.
- 2. The proposed FSA budget covers elements such as staffing, expert consultancy support, legal support, audit and consultation as well as contingency. It assumes recruitment into key project roles of up to five new permanent staff to support. Procurement exercises would also be undertaken to secure specialist support and contracts will be awarded subject to the combined authority's governance procedures. It is envisaged that this proposed combination of staff and consultants will establish a strong core team to progress an FSA for the region whilst accessing specialist support when needed.
- 3. If implementation of a franchising scheme is pursued at the end of an FSA, the financial demands on the Authority may be considerable and may include transition costs, initial capital costs (depending on operational model) and ongoing operational costs. An FSA will assess financial requirements for the options under consideration and the authority will need to explore future funding sources for any North East franchising scheme. Lessons learned from other combined authorities suggest funding may come from a variety of sources, which will be explored fully in the Financial Case of the FSA.
- 4. Should the updated BSIP not receive approval, funding for the financial year of 2024/25, £45.6 million, may be withheld by DfT. Any interventions where funding has not already been released by the DfT would require funding secured from other sources.

E. Legal implications

5. The comments of the Monitoring Officer have been included in this report. The Transport Act 2000 (as amended by the Bus Services Act 2017) sets out the process that a mayoral combined authority must follow before it is able to introduce bus franchising in its area. As set out in this report, this requires the authority to undertake a franchising scheme assessment to allow an informed decision to be made as to whether or not the franchising scheme is the best way to proceed. The authority will be supported by specialist external legal advisers in this process.

F. Equalities Implications

1. While everyone would benefit from increased availability of cheaper, reliable and more attractive bus services we know that this will have a larger beneficial impact on certain groups. This includes older people, women, ethnic minority groups and disabled people, all of which have higher rates of bus use than the national average. BSIP initiatives, such as cheaper fares with more reliable and frequent services will give greater freedom to many people to access jobs, education, healthcare and social support. The DfT guidance states that "Any decision to change the model of bus service delivery is significant and will impact the authority proposing the scheme, neighbouring local authorities, bus operators (both incumbent and aspiring to enter the market) and, most importantly, new and existing passengers". The guidance notes that authorities must be mindful of their duties under the Equality Act 2010 in revising and implementing their BSIP and franchising proposals, and

that authorities should "ensure the impacts and opportunities of different options are explored early in their development in order that equality impact consideration can inform and not simply reflect the final approach selected", which the FSA and the decision making process in respect of the FSA will need to consider and reflect. Full Equality Impact Assessments (EIA) will also be carried out for individual schemes when required.

G. Consultation and engagement

- 1. The Options Report has been informed by research with key stakeholders which was commissioned as part of the project, as well as previous public engagement exercises. If the decision is taken to proceed to an FSA, extensive formal and informal engagement and consultation will be essential to the process. It will be vital that the views of the public, bus users and stakeholders, such as local authorities, bus operators and passenger groups are understood. These consultation responses will inform any post-FSA decision on whether to proceed with franchising.
- 2. The publication of the BSIP does not require formal public consultation, however a public engagement campaign (Moving Buses Forward) was undertaken during spring 2024. The campaign included an online survey as well as drop in events in each of the local authority areas, with locations selected by the local authorities' communications teams. Engagement was also undertaken with vulnerable user groups, such as Becoming Visible and Learning Disability North East.
- 3. Workshops were held with local authorities, partners and Nexus, as well as bus operator partners in the development of the BSIP update.

H. Appendices

Appendix 1 – Bus Reform Options Report

Appendix 2 – Draft notice of intent to prepare an assessment of a proposed franchising scheme

Appendix 3 – BSIP update for 2024

I. Background papers

Bus Back Better – The National Bus Strategy: Bus Back Better <u>Bus Back Better</u> (publishing.service.gov.uk)

The Bus Services Act 2017 – Enhanced Partnerships Guidance <u>The bus services act 2017:</u> enhanced partnerships (publishing.service.gov.uk)

Setting up a Bus Franchising Scheme- Guidance (2024) <u>Setting up a bus franchising scheme-GOV.UK (www.gov.uk)</u>

Establishment of the Enhanced Partnerships JTC report (https://www.northeast-ca.gov.uk/downloads/640/tne-jtcagenda-21mar23.pdf)

North East Bus Service Improvement Plan (2023) https://www.northeast-ca.gov.uk/how-we-work/transport/bus-service-improvement-plan

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K. Glossary

BSIP Bus Service Improvement Plan BSOG Bus Service Operators Grant DfT Department for Transport ΕP

Enhanced Partnership Franchising Scheme Assessment Joint Transport Committee Local Authority Local Transport Authority FSA

JTC

LA

LTA



Appendix 1 - Bus Reform Options Report



Bus Reform Options Report

July 2024















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1. Executive Summary

- 1.1. In the North East¹ 106 million bus journeys were taken in 2022/23², making buses by far the most popular form of public transport. Buses connect students to education, workers to employment, shoppers to high streets and friends and family to one another. Without a bus network residents would be deprived of their basic freedom to travel, streets would be clogged with congestion and the economy and environment would suffer.
- 1.2. Too often passengers have felt let down by the current bus network, which sometimes cannot be relied on, does not take them where they want to go, is not integrated with other modes of transport or simply is not attractive when compared to their car. "Unreliable", "late", "expensive", "slow" and "infrequent" were the five most common words used when residents were asked about local buses.
- 1.3. The North East Devolution Deal gives the Mayor access to bus franchising powers under the Transport Act 2000 which along with other devolved powers and funding streams available to the North East Combined Authority (North East CA), offers the potential to radically change the operating environment for buses in the region. This Options Report begins to analyse the potential of franchising and other reform options, including further developing our existing Enhanced Partnership (EP).
- 1.4. This report seeks to advise the North East CA Mayor and Cabinet on this complex and crucial issue. It presents objective information drawn from available data sources and expert advice. Views of key stakeholders and the general public also inform the report.
- 1.5. It first considers the context of the North East and the role for bus, considering economic, environmental, health and social factors. The North East lags behind other regions with lower wages, productivity and worse health outcomes. In 2022, 24.9% of children in the North East were in relative poverty, above the average for England outside of London³. Buses can be a key enabler of equitable growth by increasing economic mobility, reducing congestion and providing sustainable transport options. Bus use in the North East is significantly above average and residents rely on buses more than in other regions⁴, meaning an attractive, integrated and reliable North East bus network could tackle regional challenges far beyond transport. Buses are therefore a central concern of the North East Local

¹ Throughout this document 'the North East' is used to refer to the North East CA area covering Northumberland County Council, Newcastle City Council, North Tyneside Council, Gateshead Council, South Tyneside Council, Sunderland City Council and Durham County Council. Where the term North East is used to describe an alternative geography (such as inclusive of the Tees Valley) this is marked in the text.

² Department for Transport, 2023

³ North East CA Evidence Hub, 2022

⁴ Department for Transport, 2023



Transport Plan (LTP) which aims to strengthen public transport to achieve regional objectives.

- 1.6. An exploration of the current situation follows, presenting a description of the bus offer and assessing the performance of the current delivery model and EP against regional objectives. At present, a huge amount of public money is invested in the network to provide concessionary travel, secure services which are commercially unviable and to support bus operator fuel costs. The Bus Reform Project estimates that approximately 43% of all North East bus operator income in 2022/23 came from public funding sources⁵. Despite this high level of investment, the bus network has seen long term decline. The number of miles operated in the North East has shrunk 31% since 2010 and patronage has reduced by 36% in the same period⁶.
- 1.7. Public authorities also have limited influence on outcomes in the bus network.

 British bus services outside of London, Northern Ireland and parts of Greater

 Manchester are unusual compared to services in other countries as bus operators have the final say on commercial routes and fares.
- 1.8. Recently, however, the role of public authorities has grown with a new partnership between local authorities and bus operators within the North East EP. The EP has introduced concrete improvements for passengers, noticeably through the introduction of cheaper and simpler fares and £35 million of investment in bus services. Investing in buses is considered to be high value for money⁷, with significant improvements made using relatively small amounts of funding. It is estimated that every return bus trip generates as much as £8.17 in monetised social value⁸.
- 1.9. The report then considers the regional ambition as well as a customer and objective focused vision of where the region wants to be; this does not specify exact solutions but instead focuses on the desired outcomes. Within this, a consensus has emerged between stakeholders, bus users and the public that buses must be integrated with other modes of transport, be more reliable and be more responsive to the needs of communities.
- 1.10. The need to deliver further important improvements and the challenging backdrop of bus services present a strong argument for change. More and more journeys in the region are being made by car and fewer by buses. If this continues, public funding streams, which currently help to support vital services, will also become increasingly stretched.

⁵ Calculation found in Appendix A

⁶ <u>Department for Transport, 2023</u>

⁷ Department for Transport, 2016

⁸ Department for Transport, 2013



- 1.11. Residents across the region currently rely on buses to provide connections to education, employment and to lessen road emissions. If current trends of decline continue residents will be impacted by disappearing bus routes with the potential for social exclusion to grow and the economy and the environment to suffer.
- 1.12. Without a stable bus network, the LTP's vision of a fully integrated and attractive transport network would not be able to be delivered. Wider objectives of the North East CA such as those in education, culture and housing are also dependent on a strong bus network which can be relied upon by residents. If these objectives are not met, customers may experience longer and less reliable journeys, less frequent buses and more expensive tickets. The region's current bus network depends on a range of short and medium-term funding mechanisms for stability, without which the network would likely shrink and become less stable.
- 1.13. The report then details a series of operational models to inform the North East CA Mayor and Cabinet. These consider the regional ambitions set out previously. Deliverability is analysed alongside risk, finance and timescales. The same operational model need not apply to the whole region. The report does not include highly detailed and conclusive analysis. This would only be carried out if a Franchising Scheme Assessment (FSA) is initiated by the North East CA Mayor and Cabinet. While an FSA is an in-depth statutory process this report is intended to inform and aid early decision making.
- 1.14. One potential reform option is expanding the current EP, and evolving it to an 'EP Max/EP+'. This retains the current delivery model while seeking to push the boundaries of the legislative framework, subsidy regulations and competition law to deliver expansive benefits for passengers. Negotiations with operators would determine the improvements, but this may include greater ticketing integration, reduced service duplication and better interchange opportunities with Tyne and Wear Metro services. Expanding the EP is not subject to the lengthy legal process necessary to proceed with franchising, however the exact scope, timescales and funding levels are yet to be defined.
- 1.15. Another option for reform is pursuing a franchised bus network. Franchising significantly changes the operational structure. Buses are brought into public control meaning the authority can determine routes, timetables, fares and vehicle standards within the franchised area. This creates opportunities for integration with other modes of transport, centralised network planning as well as potential alignment with North East CA priorities in areas such as housing, skills, regeneration and education. This would be a highly demanding process in terms of costs, increased risk and timescales. An FSA would compare franchising to other operational models and more comprehensively analyse the implications of franchising for the region. Conducting an FSA would require around £8.5 million in funding and take approximately 32 months (2 years and 8 months) to complete. If a





decision to proceed with franchising followed an FSA, it is estimated that it would take a further 30 months (2 years 6 months) to transition to and implement a franchised network – though any opportunities to accelerate this process would be pursued.

1.16. This report concludes that there is a compelling case for change for the region's bus service because of the instability in our bus network and the need to progress towards our regional objectives. Due to the importance of buses and the potential to drive change for our communities, this report recommends that the Mayor and Cabinet proceed to an FSA.



2. Context

2.1. About our region and the role for buses.

This section will...

- Set out the context of our region including our geography, economy, environment, and health.
- Describe the role of buses as an important determining factor of regional outcomes.
- Introduce challenges the bus network currently faces.
- 2.1.1. An overview of the region is shown in Figure 1.



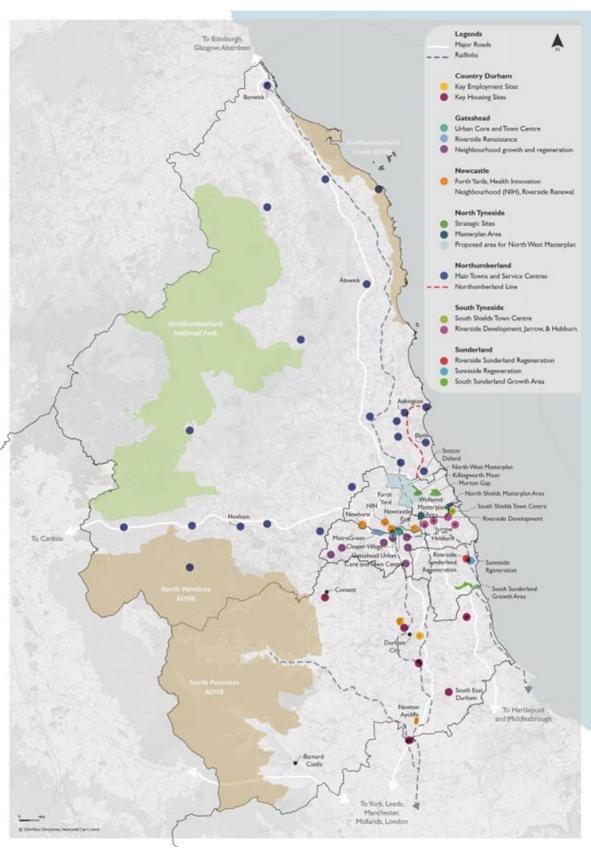


Figure 1: The North East Combined Authority area



Our geography

- 2.1.2. The area covered in this report consists of seven local authority areas: County Durham, Gateshead, Newcastle upon Tyne, Northumberland, North Tyneside, South Tyneside and Sunderland. All seven areas were recently brought together under the new North East Combined Authority (North East CA). The North East CA is the second largest combined authority by geographic size in England.
- 2.1.3. The area covered in this report consists of seven local authority areas: County Durham, Gateshead, Newcastle upon Tyne, Northumberland, North Tyneside, South Tyneside and Sunderland. All seven areas were recently brought together under the new North East Combined Authority (North East CA). The North East CA is the Local Transport Authority (LTA) for the North East which means it has statutory powers to set local transport policy and a duty to ensure the delivery of local transport services across its whole area.
- 2.1.4. The North East CA is the second largest combined authority by geographic size in England and transport delivery arrangements are currently different between Tyne and Wear (the predominantly urban area encompassing the Local Authorities of Gateshead, Newcastle, North Tyneside, South Tyneside and Sunderland), and the largely rural counties of Northumberland County Council and Durham County Council.
- 2.1.5. The differences relate to the delivery of transport services to residents, for bus services these include: Concessionary Travel schemes (statutory and discretionary), secured bus services and home-to-school (H2S) transport.
- 2.1.6. In practice, this means that for the large part Nexus, the Passenger Transport Executive (PTE) for Tyne and Wear, Durham and Northumberland operate independently of each other. There are different approaches to service provision, separate teams carrying out the work, and separate governance structures and budgeting approaches.
- 2.1.7. The large geographical scale of our region, combined with its diverse urban, rural and coastal communities creates a variety of transport needs and challenges for our residents. These challenges range from areas at risk of isolation, to areas that face significant deprivation. Our region also faces several economic and health related challen0ges, including widening inequalities, which have been further exaggerated by the COVID-19 pandemic and the rise in the cost of living.



2.1.8. The North East is home to around two million people⁹. Figure 2 shows the population density across the North East by Lower Layer Super Output Areas (LSOAs). The North East has a slightly larger proportion of residents living in rural areas (19%) than the rest of England (16%). The areas with the highest percentage of people living in rural areas are Northumberland (44%) and County Durham (41%). The North East also has a particularly high percentage of people living in rural towns and fringe areas (13% compared to 9%)¹⁰.

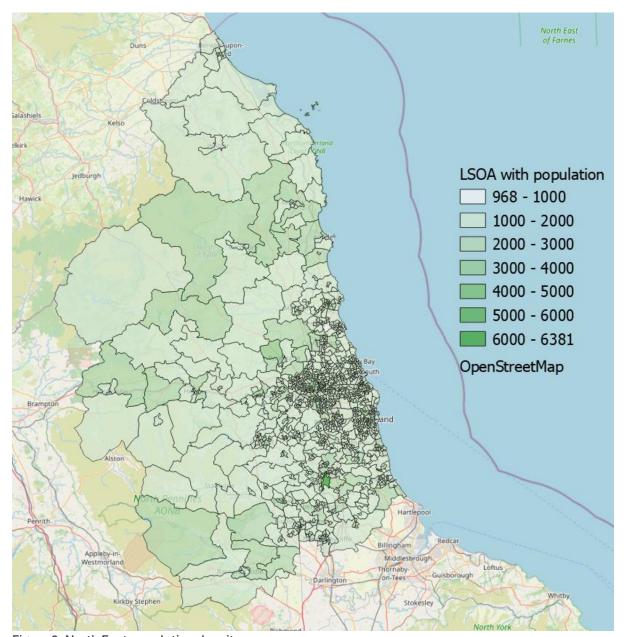


Figure 2: North East population density

⁹ Office for National Statistics, 2021

¹⁰ Office for National Statistics, 2021



- 2.1.9. However, it is important to note there is not one type of rural area, there are many different types of rural towns and villages across our region with diverse communities, geographies, and economies with different challenges and needs.
- 2.1.10. Our seven constituent local authority Local Plans shows that over 100,000 new homes are planned in our region by 2039¹¹. It is crucial that the region is able to plan new housing development and transport effectively in a more cooperative way over the coming years.
- 2.1.11. Table 1 shows how the population in the region is distributed between the seven local authorities in addition to the rural urban split.

Local Authority	Population	% Rural	% Urban
County Durham	552,100	44	56
Gateshead	196,100	7	93
Newcastle	300,200	3	97
Northumberland	320,600	45	55
North Tyneside	209,000	5	95
South Tyneside	147,800	0	100
Sunderland	274,200	1	99
NE total	1,970,000	21	79

Table 1: Where people live, rural and urban split (2021)

Role of Buses – Our Geography

Buses are the most used form of public transport in the region and bus ridership per person is significantly higher in the North East than all other regions in England outside of London¹². Buses provide a vital form of connection for the North East population located across the region.

As demonstrated, a large proportion of the region's population are classified as living in rural areas. People living in rural areas who do not have access to a car have fewer alternative travel options than people in urban areas. Distances are longer which make walking or cycling an implausible alternative in many cases. Therefore, there are instances where rural populations have greater reliance on public transport and if it is poor, or entirely absent, the risk of social and economic exclusion is higher.

11 -

¹¹ This number was calculated using the Local Plans for all seven local authorities in the North East CA area.

¹² Department for Transport, 2023



In rural areas, the long distances between settlements paired with lower population densities (and therefore less passenger demand) makes bus operations more costly and less profitable. Prior to the $\mathfrak{L}2$ fare cap, rural fares were frequently higher than in urban areas. Passengers therefore burdened much of the cost of running rural services.

From a passenger perspective, the longer journey times and lower frequencies makes opting for buses even more unattractive to people who have access to a car.

Age Profile

- 2.1.12. It is important to consider the age profile of our region and how it is predicted to change over the coming decades. The North East has an ageing population which will have an impact on both economic outputs and future transport requirements.
- 2.1.13. As the graphs below show, by 2043, one in four people in the North East will be retirement age (age 67 and above). As a result, the working age population is set to fall over the next two decades. This will have a direct impact on future transport requirements. *Note 2020 numbers do not sum to 100 due to rounding*.

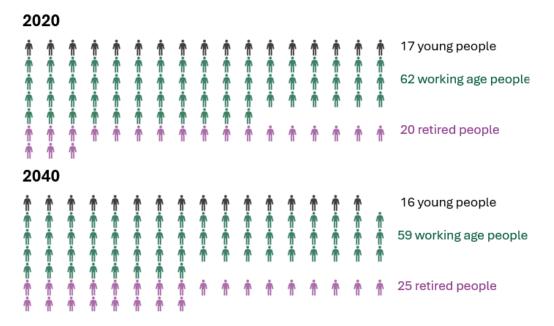


Figure 3: Age profile in the North East - 2020s v 2040s



Role of Buses - Age Profile

Buses can play a key role in enabling mobility. In particular, buses can help to provide an accessible form of transport for older people whose changing lifestyle factors (e.g. health and declining driving licence ownership)¹³ can increase dependency on public transport.

The National Travel Survey (NTS) states in 2022 that 71% of eligible pensioners held concessionary passes in the North East (including the Tees Valley)¹⁴.

Buses enable an ageing population to maintain social contact with friends and family who may live some distance away, can provide access to healthcare facilities and may help to avoid loneliness and isolation which can all affect wellbeing 15 . An additional benefit is that concessionary travel schemes return significant social value, with an independent evaluation of Nexus' offering finding they returned £5.75 per generated trip 16 .

Aside from walking and cycling, children and young people also rely more on public transport as a way to independently access education. According to the most recently published NTS data (2022), 14% of children aged between 5 and 16 use buses (both local and private) for trips to and from school¹⁷. Public transport offers a financially viable gateway to gain a sense of independence as young people are more likely to have lower paying jobs or are financially supported by their families or educational loans.

¹³ Social Exclusion Unit, 2003

¹⁴ Department for Transport, 2023

¹⁵ Greener Journeys, 2014

¹⁶ Systra, 2024

¹⁷ Department for Transport, 2023



Our Economy

- 2.1.14. Transport plays a key role in how people access job opportunities and employment sites. Over recent decades, our region's economy has diversified. This has led to a strong service sector including education, digital, energy, transport, and construction. We are also home to a world leading clinical research sector in health and life sciences.
- 2.1.15. Improving the connectivity between workers and employment hubs is an enabler which can improve both productivity and inclusivity in the North East.

Productivity

- 2.1.16. Our transport network has a direct impact on the productivity levels in the North East. Poor infrastructure, including weak transport links, are some of the factors that contribute to lower levels of productivity. Other factors include the region having higher rates of ill health than the national average.
- 2.1.17. The North East economy, measured by GVA levels (total and per head), is performing below the national average, with a significant productivity gap.

For labour productivity, output per hour worked in the North East was 17.4% below the UK average in 2021¹⁸.

2.1.18. Most of the GVA in the North East is produced in urban areas. In 2021, these accounted for 70% of total output, with 13% being produced in rural areas and 17% in coastal towns¹⁹.

Wages and Employment

2.1.19. Average pay in the North East area is lower than any of the UK's other regions.

Median gross weekly earnings (£) in 2023²⁰: North East = £608.40 England = £683.50

2.1.20. In the 12-month period from October 2022 to September 2023, the North East unemployment rate was 4.1%, a higher rate than England excluding London rate of $3.5\%^{21}$.

¹⁸ Office for National Statistics, 2021

¹⁹ North East CA Evidence Hub, 2023

²⁰ Office for National Statistics, 2023

²¹ North East CA Evidence Hub, 2023



2.1.21. There are also significant economic inequalities present within our region.

This can be demonstrated through the employment statistics. For example, in 2022/23, South Tyneside had the lowest level of employment²², whereas North Tyneside had the highest²³.

In 2022 60% of families in the North East received at least some form of state support, compared to 53% for the UK as a whole²⁴.

Education and Skills

2.1.22. The North East has a smaller proportion of professional roles than England (excluding London)²⁵. North East employers have reported a range of technical and soft skills gaps, with the largest gap being specialist skills or knowledge²⁶. Our region also has a lower qualifications profile than the rest of England.

Key Employment Sectors

- 2.1.23. The North East has a diverse employment sector, including health, education, and manufacturing industries. In 2023, around 29.9% of North East workers stated that they were public sector workers, a much higher percentage than the rest of England at 22.8%²⁷. Retail and hospitality are also big employers in our region providing many 'entry level' job opportunities.
- 2.1.24. We have seen a big rise in 'knowledge-intensive private services' (which include ICT, financial services, and many creative industries)²⁸, with the sector accounting for more than a third of employment growth in past ten years.

In 2023, we welcomed 69 million visitors that brought $\pounds 6.1$ billion into our regional economy²⁹

²² Office for National Statistics, 2023

²³ Office for National Statistics, 2023

²⁴ Statista, 2023

²⁵ North East CA Evidence Hub, 2021

²⁶ North East CA Evidence Hub, 2021

²⁷ North East CA Evidence Hub, 2023

²⁸ North East CA Evidence Hub, 2023

²⁹ Destination North East England, 2024

July 2024



Role of Buses - Our Economy

Investments in buses are considered to be high value for money³⁰, with huge improvements possible using relatively small amounts of funding.

Buses enable people to access economic and educational opportunities such as higher skilled and better paid jobs. Nationally, bus users create more than £64 billion worth of goods and services³¹. On a local level, there are many examples of communities which are highly dependent on bus services. For example, 18.9% of residents in Walker (Newcastle) commute to work by bus³² compared to 5.4% of all North East residents³³. 54% of bus users in the North East do not have an alternative means of travel, further emphasising the reliance of many people on bus services to fulfil their basic needs³⁴.

Additionally, buses are important for many in our region given the fact that more journeys are taken by buses by those on lower incomes compared to journeys taken by car. 6% of all trips by those on the lowest incomes are by local buses, compared to 2% for those on the highest incomes³⁵. Access to bus services is therefore essential to provide mobility and reduce both social and economic inequalities.

Buses provide an accessible option for people wanting to access jobs which in turn can help to boost productivity in the region.

Buses also provide freedom for students and adult learners to travel independently. 27% of bus journeys in the region are for educational purposes compared to 10% for private vehicle journeys³⁶. By allowing learners to travel independently, buses enable workers to upskill and increase their earning potential, and they allow younger people to access a wide range of high-quality education venues across the region to help them pursue their desired qualifications.

Buses help connect people who live in areas with a low density of employment opportunities to employment. This is especially important in areas with high deprivation levels and rural areas which in turn helps to promote productivity in these areas.

The bus network is able to provide a sustainable form of transport for visitors in the region which in turn will help the North East achieve its regional objectives to grow our visitor economy.

³⁰ Department for Transport, 2016

³¹ Greener Journeys, 2016

³² Office for National Statistics, 2021

³³ North East CA Evidence Hub, 2021

³⁴ Transport Focus, 2023

³⁵ Department for Transport, 2023

³⁶ Department for Transport, 2023



Our Environment

Climate Change and Greenhouses gasses

- 2.1.25. Figure 4 shows greenhouse gases emissions (GHG) in the North East region by transport sub-sector and type of gas.
- 2.1.26. Transport that burns fossil fuels emit greenhouse gases (GHG) such as carbon dioxide, trapping thermal energy and directly contributing to the warming of our planet. This warming is causing our climate to change which includes both increased temperatures and an increase in extreme weather events such as storms, droughts, and flooding. Our changing climate also impacts our physical and mental health.
- 2.1.27. Transport is the largest GHG emitting sector in the UK. The graph below shows GHG emissions in the North East region by transport sub-sector and type of gas.

Road Transport (A roads)

Road Transport (Minor roads)

Diesel Railways

Other Transport

0 200 400 600 800 1000 1200 1400 1600 1800

Transport emissions (Kt CO2e)

Carbon dioxide Methane Nitrous oxide

Greenhouse gas emissions by sub sector and type of gas

Figure 4: Transport emissions (greenhouse gases) North East by sub-sector and type of gas (2021) NOTE: These local estimates do not include emissions from aviation, shipping, and military transport. These types of transport are outside the scope of the Local Transport Plan and datasets are not available to estimate these emissions at a regional or local level.

2.1.28. Approximately 98% of transport generated GHG emissions in our region are from roads, with 'A' roads being the greatest contributor at 54%³⁷.

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³⁷ North East CA Evidence Hub, n.d.



- 2.1.29. Between 2005 and 2020, net CO2 emissions in the North East decreased by 56%. The largest percentage decreases were in industry (down 79%) and the commercial sector (down 67%), while, in contrast, transport CO2 emissions decreased by just 28%³⁸. There is still clearly more that can be done.
- 2.1.30. Taking the resident populations into account, the North East had the fourth lowest transport emissions per head among equivalent regions³⁹. The rate was lower than the national equivalent and, within the North East, was highest in Gateshead and Northumberland.
- 2.1.31. Buses are less carbon intensive than private vehicle journeys when considered on a per journey basis. On average, taking a journey by bus emits one-third fewer emissions as making the same journey by car⁴⁰. The difference can be made even greater by increasing the passenger load on buses.

Climate change and health

- 2.1.32. Our warming planet and changing climate are directly linked to human health and wellbeing. Rising temperatures and increases in extreme weather events impact on human physical and mental health, lead to changes in our planet's life systems such as food and water availability, and change patterns of infectious disease spread. All these changes impact our social systems, affect our livelihoods, and place increased pressure on health and social care services.
- 2.1.33. Therefore, actions taken to reduce GHG emissions, protect our planet, and reduce the impacts of climate change can also contribute to protecting our health and wellbeing.
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- 2.1.35. Therefore, actions taken to reduce GHG emissions, protect our planet, and reduce the impacts of climate change can also contribute to protecting our health and wellbeing.

³⁸ North East CA Evidence Hub, 2022

³⁹ North East CA Evidence Hub, 2021

⁴⁰ Marsden et al, 2020



Air Quality

- 2.1.36. Air pollution is a mixture of particles and gases suspended in the air that are harmful to our health. Both road and non-road transport are sources of air pollution. The North East has some of the lowest levels of one of the most harmful air pollutants, particulate matter 2.5 (PM_{2.5}), in the country. However, we do have high levels of nitrogen dioxide (NO₂) in some of our cities, particularly during peak travel hours⁴¹.
- 2.1.37. Private small vehicle use remains the most common mode of travel in the North East with 59% of trips in the region being made by car or van driver and passenger⁴². This high level of car and van use results in congestion on some parts of our road network, particularly during peak travel hours.
- 2.1.38. As of 2023, there are seven Air Quality Management Areas (AQMAs) in the North East. These are located in County Durham, Newcastle, South Tyneside and Gateshead. These include areas where the national air quality objectives are unlikely to be met. In January 2023, a Clean Air Zone (CAZ) was also introduced covering some of Newcastle and Gateshead⁴³.

Air quality and health

Although poor air quality affects us all, certain groups are more vulnerable to harm such as babies, children, pregnant women, the elderly and those with pre-existing medical conditions. Poor air quality also disproportionally affects people living in the most deprived areas.

Evidence shows that long term exposure to air pollution is associated with an estimated 28,000-36,000 deaths each year in the UK⁴⁴.

2.1.39. Transport is a contributor to noise pollution. In our region 6% of the population live in close proximity to major road routes and are exposed to more than 55dB of noise at night (see graph below). This level of noise can result in disturbed sleep patterns and increased stress.

⁴¹ Keast, Bramwell, Maji, Rankin & Namdeo, 2022

⁴² Department for Transport, 2022

⁴³ Department for Environment, Food and Rural Affairs, 2023

⁴⁴ Public Health England, 2018



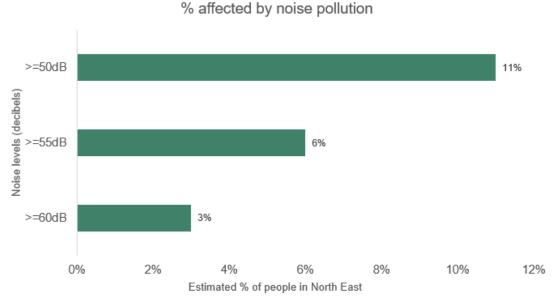


Figure 5: Estimated % of people affected by road noise pollution levels at night in the North East- DEFRA, 2019

Role of Buses - Our Environment

Buses play an essential part in reducing the environmental impact of transport in the region. Our bus network makes us less car dependent and enables people to make sustainable choices. On average, taking a journey by bus emits one-third fewer emissions as making the same journey by car, making buses one of the least carbon intensive forms of road vehicle transport per passenger, per mile⁴⁵.

Shifting journeys to bus, in conjunction with the introduction of Zero Emission Buses (ZEBs), has a powerful impact to help reduce noise pollution, and to improve air quality, protecting the health of the entire population.

On a national level, bus emissions have decreased by 42% from 1990-2019 as fuel efficiency has improved and ZEBs have started to enter service⁴⁶. The expansion of our region's fleet of ZEBs has contributed to the decrease of transport related emissions even further.

⁴⁵ Marsden et al, 2020

⁴⁶ Department for Transport, 2022



Our Health

- 2.1.40. Transport is essential for health and wellbeing as it enables access to services, opportunities, and social networks. It can also be a powerful lever in tackling poor health outcomes and inequalities.
- 2.1.41. Our health and wellbeing are determined by individual factors, the healthcare we receive and the wider determinants of health. The wider determinants of health are a range of social, economic and environmental factors (see Figure 6).

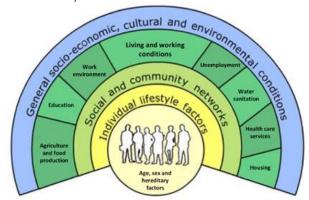


Figure 6: The wider determinants of health - Dahlgren and Whitehead, 1991

Deprivation, inequality and child poverty

2.1.42. Deprivation describes a range of factors in our lives that impact our health and wellbeing. Across the region, the most deprived areas are found in urban communities and along the coast. This is reflected in Figure 7. Data shows that deprivation is becoming more concentrated in the North East⁴⁷.

⁴⁷ North East CA Evidence Hub, 2022



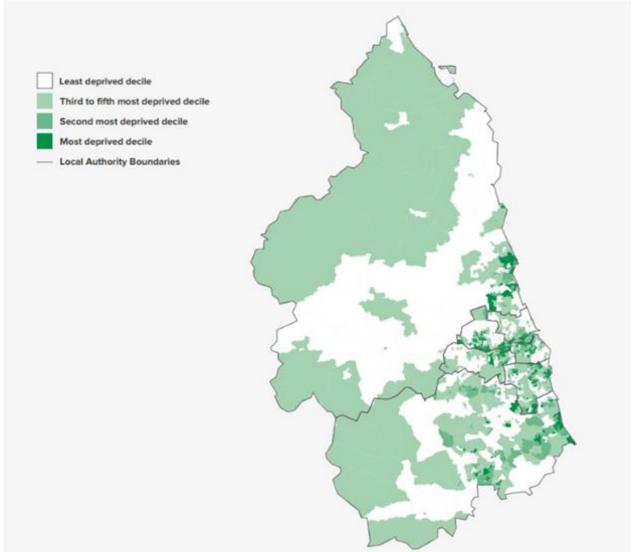


Figure 7: Index of Multiple Deprivation (IMD) deciles – North East LSOAs (2019)

- 2.1.43. Socioeconomic inequalities are differences in socioeconomic factors that influence our health and wellbeing such as income, education, employment, and housing. Health inequalities are closely linked to socioeconomic inequalities and deprivation. The North East, with Tees Valley included, experiences greater health inequalities than the rest of England and these inequalities are widening both within the region, and between the North East and other regions in England⁴⁸.
- 2.1.44. 1 in 4 (24.9%) babies, children, and young people aged 0-15 years old in the North East region are growing up in relative poverty (in households with an income that is less than 60% of the middle income for all households), which equates to 84,000 children⁴⁹. Poverty has harmful impacts on children's health, their social and emotional wellbeing, and their education, both in the

⁴⁸ Corris et al, 2020

⁴⁹ North East CA Evidence Hub, n.d.



short term and into their futures.

Life expectancy and healthy life expectancy

2.1.45. A person living in the North East has a lower life expectancy than the average person in England, and males have a lower life expectancy than females (Figure 8).

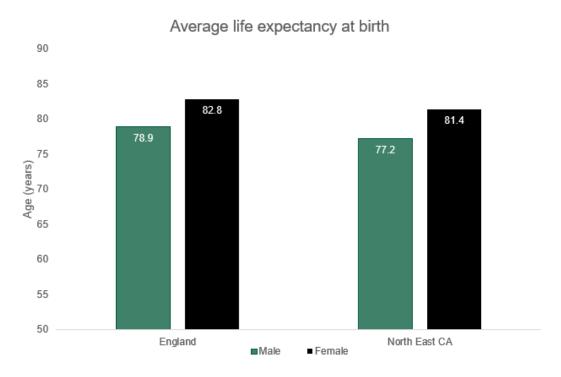


Figure 8: Life expectancy at birth for males and females in England and the North East Combined Authority (North East CA) area

2.1.46. Inequalities in life expectancy are the gap in life expectancy between the most and least deprived areas. Males in the North East have an average gap in life expectancy of 11.2 years with the biggest gap being in Newcastle at 12 years. Females have an average gap of 8.9 years with the biggest gap being in Northumberland at 10.1 years. Healthy life expectancy is the number of years someone is expected to live in good health. Both males and females living in the North East have lower healthy life expectancies than the England average, and the lowest of all regions in England (Figure 8).



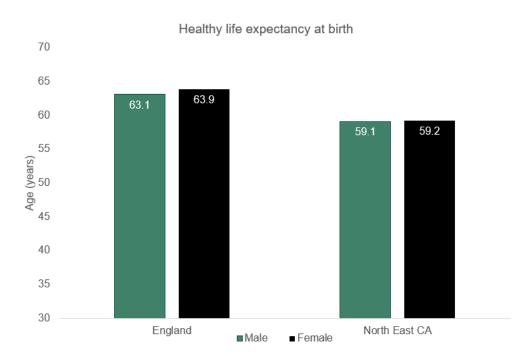


Figure 9: Healthy life expectancy at birth for males and females in England and the North East area

Disability

- 2.1.47. 21.3% of people living in the North East are disabled⁵⁰. Disabled adults take an average of 28% fewer journeys per year than non-disabled adults⁵¹. For further breakdown please see DfT's annual Disability and Accessibility Statistical Release.
- 2.1.48. We know that the proportion of the population who are disabled increases with age, therefore we must consider that as the population of the North East ages faster than other regions, the proportion of people living with a disability in our region may also increase at a faster rate.

Transport-related social exclusion

- 2.1.49. Transport related social exclusion (TRSE) occurs when people are unable to access key services, opportunities, and community life when they need to ⁵², and face significant knock-on consequences from travelling. Areas with a high risk of TRSE are concentrated in:
 - manufacturing and mining legacy areas;
 - rural-urban fringes;
 - smaller cities and towns; and
 - coastal communities; all areas that exist in the North East region.

⁵⁰ Office for National Statistics, 2023

⁵¹ Department for Transport, 2021

⁵² Transport for the North, 2022



2.1.50. 31.5% of residents in the North East (622,000 residents) are at risk of transport related social exclusion, compared to 21% of northern England, and 18% of England⁵³. The map below shows how the risk of TRSE varies across the North East. Each area is compared to the average for the region.

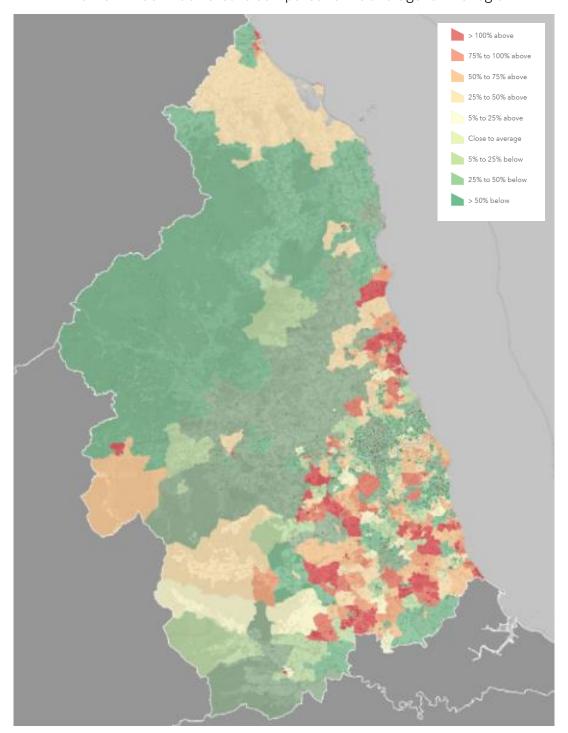


Figure 10: Transport-related social exclusion - North East (2022), Transport for the North

⁵³ Transport for the North, 2022



Physical inactivity and childhood obesity

2.1.51. 1 in 4 adults (25.1%) in the North East are physically inactive (undertaking less than 30 minutes of physical activity per week)⁵⁴. Furthermore, levels of overweight and obesity in Reception and Year 6 aged children in the region are higher than the England average, and some of the highest in the country⁵⁵.

Role of Buses - Our Health

People who travel by bus are more likely to have increased physical activity levels which are important for good health and wellbeing. For example, evidence suggests that travelling by bus leads to an extra 0.5 days of walking per month with an average of 1.5km walked per day, representing a substantial public health benefit⁵⁶.

Despite buses not having a direct role in increasing life expectancy, both increased physical activity and improved air quality bring health benefits, contributing to longer, healthier lives.

Bus services help to mitigate transport related social exclusion (TRSE)⁵⁷ by providing access to services, education, employment, and social opportunities to people for whom travelling by car is not an option. For the same reason, bus services are an important tool in helping to lift individuals and communities out of deprivation and reduce inequalities by providing them the opportunity to travel to employment and education venues in an affordable and reliable way.

Buses provide disabled residents of the North East more mobility than would otherwise be possible, particularly considering that many are eligible for free bus travel through the English National Concessionary Travel Scheme (ENCTS). This allows greater freedom to access services and activities than would be possible if the only option available to them was travelling by car.

⁵⁴ Office for Health Improvement & Disparities, 2024

⁵⁵ Office for Health Improvement and Disparities, 2023

⁵⁶ Department for Transport, 2016

⁵⁷ Transport for the North, 2022



2.2. Key facts and information regarding current funding of buses and the assumption of future challenges.

2.2.1. Since bus deregulation in the 1980s, the majority of bus services in the North East have been operated on a commercial basis by bus companies. Income is generated from passenger ticket sales and various public funding streams.

2.2.2. Public sector funding for bus services includes:

Public funding	Definition
Secured services	Bus services that are contracted and funded by a local authority or Nexus. These are services which would not be operated commercially (either entirely or not to the required standard or specification) and include some evening or Sunday services, works or college routes or other essential services which have insufficient demand for commercial provision.
Bus Service Operator Grant (BSOG)	A grant paid by central government to operators of eligible bus services, community transport organisations and LTAs to help offset some of their fuel costs.
Bus Service Operator Grant Plus (BSOG+)	BSOG+ provided by central government separately and in addition to BSOG, providing enhanced payment rates for fuel costs. It is currently due to expire on 31 March 2025.
Concessionary Travel Schemes	The English National Concessionary Travel Scheme (ENCTS) provides mandatory free travel for people over state pension age and people with an eligible disability on all eligible local bus services anywhere in England from 0930 until 2300 on weekdays, and all day at weekends and on Bank Holidays. This is administered locally by local authorities/Nexus according to a reimbursement calculator guided by a principle that bus operators should be 'no better or worse off' due to the scheme. Funding is also provided for some discretionary concession schemes within our region. For example, eligible residents can apply for an Under 16 Pop Card which



entitles the holder to discounted multi-modal
travel throughout the Tyne and Wear area.
There are also concessions within the region
for disabled people in work and training, and
for those unable to make journeys without a
companion.

Table 2: Public sector funding for bus services

- 2.2.3. We estimate that approximately 43% of bus operator income during 2022/23 is directly attributable to public sector funding streams. This funding includes secured service payments (14% of total), concessionary travel reimbursement (17% of total), some coronavirus recovery support (5% of total), ⁵⁸ as well as BSOG and reimbursement for the £2 fare cap. This figure is consistent with pre-pandemic levels public sector support in the North East was 40% in 2018/19⁵⁹ as well as similar analysis conducted in other regions⁶⁰.
- 2.2.4. The financial standing of bus services has undergone significant changes during the pandemic and in the period after, with dramatic falls in commercial revenue and above inflation cost increases. Public sector funding has been increased in this period both through temporary relief funding to protect vital bus services and due to increased investment through the nationally funded £2 fare and Bus Service Improvement Plan (BSIP) initiatives.
- 2.2.5. This is reflected by a decline in profits for bus operators: in 2018/2019 our region's three largest bus operators collectively reported profits of a 8% margin (£22 million) compared to 1% in 2021/22 (£2.2 million) and -3% in 2022/23 (loss of £3.8 million)⁶¹. Table 13 presents this data at an individual operator level.
- 2.2.6. Despite an increase in public subsidy, bus patronage and therefore farebox revenue has struggled to recover to 2019 levels. National projections also indicate that although there is substantial uncertainty, public transport use may fail to recover in the medium to long term⁶².
- 2.2.7. There is against an ongoing backdrop of long-term declining bus patronage and shrinking mileage. Local authorities have faced considerable financial pressure to secure services which have mitigated but not prevented significant decreases to the network. Authorities are likely to face future

⁵⁸ Calculations for this figure can be found in Appendix A.

⁵⁹ Calculations for this figure can be found in Appendix A.

⁶⁰ Transport for West Midlands, 2024

⁶¹ Calculated from publicly available accounts of Arriva Durham, Arriva Northumbria, Go North East and Stagecoach Busways

⁶² National Infrastructure commission, 2021



pressures between allowing the network to shrink or accommodating further increased pressure on secured services budgets.



2.3. Key Definitions

Table 3 provides some of the key definitions associated with bus reform.

Model	Definition	Example
Deregulation	In a deregulated system bus operators compete for passengers.	All UK bus markets outside of London, parts
	They are also responsible for setting commercial bus routes,	of Greater Manchester, and Northern
	timetables, fares and overall standards. Bus operators are	Ireland.
	largely free to operate services where they deem it will be	
	commercially viable for them to do so. The only requirement is	
	that bus operators must obtain an operators licence and then	
	formally register their routes/timetables with a regulatory body –	
	the Traffic Commissioners (TC).	
Enhanced	EPs are delivered in the existing deregulated (competition in the	North East, Tees Valley and other English
Partnership	market) model. Bus operators and one or more authorities make	regions outside of London and Greater
	a legally binding agreement. Each partner makes commitments to improve bus services.	Manchester.
	Bus operators in West Yorkshire proposed an 'EP+' as an explicit alternative to franchising, framing it as pushing the boundaries of what is possible within an EP. The EP+ term (also known as an EP Max) does not alter the legal framework. It would have been pursued through the same legal processes as other EPs.	
Public	Notwithstanding the current prohibition on the establishment of	Blackpool, Cardiff, Edinburgh, Ipswich,
ownership	new municipal operators, public ownership of bus operators	Newport, Northern Ireland, Nottingham,
(under	could theoretically happen within a deregulated or a franchised	Reading, Warrington.
deregulation or	system. This could be through 'in house' or arm's length	
regulation)	operation.	



Franchising Franchising regulates the bus market and removes 'on road' Parts of Greater Manchester, competition (changing to competition for the market, as and the London contracting model. opposed to competition in the market). Franchising gives an authority the ability to specify bus routes, timetables, fares and overall standards. Bus operators are contracted to run bus services following competitive tendering processes. Only contracted routes, routes exempt from the scheme, or routes granted service permits by the franchising authority can operate within the specified franchise area. Various different franchising models exist – revenue risk tends to sit with the franchising authority where that authority fully controls routes and ticketing but some franchising models keep revenue risk with commercial operators.

Table 3: Bus reform key definitions



Key insights from this section:

- Buses provide one of the most affordable and effective means to address challenges currently faced by the region. A high-quality bus service provides the opportunity for more equitable growth by benefiting those on lower incomes and providing all residents with environmental and efficient travel options.
- This role is vital in the North East due to the scale of challenges in our region which include an underperforming economy, widening inequalities and poor health outcomes.
- Improving of bus services is therefore a top priority for the region. Despite this, funding challenges mean that the long-term sustainability of the current network is under pressure.



3. Current Situation

This section will...

- Provide a description of the current delivery model and set out who has responsibility for what.
- Describe what the current situation is delivering for passengers.
- Explore the performance of the current situation against regional objectives and stakeholder and public engagement.
- Highlight key operational factors of the EP and current network.

3.1. Explain what the current delivery model is and the engagement of the region in the Enhanced Partnership (EP).

- 3.1.1. Bus services across Great Britain outside of London were 'deregulated' by the Transport Act 1985. Most of the municipal bus companies that were previously responsible for providing bus services were privatised, though some municipal operators remain in other parts of the country. Operators were intended to compete with each other for passengers under the deregulated model passengers would then choose the service that offered the best mix of quality and affordability for any given journey.
- 3.1.2. Bus companies following deregulation assumed financial, commercial and legal responsibility for independently setting their own routes, fares, timetables, and service standards as well as producing their own marketing and publicity. Local authorities continued to provide bus waiting facilities, passenger information such as timetables at bus stops and the road networks (including bus lanes and other bus priority infrastructure) that buses operate on.
- 3.1.3. Deregulation enabled more companies to operate local bus services and reduced many barriers to entering the market theoretically allowing new companies to be set up to operate services or existing operators to expand into the region. Prospective operators currently need to acquire a Public Service Vehicle (PSV) license and comply with minimum notification periods for new, varied or cancelled services.
- 3.1.4. The Traffic Commissioner (TC) oversees the network at large with set standards for safety, accessibility and performance⁶³. In practice, however, TCs only have limited resources available to monitor and enforce performance. The TC is assisted in enforcement by the Driver and Vehicle Standards Agency (DVSA), which is responsible for bus drivers' theory and

⁶³ Office of the Traffic Commissioner, 2018



- practical driving tests, monitoring vehicle safety standards and the PSV Accessibility Regulations⁶⁴.
- 3.1.5. Despite initial on-street competition between bus services, predominantly in urban areas, the deregulated market has evolved to a position where many parts of the North East are served by a single large operator competition is generally limited to key corridors into and out of urban areas. Our three large operators Go North East, Stagecoach, and Arriva now have a market share of around 85%⁶⁵ (measured by bus fleet)⁶⁶.
- 3.1.6. Deregulation is now a well-established delivery model in Great Britain (outside of London), but we are an international outlier among developed economies in having fully deregulated local bus networks⁶⁷. Franchising (sometimes known locally as contracting or tendering)⁶⁸ and municipal ownership are the two most well-established practices in Europe, though there is substantial country-by-country and region-by-region variation in the specific operational detail.⁶⁹
- 3.1.7. Secured services are contracted by local authorities (in Durham and Northumberland) or Nexus (in Tyne and Wear) to provide bus services that are not provided by operators on a commercial basis. These can include unprofitable evening or weekend services on existing commercial routes as well as routes that would be wholly unprofitable for a commercial operator. Local authorities and Nexus tender these services to operators.
- 3.1.8. Secured services account for approximately 14% of the total bus mileage in our region⁷⁰.
- 3.1.9. Local authorities also have a role in the successful operation of bus services in their areas through their roles as Highways Authorities. This includes maintenance of the general road network, limiting and communicating disruptions, and introducing interventions such as bus lanes or bus gates to prioritise buses. Local authorities are also responsible for parking prices in local authority-owned car parks.

⁶⁴ Driver & Vehicle Standards Agency, 2023

⁶⁵ Operator supplied data

⁶⁶ Market share is most commonly measured by patronage or turnover, but this data has not been available to The Bus Reform Project. We use bus fleet as a proxy measure.

⁶⁷ Rye, Hrelja, Monios & McTigue, 2021

⁶⁸ Some areas use contracting or tendering to refer to substantively similar systems to franchising, but these terms can also describe separate practices that occur in a deregulated market in the UK – such as secured services. This paragraph refers to alternate local names for franchised networks.

⁶⁹ European Commission, 2008

⁷⁰ Department for Transport, 2023



- 3.1.10. As detailed in section 2, the public sector also has other significant roles in the current delivery model. This includes funding concessionary travel and determining the criteria, school services, passenger information, some direct operation of bus services (such as Link2 in Durham), capital investment in stops and shelters, grants towards operators' fuel costs, subsidising the purchase of ZEBs and associated infrastructure as well as funding various promotional ticketing schemes, such as the £2 fare cap. These roles are split between local and central government.
- 3.1.11. The Bus Services Act 2017⁷¹ offered further public sector involvement in the bus network in England by offering local and combined authorities a toolkit for bus reform, including introducing EPs. The National Bus Strategy specified that areas should enter into an EP to access DfT funding, unless already in the franchising process. An EP is a statutory partnership between one or more Local Transport Authorities (LTAs) and local bus operators that sets out how they will work together to deliver improvements set out in a Bus Service Improvement Plan (BSIP) in the defined geographical area(s) set out in the EP.
- 3.1.12. The North East's local authorities made an EP Plan and EP Scheme⁷² in March 2023 following negotiation and consultation with bus operators. Most local bus services⁷³ are required to comply with the standards in the EP Scheme. Facilities and measures which are provided by local authorities and bus operators are also included within the EP Scheme.
- 3.1.13. The EP Plan and EP Scheme provide a regulatory framework within which the public sector and operators procure and provide bus services and related activities, and therefore while functions such as securing necessary bus services are exercised by relevant authorities as they were before the creation of the EP, and a range of powers and functions beyond those directly relating to the EP, the overall model is described as an EP, as it is the EP Scheme which provides an additional regulatory layer to enforce provision of certain service standards by operators. The context of this delivery model is explored in detail within this section including setting out the different roles for local authorities and bus operators.
- 3.1.14. EPs present local authorities with an opportunity to achieve desired outcomes quickly but rely on the willingness of authorities and bus operators to take concrete action to improve local bus services.

⁷¹ The National Bus Strategy (NBS) 2021 required an EP to be made between bus operators and local authorities (unless an authority was pursuing bus franchising). Funding was also provided for Bus Service Improvement Plans.

⁷² **EP Plan** - a clear vision of the improvements to bus services that the EP is aiming to deliver, mirroring a BSIP. **EP Scheme** – one or more statutory documents produced alongside or following the EP that sets out how the EP Plan will be delivered, including specific commitments by the authority and bus operators.

⁷³ Services which are exempt from the EP include private hire and secured services.



- 3.1.15. EPs are designed by local authorities in partnership with the local bus operators. To proceed with an EP, it is first necessary to secure support for the plans from the majority of bus operators with mechanisms in place for bus operators to halt the process if there is not sufficient consensus about ability to meet the requirements proposed. Commitments within an EP are therefore introduced through negotiation with operators and are often contingent on operator cooperation. Commitments from the relevant local transport authorities such as funding or infrastructure improvements are also important in shaping an EP.
- 3.1.16. Once a facility or measure has successfully been introduced to an EP scheme, compliance is a condition of service registration for bus operators. If bus operators fail to comply with the requirements imposed on them under the EP Scheme, the Traffic Commissioner (TC) can take enforcement action, including the cancellation of local bus service registrations. Relevant authorities are also obliged to introduce the facilities⁷⁴ and measures⁷⁵ in accordance with the EP Scheme.
- 3.1.17. The North East EP has established new governance arrangements, including the North East Partnership Board and local bus boards. The Partnership Board is comprised of bus operators, Nexus, Local Authorities, North East CA and representatives of bus passengers, such as Bus Users UK and Transport Focus. Local bus boards in each local authority area are a forum for discussion between elected members, officers, bus operators, and other stakeholders on the local network and any proposed changes to services.
- 3.1.18. The Partnership Board is the forum overseeing delivery of performance against the BSIP Key Performance Indicators (KPIs), which focus on boosting bus patronage, modal share, performance and customer satisfaction.
- 3.1.19. The BSIP was created through joint working and was informed by public and stakeholder engagement. The government awarded the region £163.5 million of funding with which to deliver the BSIP through the EP. With this funding many interventions have been delivered or are planned, including cheaper and simpler fares, bus priority infrastructure and service investments.
- 3.1.20. Our BSIP sought £804 million in government funding to deliver our full ambition for the region. Though the £163.5 million awarded is substantial and allows us to deliver many improvements, it is not sufficient to fully realise the

⁷⁴ Facilities include assets that are provided at specific locations along particular routes (or parts of routes) within the Combined Authority area or new and improved bus priority measures with are made within the Combined Authority area.

⁷⁵ Measures include improvements which have the aim of increasing the use of Local Services serving the routes to which the measures relate or ending or reducing a decline in their use; or improving the quality of Local Services.



BSIP aspirations and is not guaranteed in the long term. Many BSIP improvements may have to be reviewed if a longer-term funding source is not found.

- 3.1.21. EPs can enable greater partnership working between the authorities and bus operators, but it does not remove competition; EPs operate within, and do not replace, the wider deregulated model.
- 3.1.22. Local authorities cannot require operators to provide any commercial bus routes or make changes to timetables, however large or small these changes may be. Equally a bus operator may make a change to a route including cancelling it altogether without the local authority having any ability to prevent that change from happening (although prior notice and consultation is required, with our EP agreeing to go beyond the national norm on this). This frequently occurs where a route, or part of a route or timetable, ceases to be commercially viable. Declining patronage means that more and more routes are not commercially viable with increases in secured services in recent years. These cuts would have been more substantial without public funding such as BSIP funding.
- 3.1.23. Bus operators are bound by competition law which limits anti-competitive practices and, though some exemptions exist, limit cooperation on ticketing and networks⁷⁶. As a result, deregulation in the North East led to a fragmented public transport system with bus operators duplicating some routes to compete for passengers, but mainly offering tickets valid only on their own services. Legal instruments, such as Capped Fares Schemes and Qualifying Agreements, have been introduced to improve integration in the network. These have been strengthened as part of the BSIP. Many proponents for bus reform see addressing fragmentation and further improving integration as a key rationale for change.
- 3.1.24. Despite public investment in bus services, the provision of secured services and bus infrastructure by public authorities, and cooperation through the EP, bus operators continue to hold most short-term financial risk in our region's bus network. Operators own or lease depots and vehicles as well as employing staff such as bus drivers, engineers and supervisors. Public authorities are insulated from immediate losses but hold longer-term risk due to their role providing and funding secured services replacing unprofitable commercial services if and when these are withdrawn by private operators.

⁷⁶ In Tyne and Wear there has been a long-standing Multi-modal Ticketing Scheme delivered through Network Ticketing Ltd trading as "Network One".



3.2. What is the current bus service and the Enhanced Partnership delivering for the customer?

- 3.2.1. As described in sections 2.2 and 3.1, responsibilities and funding for the North East bus service is split between private bus operators and public authorities (local authorities, Nexus, North East CA and central government). Table 4 describes what bus services look like for customers and highlights the body that provides the provision.
- 3.2.2. Specific achievements of the EP (facilities and measures which have been introduced since the making of the EP, often using BSIP funding) are also highlighted, as well as future plans of the partnership. It should be noted that while our current EP is well funded, there is no long-term funding source and improvements may not be guaranteed in the long term.

Detween different transport types	Rail	The Tyne and Wear Metro system was introduced prior to bus deregulation in the early 1980s. The system was designed to be fully integrated with the bus network, with interchange facilities provided at strategic locations (including Central Station, Chichester, Four Lane Ends, Gateshead, Haymarket, Heworth, Jarrow, Monument, Northumberland Park, Park Lane, Regent Centre, South Shields and Wallsend) facilitating connections between bus, Metro and local rail.
		Deregulation ended the fully integrated system and buses now compete with Metro services for passengers on similar routes, such as the 27 service from Newcastle to South Shields which largely replicates the Metro route from Newcastle to Pelaw - involving significant overlap. At the same time, local suburban bus routes do not commonly flow into Metro interchanges, reducing the convenience of multi-modal travel into town and city centres. Modal competition rather than collaboration means there is also limited ability to join-up bus and heavy rail services – affecting the Northumberland line and a potential reopening of the Leamside line. BSIP funding has been used to deliver cheaper multi-modal ticketing products. For example, a one -day travel card providing unlimited travel on all buses throughout the region and the Tyne and Wear Metro is



		currently priced at £6.80. This makes travel which involves services provided by multiple operators/modes more cost effective than was previously the case. Multi-modal multi-operator BSIP-funded tickets also include some integration with local heavy rail. Integration is currently limited to Northern services between Sunderland and Blaydon as well as the
		Northumberland line once it reopens. Other common journeys are not integrated, such as East Coast mainline services between Durham, Newcastle, Morpeth and Berwick and Northern services between Hexham and Newcastle.
Pa	Walking and wheeling	The EP commits to developing a strategic plan which will identify 'hub' shelters that can serve as a community focus for interchange opportunities, between bus routes, with walking and cycling.
Page 124		One of the region's bus operators, GNE, now provide bike racks on some of its longer distance and express route services (X10, X30/X31, X45, X71 & X72 – linking Newcastle to Middlesbrough, Stanley and Consett) permitting up to two bikes to be carried securely on board.
**	Bus	Many passengers use multiple bus routes, often operated by different operators. BSIP funding has been used to provided multi- operator ticketing which reduces 'interchange penalty' when travelling with multiple bus operators. Integration between bus operators will be discussed further in this section with regards to timetabling, marketing, branding, and information.
	Car	A successful Park and Ride (P&R) service is provided for Durham City with services contracted by Durham County Council. There are three sites (Belmont, Howlands and Sniperley) located at key intersections on the arterial roads around the city. Buses operate up to every 15 minutes Monday – Saturday between 7am – 7pm. From April 2024, the sites at Belmont and Sniperley have also been served on a Sunday, following the removal of free city centre parking on Sundays. Fares are charged on buses (parking is free) per passenger with concessions for children and the elderly.
		Bus based P&R throughout the rest of the region is limited with significant room for improvement; Metro P&R is more common in Tyne and Wear. There is a dedicated P&R site provided within Great Park on the



		outskirts of Newcastle, but demand is very low. There are also car parks provided at some of the main Bus/Metro interchange hubs which primarily serve Metro based P&R. A temporary P&R route has also been established between the Metrocentre and Newcastle/Gateshead to relieve congestion during the Tyne Bridge works, but this is time limited.
Planning journeys/informing users/supporting customers	Journey planning	The big three commercial operators each have a website and app which provides journey planning information, including timetables for their respective services. Nexus, Durham County Council (DCC) and Northumberland County Council (NCC) also provide web-based journey planning information - in some cases signposting to the commercial operator pages.
ם כד		There are plans within the EP to introduce a dedicated website and accompanying app to provide network wide ticketing, integrated journey planning information and real time information.
Page 125		Nexus provides on-street timetable information at all bus stops throughout Tyne and Wear (and key bus stops throughout Northumberland). DCC also provide on-street timetable information.
25		Real-time information is provided by each of the big three operators via their respective apps. This is complemented by real-time on-street signs at a small number of bus stops and major transport hubs, mostly provided by local authorities/Nexus. The quality of RTI provided on these existing screens is due to be enhanced as part of a new commitment in Intelligent Transport Systems, with funding provided by central government through the Transforming Cities Fund and BSIP. However, current real-time information provision was criticised in Parliament by local MPs for being unreliable and uncoordinated across operators – with issues around 'disappearing buses' and poor integration with popular tools such as Google Maps ⁷⁷ .
	Disruption information	Current disruption information is poor and often non-existent or hard to access. This can apply to planned as well as unplanned disruption. Social media is used to communicate updates to varying degrees by the big three operators, but often this can struggle to reach customers as social media is not typically used for journey planning and algorithms do not necessarily promote the most recent content posted.

⁷⁷ HC Deb, 2024



	Branding	Buses are currently painted in a complex array of different colours. The big three and the small independent operators each have their own corporate identity. Route based branding is also heavily used by Go North East (GNE) on their core routes. Nexus has their modal "B" branding for Buses which is applied to all infrastructure and on-street information throughout Tyne and Wear, with similar branding used for timetables displayed in Northumberland. DCC branding is applied to all of their infrastructure, on-street information and a small in-house fleet of directly operated buses. Network One branding is applied to multi-operator tickets and the recent BSIP funded multi-operator tickets have previously been promoted under the Transport North East banner.
Page 126	Marketing	Each operator currently promotes their own services and fares. There has been some integrated promotion for Network One and BSIP ticketing. There is no cohesive whole network marketing effort, although introducing this has been considered by the partnership. The EP has also committed to work together to raise awareness of ENCTS eligibility.
) 126	Customer Charter	The big three operators each have their own customer charter with broad alignment on common themes, but different specifics and complaints teams when customers feel the charter has not been upheld. The EP has introduced a network wide customer charter with additional measures, such as a 'wheelchair guarantee' which provides a taxi for wheelchair uses where they cannot be accommodated on a bus service (providing waiting for the next bus would not be quicker than waiting for a taxi). The EP charter is supplementary to the individual operator's charters.
Fares and Ticketing	Children & young people	All operators provide under 5's free tickets with a fare paying adult on a commercial basis. Bus operators also each offer their own commercial child fares, but different age thresholds or barriers to purchase can confuse passengers. Young people aged 5 - 15 pay £0.60 single/£1.10 day-ticket with valid POP card within Tyne and Wear under a discretionary concession scheme operated and funded by Nexus. As part of the EP, BSIP funding is currently being used to offer a £1 single/£3 multi-modal day-ticket for those aged 21 and under. There is no long term BSIP funding guarantee meaning these products may have to be removed or the price increased to commercial levels in the future.

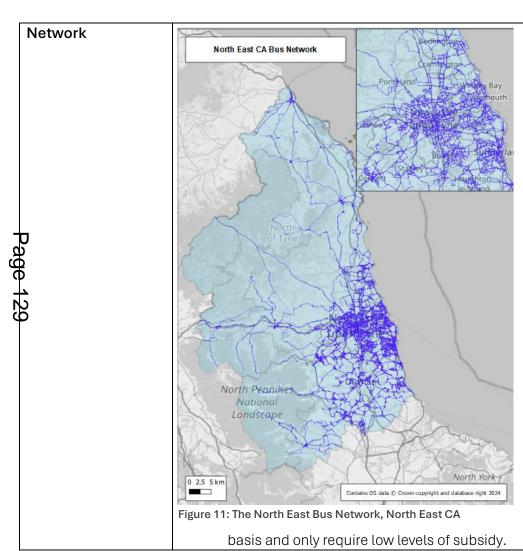


		A 'Kids go Free' offer, where kids under 11 travel free with a fare paying adult has been introduced by the Metro and some bus operators during school holidays. Negotiations on including this in the EP were unsuccessful – the scheme is thought to be revenue neutral by many partners, but one operator was unwilling to proceed due to concerns of a commercial loss. The reduced BSIP fares for young people now reduce the need for such a scheme. The EP has also introduced free travel for young people (18-25) who have left local authority care. This is funded through BSIP funding.
Page 127	Adult fare paying	Bus operators are legally required to set prices for their own fares/tickets independent of other operators, (except in specific circumstances such as a multi-operator ticketing or fare capping scheme). This can mean that different fares apply for the same journey when multiple operators serve the same route. All bus operators in the region are currently participating within the national £2 fare cap scheme. This intervention is designed to assist with the cost-of-living crisis and has significantly reduced the cost of some bus trips within our region, however, it does require substantial funding from central government. This scheme is currently funded until December 2024 and the future of this initiative beyond that is uncertain. Network One offer a range of 1-day/weekly/monthly/annual travel tickets which can be purchased for a selected number of zones or the full T&W area. These tickets cover all operators and modes but have a price premium when compared to commercial operator own-brand products. As part of the EP, BSIP funding has been used to introduce adult multi-modal, multi- operator capped one-day tickets: Durham (£4), Northumberland (£5), Tyne and Wear (£6), or NE region (£6.80). This intervention has significantly reduced the cost of interchange throughout the region. There are, however, currently no regionwide multi-modal period tickets available for regular travellers. Bus operators have committed to co-operate with the authority to develop reimbursement schemes for these products through the EP.



		Both the £2 fare cap and BSIP fares do not have guaranteed funding source in the long-term meaning they may be removed or the price increased to commercial levels.
		Bus operators have committed that customers can use a single common Pay-As-You-Go multi modal, multi operator smart card when paying for any journey by bus. This will automatically cap a day's travel, greatly improving and simplifying the customer experience.
Pac	Concessionary travel	Concessionary travel passes under ENCTS are available to residents aged over the state pension age (currently 66) and some disabled people (with the criteria set in national legislation). Reimbursement is provided to bus operators using a calculation set by central government according to a 'no better no worse' principle.
Page 128		It is possible to enhance these concessions beyond the national minimum standard set in legislation. For example, Nexus offers Tyne & Wear passholders free travel to hospital appointments before 9:30am, free travel before 9:30am for eligible disabled people in some work and training, companion travel for some disabled passholders, and reduced-price travel for resident children under 16. Jobcentres also have access to pre-loaded Popcards to enable people to attend interviews or the first weeks of work.
		Concessionary Travel Passes allow holders to travel on buses throughout the region for free between 09:30 and 23:00 on weekdays and all-day on weekends and public holidays. Nexus and our local authorities have added local enhancements which apply in different parts of the region – these include half-price travel on some local rail services for DCC residents, NCC residents being able to travel from 09:00 rather than 09:30.
		Our EP includes a commitment to a study that will "examine the costs and benefits of standardisation of the local additions to the ENCTS throughout the region", possibly allowing a region-wide concessionary travel offer in the future as recommended in an independent evaluation of Nexus' existing supported travel products.





Service levels for commercial services in the North East are chiefly dictated by demand. Secured services 'fill in the gaps' where there is not sufficient demand to attract a commercial service. This results in variable levels of provision throughout our region.

As can be seen in Figure 11, urban areas generally enjoy very high levels of demand, and therefore provision. As an extreme example there are many options for frequent services in areas such as Low Fell or the West End of Newcastle. In stark contrast, the village of Otterburn in rural north west Northumberland, where demand is low, is linked to Newcastle city centre by just three trips per day. These frequencies will largely reflect commercial demand and no delivery model would equalise services between these areas (and nor would that necessarily be desirable), but such wide differences in provision results from the current delivery model.

Our bus network is configured with three tiers of service provision:

- Core routes operate at high frequency (up to every 10 minutes Monday to Saturday daytime) along radial routes serving our urban city centres of Newcastle, Sunderland, and Durham. These routes operate between outer urban areas into city and town centres and require intensive levels of resource but cater for high levels of demand. They are generally profitable for the operators providing them.
- Secondary routes operate with a good frequency (typically every 12-, 15-, 20- or 30-minutes during Monday to Saturday daytime hours) through suburban parts of our region. While these routes are generally not as profitable as the core network, they typically are provided on a commercial



• The final tier is known as the tertiary network. These routes operate at low frequency (typically every 60 minutes or less Monday to Saturday daytime) complementing the core and secondary routes by filling in gaps in the network. While serving an important purpose, demand for these routes is generally lower and some of them require financial assistance. There are also a small number of night buses operating within Tyne and Wear and County Durham. County Durham is the only part of the region with a Demand Responsive Transport (DRT) service (branded as Link2), providing service to areas without an accessible bus service.

Each operator plans their own routes/network. As plans are developed in isolation from one another there can be some duplication on certain corridors. In areas with high demand, duplication may be planned as operators compete for market share. Head-to-head on-street competition in the region is largely limited to a small number of key corridors, particularly on roads into and out of town and city centres, many areas within the North East are served by one dominant operator (e.g. GNE in Gateshead, Arriva in Ashington and Stagecoach in inner-west Newcastle).

Authorities plan and fund socially necessary services to fill gaps in the network where demand is sufficient to warrant bus services, but too low to sustain commercial operation. Socially necessary services are operated under contract to authorities by the three large operators and also a number of smaller independent operators - most of whom exclusively operate tendered services. It is estimated that 14% of the current network by mileage is secured by Nexus and the Local Authorities.

Public funding is typically allocated to provide provision in rural, coastal or suburban areas or to extend provision in urban areas later into the evening and weekend. Authorities have limited scope to provide subsidies on a 'de minimis' basis, such as supporting evening services – this is often the easiest way to support services, but is limited to 25% of total costs. Other intervention by the Authorities can often be reactive rather than strategic following service cuts by operators. In some parts of our region, there is limited competition for contracted services. This can lead to higher prices, potentially limiting the value for money of investments in secured services.

There are particular challenges around evening and weekend services under the current model. It is not uncommon for commercial services to operate at an hourly (or less frequent) service from around 7pm, significantly reducing the convenience and attractiveness of buses for those who are working late or rely on buses.



Improvements to buses that respond to changes in land use or travel patterns are subject to operators' appetite to take commercial risk. Public or external private sector funding has been used to enable changed services where operators are not prepared to take the commercial risk – with the Q3 service linking Great Park to Newcastle City Centre subsided by developer contributions and Nexus funding a number of routes to Cobalt Business Park. BSIP funding is also being used to support and enhanced the network, with new services or improved frequencies where there is demand (such as the night services recently introduced to Newcastle Airport). Most of this funding is however focused on maintaining the existing network, however, as challenges such as declining patronage and a shortage of bus services make it difficult to sustain new services. Where multiple operators run services along the same corridor, it is possible for authorities broker a Qualifying Agreement. This is where two or more bus operators co-ordinate times which is then certified by authorities as passing a legal test (the restrictions imposed are in the interests of persons using local services). For example, an agreement was brokered between Arriva North East and GNE in February 2023, so that their Coast Road services in Newcastle/North Tyneside are now fully co-ordinated. Mutual ticket acceptance has also been put in place so that returning customers can board the first bus to arrive. The EP requires bus operators to provide advance notice of planned service changes (over and above the statutory minimum (28 days) notification period) as part of an agreed Code of Conduct, intended to allow greater collaboration on network changes and improve communication to customers. The EP governance process then describes how these changes should be discussed/consulted with LAs, however, there is no right of veto over the planned changes to commercial services. Service changes are linked to small number of Fixed Change Dates which are generally adhered, although there are clauses which permit changes to take place outside of agreed dates for certain situations.

Reach and

Fleet and Zero Emission Vehicles (ZEVs)

Most buses used on the commercial network are purchased by the private bus operators. The higher total cost of ownership for ZEBs means that private operators currently favour the purchase of Euro VI conventional diesel buses when funding them independently. Bus operators have been willing to invest in ZEBs when public subsidy/grants have been available to bridge the funding gap, with £7.4 million recently secured through Zero Emission Bus Regional Areas (ZEBRA) 2 government funding for 43 new ZEBs that will



		enter service by 2025. Around 10% of our fleet will be ZEBs in the near future, with 113 total ZEBs planned or currently operational in the region. Some of the big groups in our region (Go Ahead and Stagecoach) have made national commitments to have a fully zero-emission fleet by 2035. It is currently not clear what level of public funding will be required to support these goals. While it is possible for authorities to mandate the use of ZEBs on their tendered services, to date there are no examples of this within the region. However, it is difficult for authorities to justify the higher cost of ZEB
Page 132	Bus Priority Infrastructure	deployment on their tendered services when resource is limited and already stretched as a result declining levels of commercial provision. Public funding has been used to introduce extensive bus priority infrastructure throughout the region, largely in our cities, large towns, and key roads. These are effective at speeding up buses and insulating them from the impacts of congestion. BSIP funding has been allocated £50 million to deliver extensive bus priority infrastructure, which promises to be game changing. Bus operators have committed to reinvest resource saved from EP highway interventions - with reinvestment priorities directed by the partnership. This reporting of savings has not yet been tested.
	Bus stops, stations and interchanges	There are approximately 13,000 bus stops throughout the region. Bus shelters, funded and maintained by the respective local authority or parish council are typically provided at busier stops as well as those where passengers may be impacted by poor weather. In some parts of the region bus shelters are provided and maintained by third party advertising companies, such as Clear Channel UK in Newcastle. Real-time passenger information is available at just under 500 stops across the North East (including Tees Valley), though this includes screens in interchanges and many of these displays are replicating scheduled timetables. Funding is available to improve the data quality, though this will not increase the number. Our current EP commits to use BSIP funds to replace 1,350 shelters with modern facilities which will include lighting, CCTV and high-quality pedestrian access to increase safety and 240 shelters and stops with high demand will be upgraded to a higher specification.



		Bus stations are provided within our cities and towns. These facilities are often owned and managed by the
		respective local authority (or Nexus for station facilities within Tyne and Wear). A small number of bus
		stations are privately owned and managed, for example at Washington Galleries and Metrocentre.
		Interchanges with enhanced passenger waiting facilities are provided throughout the region to provide
		improved connectivity between bus and Metro/Rail.
Service Quality	Punctuality,	Bus operators are commercially motivated to improve bus speeds as this reduces cost and improves
	reliability, speeds	revenue by making services more attractive. All bus services are also currently registered with the Traffic
		Commissioner (TC). The TC has set a target for 95% of buses to depart on-time (defined as up to one
		minute early or up to five minutes late). Fines can be imposed on operators failing to meet this standard
		with the scale of fine graduated depending on severity of non-compliance. For frequent services (a service
		frequency of 10 minutes or less) the target is that six or more buses will depart within any 60 minutes and
Page		that the interval between trips should not exceed 15 minutes (with a 95% compliance threshold). A
$\ddot{\Phi}$		financial penalty (up to £550 per vehicle operated) can be imposed for non-compliance 'without a
Φ		reasonable excuse'. In reality, the Office of The Traffic Commissioner (OTC) has limited resources to
မှာ ယ		monitor compliance and therefore there is scope for local services to perform below the required
ယ်		standards without fines being imposed. The three large bus operators all have staff monitoring Automatic
		Vehicle Location (AVL) data who are then able to intervene and regulate late running services.
		There is also the publicly funded Urban Traffic Management Control centre (UTMC), which can control
		traffic signals at key junctions to adapt timings based on demand. Joint co-ordination with the bus
		operators is currently limited to major sporting and cultural events.
	Bus specification	On board investment is provided by bus operators with no contribution from public funds. All buses are
		wheel-chair accessible and many of those operating higher profile routes offer charge-points, Wi-Fi and
		audio-visual next-stop information. Bus operators independently source their ticket machines, meaning



that there is no common standard or specifications, affecting interoperability – our all-day multi-modal tickets mostly use QR codes, but some operators' machines cannot read and/or produce these codes.

Under the EP operators have committed that all newly manufactured buses will meet Euro VI engine emission standards (as a minimum) and these buses will also be fitted with audio-visual next-stop information. It was announced after the EP was made that audio-visual announcements will be a DfT requirement for new buses from October 2024, with almost all buses required to comply from October 2026.

Table 4: What the current bus service and the Enhanced Partnership is delivering for the customer

Current Situation Case Study: Planning the network for education

Serving schools along a bus route tends to be commercially unattractive due to the low fares gathered. However, enabling sustainable education travel is a high priority for the region and local authorities/Nexus invest each year to support this. As our network is not currently holistically planned, there are many missed opportunities in the region to tailor the network for education.

Example: The high school in the village of Prudhoe has a large catchment in the villages of Mickley and Stocksfield to the west. NCC currently provides a dedicated coach which enters the school grounds, however there is a commercial service (10) which runs through the villages but does not go up the hill to the school. A five-minute deviation to this route at relevant times would serve the school and reduce both car traffic and the need for a coach, reducing cost to the local authority and emissions.



Current Situation Case Study: Ticketing integration

The North East has a long-standing integrated ticketing offer through the Network One partnership between bus operators, covering travel on buses, the Tyne & Wear Metro and Northern rail services on the Blaydon to Sunderland line. New all-day multi-modal tickets covering travel in Northumberland, Tyne and Wear, County Durham or the region as a whole have been introduced using BSIP funding. They offer an easily accessible, affordable, and understandable way to travel and support modal integration. Significantly discounted versions are available for under 21s. Network One season tickets have not been reduced in price as a result of the new day-tickets, meaning these remain at a significant premium.

These tickets were a key achievement from lengthy EP negotiations and have seen significant uptake across the region, with the adult tickets bought 340,000 times and used on over 1,200,000 journeys (between launch in November 2023 and mid-April 2024), but they depend on continued BSIP funding to remain viable. These fares, and the benefits they bring, are time-limited and would lapse or need to be increased in price if funding ceased.

However, some issues remain with the current situation such as a lack of a daily/weekly automatic price cap, and technical challenges with ticket gates that limit their convenience. Pop cards will be upgraded in late 2024 to allow daily capping across bus, Metro and Ferry. Also, there is limited integration with heavy rail.



Current Situation Case Study: Children and young people's tickets

Some operators in the region do not offer commercial young people's fares, before the BSIP young person fare was introduced, many young people would be charged the full adult price for the journey. Fares could therefore be prohibitively expensive for young people, particularly on rural routes and those in deprived communities. Young people were effectively subject to a 'postcode lottery' on bus travel, based on the main operator(s) in their area.

Young people aged 21 and under now have access to significantly reduced fares through the £1 single and £3 all-day tickets agreed in our EP and funded with DfT BSIP funding. 10 million discounted singles have been sold between their introduction in May 2023 and the end of February 2024, with nearly one million journeys using the £3 all-day ticket.

Operators receive reimbursement for these tickets and, if funding expired, the discounted fare could be removed or made more expensive – making bus travel unaffordable for some young people again if the relevant operators did not introduce their own affordable tickets for children and young people.

Some operators also run a 'kids go free' promotion in the school holidays, but this is not universal. Negotiations with bus operators were unsuccessful when seeking to include this within our EP.



Current Situation Case Study: Investment in ZEBs

Go North East has committed to a 'net zero bus fleet' by 2035, investing £3.7m (partly supported by government funding) into 18 new ZEBs serving the Newcastle-Gateshead area.

These buses run on the 53 and 54 routes connecting Newcastle, central Gateshead, Bensham, and Saltwell Park as well as the Q3 route from Great Park to Wallsend via Newcastle City Centre. 18 buses were procured in total, which are currently the only ZEBs in the region (though more are expected to operate in the near future). GNE also invested in a new, all-electric, depot in Gateshead with capacity for up to 30 buses.

Passengers on these buses also benefit from air conditioning, phone charging facilities and next stop audio-visual displays, significantly enhancing the comfort and making these buses an attractive travel choice. GNE also funded upgrades to some bus stops along the route, including improved real-time information displays.



3.3. Is the current bus service and EP delivering our Regional Transport Objectives?

3.3.1. Figure 12 provides an overview of the transport policies in the region.

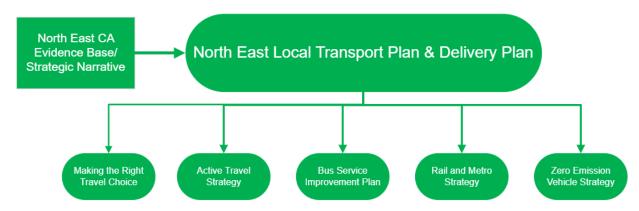


Figure 12: Overview of North East transport policies

- 3.3.2. The Local Transport Plan (LTP), adopted in March 2021, has the overarching vision of 'moving to a green, healthy, dynamic and thriving North East'. Its five objectives aim to create a carbon neutral North East, overcome inequality and grow our economy, create a healthier North East, provide appealing sustainable choices and a safe, secure transport network. The LTP is currently being refreshed with a renewed focus of integration.
- 3.3.3. 'Making the Right Travel Choice' (MTRTC) is the lead policy of the LTP and encourages residents to switch one journey a week to sustainable means, such as taking a bus journey or cycling instead of driving.
- 3.3.4. The region's first BSIP was published in October 2021 and sets out what we require of buses to deliver against our LTP.
- 3.3.5. The BSIP is guided by 11 KPIs to help measure progress towards the BSIP objectives which feed into the overarching transport objectives. The KPIs are centred around growing bus patronage and modal share, improving customer satisfaction, performance and environmental standards. The full KPIs can be found in Appendix B.
- 3.3.6. This section will explore the performance of the current network and the EP towards our regional objectives. Comparisons with other areas in the UK will be key to this analysis as some areas have performed better than others despite common challenges, such as increasing car ownership.

July 2024



3.3.7. For many of these areas, such as bus performance (punctuality, reliability and speeds), data made available to authorities can lack the detail or accuracy than the equivalent data held at operator level. This can present challenges in assessing performance which can impact the business intelligence of the EP. It means that limited information is available to elected members on bus performance.

3.3.8. KPI 1 to 5 – Growing Bus Patronage and Modal Share

- 3.3.8.1. BSIP bus patronage KPIs are monitored using statistics collected by the DfT using operator supplied data. They are provided on a local authority / Tyne and Wear basis and so do not show route-based data. The three large operators share more detailed patronage data to inform the Enhanced Partnership but this data is not currently accessible to the Bus Reform Project or to wider stakeholders.
- 3.3.8.2. Figure 12 shows the trend of total bus journeys in the North East (including Tees Valley) compared to England outside of London. Figure 13 shows North East annual bus journeys per head broken down by Northumberland, Durham and Tyne and Wear and compared to areas of high bus patronage and England⁷⁸. Figure 14 shows the trends of bus use in these high bus use areas.

⁷⁸ Data is available for local authority/ Integrated Transport Areas (ITAs) meaning comparisons are not like for like. Data is also by depot meaning some cross boundary services will not be represented.



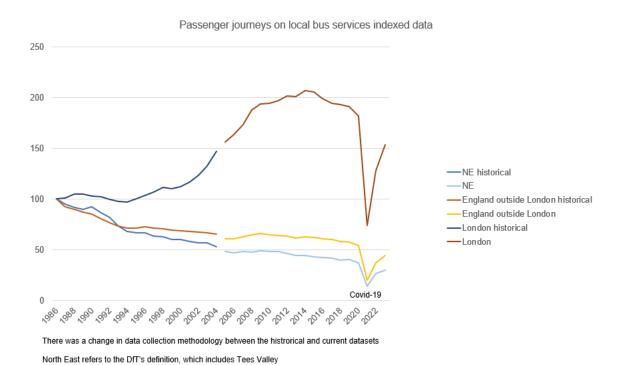


Figure 13: DfT, Passenger journeys on local bus services

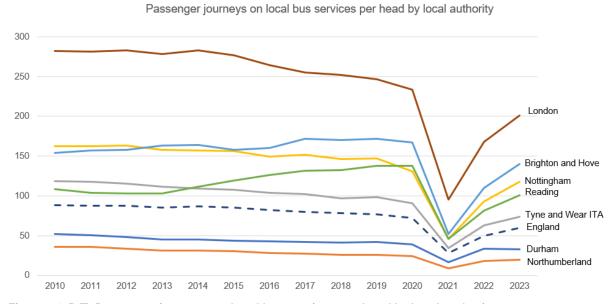


Figure 14: DfT, Passenger journeys on local bus services per head by local authority



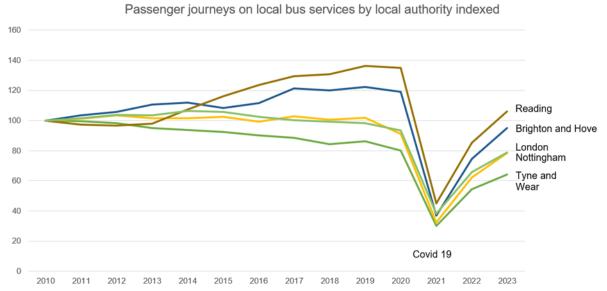


Figure 15: DfT, Trends in passenger journeys on local bus services by in areas with the highest bus use



- 3.3.8.3. The following assumptions can be drawn from these statistics:
- 3.3.8.4. Bus use has fallen rapidly throughout England since 1985, with increasing car ownership the most commonly citied factor to explain this reduction. As can be seen in Figure 12, bus use in the North East has fallen more rapidly compared to England outside of London however. London has also gone against this trend and bus use is much higher since the 1980s.
- 3.3.8.5. Figure 13 shows bus use per head since 2010. During this period Northumberland has declined 43%, Durham and Tyne and Wear have both declined 36%. All of these areas show notably higher decline than England's at 27%.
- 3.3.8.6. Despite this decline Tyne and Wear continues to see extremely high bus ridership compared to other parts of England. Only London, Brighton and Hove, Nottingham and Reading have higher bus ridership per person. Durham has slightly below the average nationally and Northumberland is substantially behind. This reflects the largely urban nature of Tyne and Wear with low car ownership, and the more rural nature of Northumberland and Durham.
- 3.3.8.7. Figure 14 explores this further and shows the trend of Tyne and Wear⁷⁹ total journeys alongside the other highest bus use areas. When compared to peer regions bus use in Tyne and Wear has performed poorly in the long term.
- 3.3.8.8. Of these highest bus use areas, London buses operate under a contracting model⁸⁰ and Nottingham and Reading's bus markets are dominated by municipal operators. Nottingham and Reading also are relatively small cities with large student populations and bus friendly policies such as Nottingham's Work Place Parking Levy. Reading Buses explicitly commit to deliver a 'social dividend', reinvesting profits into bus services. The delivery model in Brighton and Hove is similar to the North East's, with its high bus use often explained by the introduction of simple fares⁸¹, parking policies, extensive bus priority infrastructure⁸² as well as its built environment and young population.

⁷⁹ Due to data limitations, we have chosen to focus on Tyne and Wear here as there are easily available comparable areas which are unfortunately not available for Durham, Northumberland, or the North East as a whole.

⁸⁰ London's 'contracting' model reflects that buses were never deregulated in the capital. It is substantively very similar to the 'franchising' model being pursued in some previously deregulated areas.

⁸¹ Urban Transport Group, 2019

⁸² Urban Transport Group, 2013



- 3.3.8.9. In the last few decades, London has enjoyed high growth in bus patronage compared to the rest of the UK, though also saw a significant fall in patronage during the pandemic. The reasons for this and the extent to which London bus use can be used as a relevant comparison with the North East is explored further in Appendix C.
- 3.3.8.10. As well as patronage, mileage operated has also declined over the same timeframe. In 2023, there were 52.1 million miles operated in the North East a 30% reduction compared to 2010. There was a 12% reduction in mileage between 2022 and 2023 as operators and local authorities sought to reset service levels to a more sustainable level in view of post-COVID-19 reduced levels of demand.
- 3.3.8.11. Increasing car ownership and use is by far the largest single cause for decreased demand for bus services, but bus patronage is determined by a range of factors. KPMG research looked at different influences on Scottish bus patronage between 2011 and 2016, decreasing by 27 million journeys over this period. Increased car ownership was responsible for 12 million lost journeys while 'online services' (such as online shopping and delivery) reduced demand by another seven million journeys⁸³. These factors are largely outside the direct influence of bus operations under any delivery model, but increases to bus fares and journey times also lost four million and 5.9 million journeys respectively. More positively, increases to bus quality were estimated to generate an extra two million journeys.⁸⁴
- 3.3.8.12. These statistics show a long-term decline in North East bus patronage, outpacing English declines which have also been significant. Some stakeholders see bus reform at least in part as a response to shrinking bus patronage and milage.

3.3.9. BSIP KPI 6- Bus Customer Satisfaction

3.3.9.1. Bus Passenger Satisfaction BSIP KPIs is monitored using surveys undertaken by Transport Focus. From 2022 the survey changed methodology with more online participation, this means caution must be applied when comparing years.

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⁸³ Some factors increased demand for bus services, meaning figures listed here do not sum. Most significantly is 'demographic changes' – a growing and increasingly older population – that would have increased demand by 8.9 million journeys absent other influences.

⁸⁴ KPMG, 2017



- 3.3.9.2. Bus satisfaction has been historically high in the North East and stood at 91% pre-pandemic in 2019⁸⁵. As can be seen in Figure 16, this is in line with previous results in the North East.
- 3.3.9.3. However, the figure also shows that there has been a substantial reduction in bus satisfaction with 81% of passengers reporting satisfaction with the bus service in 2022.

Transport Focus Overall Bus Customer Satisfaction

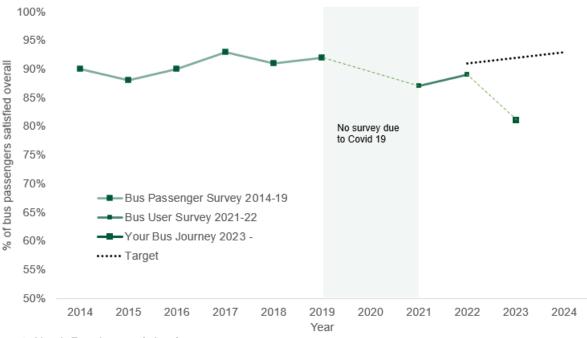


Figure 16: North East bus satisfaction

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⁸⁵ Transport Focus, 2019



3.3.9.4. There is also substantial regional variation in reported satisfaction levels throughout the region (highlighted in bold) as can be seen in Table 5.

Rank	Area	Satisfied	Area Type
1	East Riding of Yorkshire	90%	Rural
2	Bournemouth, Christchurch and Poole	90%	Urban other
3	Greater Nottingham	87%	Urban other
4	Stoke-on-Trent	85%	Urban other
5	Nottinghamshire	85%	Semi-rural
6	Suffolk	85%	Rural
7	Cornwall	85%	Rural
8	Thurrock	84%	Urban other
9	City of York	84%	Urban other
10	Derbyshire	83%	Semi-rural
11	Northumberland	83%	Rural
12	Portsmouth	83%	Urban other
13	Tyne and Wear	83%	Urban metropolitan
14	Cheshire East	83%	Semi-rural
15	Liverpool City Region	83%	Urban metropolitan
16	North East Lincolnshire	83%	Urban other
17	Surrey	83%	Urban other
18	Leicester City	82%	Urban other
19	Brighton and Hove	82%	Urban other
20	Cheshire West and Chester	81%	Semi-rural
21	Norfolk	81%	Rural
22	West Sussex	81%	Urban other
23	South Yorkshire	81%	Urban metropolitan
24	Lancashire and Blackburn with Darwen	80%	Urban other
25	Luton	80%	Urban other
26	East Sussex	79%	Semi-rural
27	Greater Manchester	79%	Urban metropolitan
28	Oxfordshire	78%	Rural



29	West of England and North	77%	Urban other
	Somerset		
30	Warrington	76%	Urban other
31	Tees Valley	76%	Urban other
32	West Midlands	76%	Urban metropolitan
33	Durham	75%	Rural
34	West Yorkshire	73%	Urban metropolitan

Table 5: Overall journey satisfaction- England counties (Transport Focus survey in 2023)

- 3.3.9.5. The Partnership has managed to implement measures to specifically target this. These include:
 - a bus operator Code of Conduct, which sets out a process for making network changes and aims to improve levels of passenger consultation; and
 - a Bus Passenger Charter (BPC), which aims to set out a consistent standard bus passengers can come to expect when travelling in the region.

3.3.10. BSIP KPI 7-10- Bus Performance

- 3.3.10.1. Bus performance tends to be measured according to three metrics:
 - punctuality (the proportion of buses which are no more than five minutes late or one minute early);
 - reliability (the proportion of scheduled bus mileage which operate, with cancelled or cut short services impacting reliability); and
 - bus speeds.
- 3.3.10.2. BSIP KPIs which monitor bus performance are currently largely drawn from operator supplied DfT data. This is reported on an annual basis at a local authority level. Recently the EP has acquired a data analysis platform which uses open data (Bus Open Data Source) to report more detailed bus performance. DfT data is used within this report.
- 3.3.10.3. As can be seen in Figure 17, buses in the North East tend to be more punctual than the average for England. However, they still fall short of Traffic Commissioner targets (and BSIP KPIs) which aim for buses to be 'on time' at least 95% of the time at all timing points and for a minimum of 99.5% of scheduled mileage to be operated.



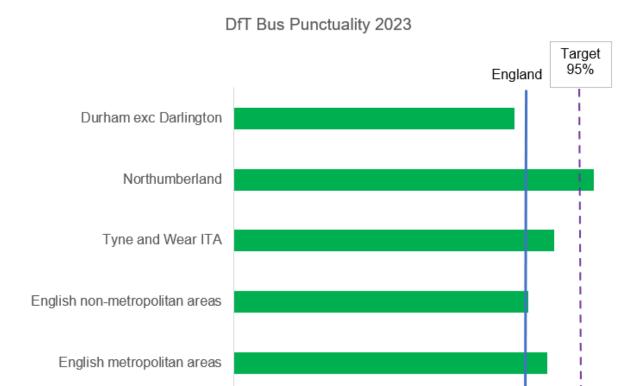


Figure 17: North East bus punctuality 2022/23, as published by DfT

*Note, Northumberland appears unusually high in comparison to other data sources available and past performance. Northumberland punctuality was 86% in 2021 and 90% in 2022, with comparable results in earlier years. The 2023 result of 99% therefore significantly exceeds all previous performance without a clearly attributable factor for this, this suggests a potential data inaccuracy.

20

40

60

80

100



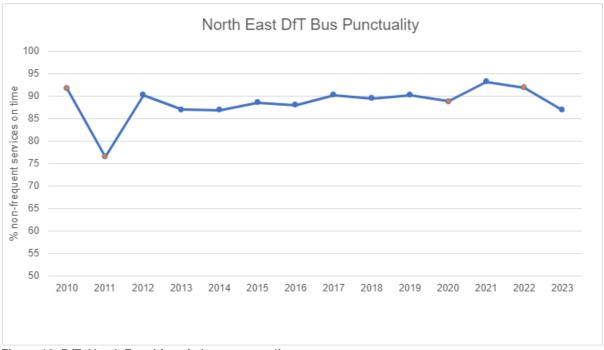


Figure 18: DfT, North East historic bus punctuality

- 3.3.10.4. As can be seen in Figure 17, the trend has been reasonably consistent with limited progress since 2010.
- 3.3.10.5. Congestion is a leading cause of poor bus performance and is a challenge for all bus networks. TomTom data shows that of the 25 of the UK's largest urban conurbations measures, 'Newcastle- Sunderland' (a 5km radium from the city centres) was the 24th least congested with average rush hour speeds of 38km/h. Comparable areas suffer with substantially worse congestion such as Leeds- Bradford (29km/h) or Liverpool (28 km/h). Despite this the North East has only slightly better performance than English metropolitan areas, as seen in Figure 16.
- 3.3.10.6. It is difficult to draw conclusions without modelling, however this may suggest that the North East bus network is underperforming when these relatively favourable road conditions are considered. More challenging road conditions, such as those relating to the temporary capacity reduction on the Tyne Bridge, could worsen underperformance in future statistics.

3.3.11. BSIP KPI 11- Environmental Standards

3.3.11.1. BSIP KPIs on vehicle environmental standards are reported using operator supplied data.



- 3.3.11.2. There are 1,150 buses in the North East CA area. The average age of our bus fleet is 8.8 years. This is lower than the average for England outside of London (10.6), but higher than the average in the regulated London market (7.82).
- 3.3.11.3. Most of our bus fleet is fuelled by diesel, but there are currently 18 ZEBs (2%). This is higher than the average for England outside of London (1.6%), but lower than the average for English Metropolitan areas (2.7%) and the regulated London market (11.2%). Funding has recently been secured from central government for a further 95 ZEBs. Once delivered, 10% of our fleet will be operated by ZEBs. There are 140 Euro VI diesel buses (12% of the fleet) which are not due to be replaced until after our 2035 target.

3.3.12. Conclusion

- 3.3.12.1. Our BSIP KPIs are highly ambitious and focus on the most important metrics for a bus service: patronage, performance, passenger satisfaction and environmental standards.
- 3.3.12.2. For many of these metrics, such as passenger satisfaction and performance the North East outperforms comparable regions and the English average. However, there is still huge room for improvement and the bus network is not currently meeting our KPIs. Trends are also worrying; customer satisfaction in particular seems to be declining.
- 3.3.12.3. Bus patronage and modal share is relatively high in the region, particularly in urban areas. We have failed to recover to 2019 levels in the recent years however and historical trends show a disproportionate decline in the North East compared to the rest of England.
- 3.3.12.4. In delivery of ZEBs the North East also lags behind England although progress has been made in recent years.
- 3.3.12.5. Our current bus service is therefore unfortunately failing to meet our BSIP KPIs and Regional Transport Objectives on the whole. There are areas to be proud of such as relatively high bus patronage and progress delivering ZEBs but the evidence shows us falling short of our metrics. Change of some form is required to deliver a network that can meet these aspirations.



3.4. Commentary on how effectively our current bus service and EP is positioned to support the success of other North East CA portfolios.

- 3.4.1. An effective bus network intersects across policy areas and helps to deliver on regional aspiration in other portfolios. Our interim Corporate Plan sets out ambitions for each portfolio area, linked to our aspirations for the region and our devolution deal. Buses play an important role in many of these areas.
- 3.4.2. Table 6 evaluates how the current bus service and EP are delivering on the aspirations. It highlights areas where progress has been made and notes areas where it is insufficient to meet our aspirations.
- 3.4.3. Overall, our EP and current bus services are partly supporting the success of other North East CA portfolios, but change is needed to fully align buses with our wider objectives. BSIP-funded improvements, such as better links to some skills bootcamps are important steps forward and should be recognised, but these remain relatively small parts of the puzzle. Reform offers wider opportunities for North East CA-wide alignment to deliver on our devolution deal and portfolio aspirations.



Portfolio and vision	How effectively is the current bus service and EP supporting North East CA portfolios?
Finance and	Buses provide access to jobs for people across the North East, with 5.4% of workers in the region choosing to
investment	commute via bus.
Ensure that investment	There are commercial routes between major employment hubs and population centres as these are profitable.
decisions are	However, these services may not be able to be in place from day one of a new employment centre – limiting
underpinned by a clear	opportunities until an operator felt that the route would be profitable. It is possible through section 106
investment strategy	developer contributions, which can be used to pump-prime bus services to new sites from day one while that
that maximises	route cannot justify commercially operated services. Once the developer contributions run out, the service will
leverage of the	likely be withdrawn unless it can sustain itself commercially, or funding can be found to secure it. The current
investment fund, set	model therefore cannot guarantee long term bus services to new developments.
within a plan for	
generating positive	The North East competes against other regions in the UK and overseas for inward investment. Decisions involve
jobs, skills and	several considerations – such as supply chains, skills and labour market considerations – but transport
inclusive growth	connections are also important. Regions that have a visibly more dynamic, strategic, and cohesive network are
outcomes.	likely to hold greater appeal, giving a comparative advantage to regions such as London, Greater Manchester,
	and several European regions with wholly integrated transport systems and disadvantaging the North East.
	As a result of these factors, the current bus service is not sufficiently supporting this portfolio.
Environment, coastal	Buses can be a vital link for rural and coastal residents, particularly those without a car.
and rural	
	Unfortunately, these routes are often unprofitable – leading to frequencies being reduced or services cancelled.
Place the environment,	Local authorities spend significant sums on secured services to connect these areas.
the coast, and the	
growth of our rural	



areas at the core of the	Our EP commits that buses will serve 'rural corridors' once every two hours in daytime, Monday to Saturday. The
economic strategy for	current mix of commercial and secured services provide more rural services than can be found in other rural
the North East.	areas, such as North Yorkshire. The market research we commissioned found that buses are very important to
	rural residents, but they are not satisfied with the current provision.
	Buses in the region also have an important role reducing carbon emission and air pollution by reducing the
	number of car journeys taken. If current trends continue however, and bus use continues to decline, this
	impactful benefit of our bus network will be reduced.
	As a result of these factors, the current bus service is not sufficiently supporting this portfolio.
Culture, creative,	The North East is increasingly a centre for culture and tourism, hosting events such as Lumiere biennially, the
tourism and sport	Tour of Britain cycle race and football matches at Euro 2028.
Seek to deliver a	Bus services have supported these events, often being tailored to the needs of the event, such as P&R services
vibrant and	for Lumiere.
inclusive regional	Tor Earmore.
economy with culture,	Nexus coordinated services around Sam Fender and Pink concerts in June 2023 in Newcastle and Sunderland.
creativity, the visitor	Similar provision would be beneficial when hosting other mass events. We also currently struggle to promote a
economy, leisure and	cohesive tourist bus offering, limiting its benefit to our visitor economy.
sport at its heart.	
Economy	Buses are very important to the local economy, with significant potential to further support our objectives.
	Improved bus services can help to ensure equitable growth and access to job opportunities by mitigating
A bold overall	
economic	



strategy that guides investment in the region, boosts growth and productivity and proactively guides our economic transition while reducing inequality.

congestion. Transport for the West Midlands found that 216,000 fewer people were within 45 minutes of Birmingham city centre compared to 2008 because of congestion⁸⁶.

Between 2020 and 2022, people in the North East spent a larger proportion (14%) of their income on transport compared to the English average (13%), and this has increased by 10% since 2010⁸⁷. Improving bus provision and making fares as affordable as possible will help people in the North East save money which can then be spent locally, stimulating our regional economy.

Over 40% of bus journeys in our region taken by adults aged 26-65 are work commutes. Our bus services ensure these adults can stay in work and take private cars off the road, lightening the impact on those who need to drive. Operators recognise the commercial benefits of serving some employment hubs, with extended services running to Nissan and Follingsby Amazon.

Buses are unfortunately currently limited for those working early morning or late-night shifts – particularly those who live or work outside of our cities. Services are orientated towards peak commuting hours, meaning people working other hours may not be able to travel by bus – limiting their employment prospects or forcing them to bear the cost of running a car, often on a low income. To help address this inequality, BSIP funding has been allocated to provide a night bus between Newcastle and the airport, helping staff commute to and from the airport and opening up job opportunities for people who cannot afford to commute by car⁸⁸.

The current network is not well positioned to provide services for people who work outside of traditional working hours, limiting the region's ability to develop a thriving 24-hour economy. It is possible, but only through publicly

⁸⁶ Transport for the West Midlands, 2018

⁸⁷ North East CA Evidence Hub, 2023

⁸⁸ Nexus, 2024



	funded interventions, such as the night bus to Newcastle Airport. As a result, the current network is not delivering
	sufficiently to support a "bold overall economic strategy".
Housing and land	Connections to local bus services can determine how reliant residents are on private vehicles.
Set out bold and	Durham and Northumberland county councils are the planning authorities for their areas, responsible for
ambitious plans for the	reviewing and approving proposed developments. Nexus and local bus operators are usually consulted on
North East: to improve	applications. Funding can be sought from housing developers to provide bus services, such as those running to
the range, quality and	the Great Park developments in the north of Newcastle, though planning authorities also seek developer
affordability of housing;	contributions for other amenities – particularly in the context of strained local government finances. This can
drive economic growth	mean securing funding for bus services is deprioritised when developers have a limited funding put for
and productivity; and	contributions.
support the	
most vulnerable.	More integration between buses and housing policy is needed. New developments are often – by their nature and
	local 'green belts' – on the outskirts of existing settlements, requiring motorised transport to access shops and
	services. Need for developer contributions, bus unfriendly road layouts and distance from existing transport links
	mean some developments are highly geared towards car ownership with limited bus options.
Education, skills and	Buses connect learners with educational sites across the region, enabling people to gain new skills and
inclusion	qualifications, ultimately aiding them to boost their income.
Build an inclusive and	Adult education courses are primarily held in the evening. Reduced bus frequencies at these times add barriers
sustainable economy	to uptake. Discounts for young people subsidise those travelling for school education, but no similar provision is
that everyone can	available for those travelling to adult courses.
contribute to and	
benefit from, equipping	Insufficient bus provision is likely to disproportionately affect adults on very low incomes – key beneficiaries of
residents with the skills	devolved skills programmes – who cannot afford to run a private car. A current example of an effort to address



and support needed	this issue is a new partnership between Nissan, NA College Trust and South Tyneside Council to provide
for our economy to	additional night time and early morning journeys to help local people take part in a skills bootcamp in Electric
thrive.	Vehicle Manufacturing ⁸⁹ .
	Post-16 educational institutions are often served by existing commercial routes, though services may not be sufficient in some cases for institutions in small towns and more rural locations – particularly when adults seek to attend courses in off-peak hours when frequencies are considerably reduced. The current network does not provide for this type of niche provision, and the fact that it is necessary for educational bodies to support these services indicate that the current network is not sufficiently supporting the education, skills, and inclusion portfolio.

Table 6: How the current bus network and EP are delivering on the portfolio aspirations

⁸⁹ Nexus, 2024



3.5. Commentary on how effectively the current network and EP are delivering against the results of wider public engagement and stakeholder insights.

3.5.1. Insight from the wider public engagement

- 3.5.1.1. The Big Bus Conversation forms part of our efforts to gather insight from the public as to how they use, and what they think of, the bus services in our region. This allows us to refresh our BSIP to include the change in people's perceptions of bus provision. The first Big Bus Conversation took place in 2021 and was used to inform our first BSIP.
- 3.5.1.2. The most recent Big Bus Conversation was conducted in summer 2023 and consisted of an online survey, which ran from 26 June 2023 to 12 September 2023; a total of 1,672 responses were received. There were also seven in-person events held across each of the seven local authorities, and feedback was collected on 543 comment cards.
- 3.5.1.3. Respondents were asked to give a numeric ranking for bus services. Of the 1,384 ratings, the most common given rating was five out of ten (ten being the best and zero the worst). Ratings did not vary much dependent on whether respondents were current bus users, with responses by those who answered yes to the question "are you a current bus user?" having the same rating average as those who did not.
- 3.5.1.4. Respondents were asked how their perception of buses has changed over the last few years. A strong theme for this question was a decline in the perception of the bus services, with around 360 uses of phrases that indicate a lower perception. "Got worse" "Less frequent" "less reliable" "less buses" "Services cut". "Worse" occurs 195 times, "better" 65 times and "Much better" only eight times.
- 3.5.1.5. The most positive finding of the most recent Big Bus Conversation is the positive impact that lower fares have had on the perceived value of buses for the passenger. When asked what came to mind when they thought of buses, there was a 61% decrease in respondents describing buses as "expensive". This trend is reflected in the North East Travel Survey where there was a 40% fall in the number of people identifying "cost" as the worst aspect of the bus service between 2022 and 2023. This finding indicates the public are responsive to improvements to the bus network, strengthening the impact of other improvements unlocked through bus reform.



3.5.1.6. However, this is not to say that people do not still find bus services unaffordable. "Expensive" was the third most common word people used when asked what three words spring to mind when they thought about buses in 2023, as can be seen in Figure 19. Additionally, when asked what would help them use buses more, cost was the third most common theme after frequency and reliability.

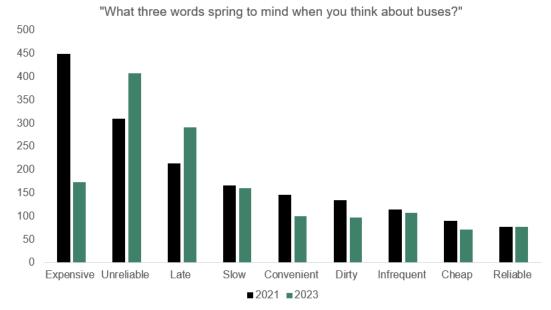


Figure 19: Results from the Big Bus Conversation showing what three words respondents used when thinking about buses

- 3.5.1.7. To summarise, Big Bus Conversation participants do not rate bus services in the North East highly, scoring them a five out of ten on average. The perception of bus services being poor quality has only worsened over the years, with the survey finding a strong theme of perceived decline. However, there was a consistent fall in the number of people who thought of bus travel as expensive following the new single fare caps.
- 3.5.1.8. Different methodologies of assessing perceptions of buses tend to yield different results. Residents generally have a more positive view of bus services when asked how their previous bus journey was, as opposed to being asked how they view bus services overall. Transport Focus take the former approach and found that, in 2022, 81% of North East residents had a positive view of bus services. This is a 10% decrease from 2019



when 91% of residents felt positively. These results are discussed further in section 3.3.9.

"The £2 cap and the £1 under 21 ticket have been a massive step in the right direction."

Big Bus Conversation 2023

3.5.2. Insight from stakeholder interviews

- 3.5.2.1. An independent research agency carried out interviews with key stakeholders between November 2023 and January 2024 on behalf of the Bus Reform Project. These interviews sought to understand stakeholder views of current provision and what changes and improvements they would want to see as part of any future reform to bus services.
- 3.5.2.2. Interviewees were intended to represent a wide range of stakeholders and positions. These included Leaders and senior officers from our seven local authorities, the region's existing elected Mayors and Police and Crime Commissioners, trade unions and bus operators.
- 3.5.2.3. Stakeholders commonly felt that current bus services in the North East did not meet the needs of our population, particularly those in work. Services were seen as too unreliable and infrequent for people to use them to travel to their workplace.
- 3.5.2.4. Current provision was also seen to be a barrier to achieving decarbonisation goals, particularly due to a failure to induce a modal shift to buses from cars. Better bus provision was seen to be a way to encourage a shift to more environmentally friendly travel.
- 3.5.2.5. Some interviewees also highlighted how post-pandemic shifts, most notably the much higher prevalence of home working, will reduce demand for services and require some form of reform as a result.
- 3.5.2.6. Interviews coincided with the GNE drivers' strike and some stakeholders argued the strike had further weakened confidence in the network pushing some users to purchase cars and leading more people to view buses as unreliable; perceptions that could take significant time to reverse, even following the strike's conclusion.
- 3.5.2.7. Local authority stakeholders were often positive about the relationships they had with bus operators with many of these deepened during the pandemic, but interviewees from the sector also highlighted how they



- were "paying more subsidies than we've ever paid" to operators to sustain important, but commercially unviable, services.
- 3.5.2.8. To summarise, stakeholders felt that the bus services did not meet the standards they expect due to being infrequent and unreliable.

 Stakeholders were concerned about the ability of the current network to meet decarbonisation goals and felt that the drivers' strike had weakened confidence in the network- leading to more people travelling by car. Interviewees also noted that they were paying more in subsidy to operators than they ever had before to sustain important services.

 Reform was seen as a desirable response to these issues.



3.6. Wider situational analysis, facts and insights of the current status of the bus market and operations in our region.

Table 7 outlines a wider situational analysis, facts and insights of the current status of the bus market and operations in our region.

Staff	Our major operators are significant employers in the region including drivers, engineers and managers. Go North East employs 2,100 drivers, Stagecoach employs 1,300 drivers and Arriva employs 450 drivers.		
	Industrial relations are managed by operators with limited scope for intervention by elected members in instances of industrial action.		
	Staff are also employed by authorities and are responsible for design/procurement/management of the socially necessary secured services, provision of on-street journey planning information, maintenance of on-street highway infrastructure and maintenance/management of local bus stations.		
	Local authority staff are responsible for highway infrastructure and parking policy/enforcement.		
	Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) and pension protection are available for employees where service provision is cancelled by the Traffic Commissioner due to noncompliance with an EP and subsequently replaced by tendered provision.		
Fleet	Within the North East there are approximately 1,150 buses, operating just over 550 registered local bus routes. Most buses in the North East fleet are owned by the respective operator. This reflects the traditional approach throughout England, except for London where leasing is more prevalent. The current commercial delivery model also results in investment being focused on the routes with highest levels of demand. High frequency core routes will typically see investment in new buses every five years with older buses then cascaded to secondary and tertiary routes.		



Market share	There are three major operators within the North East bus market: Arriva (16% market share (fleet)), GNE (44% of market share(fleet)) and Stagecoach North East (25% market share (fleet)). Collectively, these three operators control 85% of the fleet; the remaining 15% of buses are operated by 11 SMEs. ⁹⁰ 14% of mileage across the North East is contracted by local authorities (17% in Durham, 15% in Northumberland and 12% in Tyne and Wear). Private operators run these services, but taken collectively they represent significant public sector market share.
Depots	Most buses and depots in our region are owned or leased by private bus operators. Buses are stored and maintained at over 25 different depot locations (the smallest site has x2 buses and the largest site has c.160 buses). Some parts of our region are served by buses which are operationally based outside of our region. For example, some parts of County Durham are served by Arriva buses operationally based at depot sites in Darlington and Stockton.
Cross boundary services	The North East area borders North Yorkshire and Tees Valley to the south, Cumbria to the west and the Scottish borders to the north. There are a number of cross boundary services that operate between these areas both on a commercial and secured basis. Most cross-boundary services are relatively short distance services between towns in the south of County Durham and the Tees Valley, such as the Arriva 1 service between Tow Law and Darlington (via Bishop Auckland), though there are some longer distance services between Newcastle and Middlesbrough / Newcastle and Carlisle.

Table 7: Wider situational analysis, facts and insights of the current status of the region's bus market

⁹⁰ Market share is typically measured by either patronage for each operator or the mileage its network covers. This would be the ideal approach but neither of these figures are publicly available. Fleet sizes are a reasonable proxy for market share – an operator that runs more services and carries more passengers would logically have more buses to run these services.



3.6.1. Financial information

- 3.6.1.1. Using publicly available accounts data, it is possible to estimate the cost of running bus services in our region, as well as income sources. For example, analysis of bus operator accounts for 2022/23 suggests that the cost of operating our regions bus network was over £234m.
- 3.6.1.2. This analysis would greatly benefit from more transparent data as inconsistencies between operators can arise in publicly available accounts, data limitations are discussed in Appendix D.
- 3.6.1.3. Providing bus services in the North East is a substantial undertaking and bus operators currently take on huge revenue risk. Table 8 shows an estimated cost of running bus services in the region. Accounts have been used to estimate three largest operators, who hold around 85% of the market share (based on fleet). An estimation for costs incurred by SME operators is also included. As Arriva Durham also operates outside of the North East, costs have been scaled accordingly. Methodology and data limitations are discussed in Appendix D.

Operator	Cost of Sales	% North East	Estimated Cost North	Year Ending
	(£m)	CA area	East CA area (£m)	
Arriva Durham County	48.341	40%	19.336	31 Dec 2022
Arriva Northumbria	31.686	100%	31.686	31 Dec 2022
Busways Travel Services	63.108	100%	63.108	29 Apr 2023
(Stagecoach)				
Go North East	89.745	100%	89.745	02 July 2022
SME operators	30.59	100%	30.59	n/a
(estimation)				
TOTAL	263.49	N/A	234.5	N/A

Table 8: Cost estimate of running bus services in region.

- 3.6.1.4. As discussed previously, local authorities / Nexus and central government invest heavily in the bus network.
- 3.6.1.5. Table 9 shows ENCTS and discretionary concession outturn in 2022/23 in our region totalled £50.87m in 2021/22.

Authority	Concessionary Outturn 2022/23 (£m)
Durham County Council	10.078

^{* 2021/22} data used for GNE pending publication of 22/23 accounts expected late 2024



Nexus	30.559
Northumberland County Council	4.227
North East Total	44.864

Table 9: North East ENCTS payments to bus operators 2022/23

3.6.1.6. Table 10 shows BSOG and COVID-19 related grant income totalled £32.76 million in 2021/22

Operator	Grant income 2021/22 (£m)
Arriva Durham County	*5.138
Arriva Northumbria	8.603
Busways Travel Services (Stagecoach)	8.640
Go North East	10.386
North East Total	32.767

Table 10: Grant income to bus operators as indicated within 2021/22 bus operator accounts *Total (£12.845 million) adjusted to reflect 40% applicable within the North East CA area

3.6.1.7. Public investment in secured services has also increased in recent years, As can be seen in Table 11, the combined secured services outturn for the region has increased by over 60% between financial year 2018/19 and 2023/24.

Secured Services	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24 (forecast)
Durham	2.249	2.410	2.479	2.636	3.601	6.801
Northumberland	1.041	1.117	1.170	1.246	1.273	1.48
Tyne & Wear	10.799	10.863	12.348	11.206	12.602	14.344
Total	14.089	14.390	15.997	15.088	17.476	22.625

Table 11: Secured services Outturn for the region (last five years)

3.6.1.8. Operating profits (before taxation) by the large bus operators over the last five years are illustrated in Table 12. Operators each use different reporting years and the results for Arriva Durham County relate, in part, to operations outside of our region. However, at a high level the data illustrates the profitable nature of running bus services in our region prior to the pandemic (Table 13) – and the scale of losses incurred since⁹¹.

⁹¹ The recent losses incurred by operators in the North East may be explained by changes in accounting and/or intercompany transfers at their respective parent-group level.



3.6.1.9. Some also see these losses – and the likelihood of further losses in future years – as an argument for change and way to stabilise provision. Operators cannot sustain without profits indefinitely and will need to increase revenue (through higher commercial fares) or cut costs (through reduced routes and frequencies) at some point to counter these losses.

Operator	2018-19	2019-20	2020-21	2021-22	2022-23
Arriva Durham	£4,369,000	£1,784,000	£117,000	£1,208,000	£346,000
County	21,000,000	21,701,000	2117,000	21,200,000	2010,000
Arriva Northumbria	£1,510,000	£2,098,000	-£165,000	-£584,000	-£2,272,000
Go North East	£4,466,000	£1,423,000	£45,000	-£1,908,000	N/A ⁹²
Stagecoach Busways	£6,842,000	£7,477,000	£1,071,000	£3,485,000	-£1,857,000
Total	£17,187,000	£12,782,000	£1,068,000	£2,201,000	-£3,783,000

Table 12: Operating profit (before taxation) publicly reported by main bus operators

Operator	2018-19	2019-20	2020-21	2021-22	2022-23
Arriva Durham County	10%	4%	0%	3%	1%
Arriva Northumbria	6%	7%	-1%	-2%	-8%
Go North East	4%	2%	0%	-2%	N/A
Stagecoach Busways	12%	13%	2%	6%	-3%
Total	8%	6%	1%	1%	-3%

Table 13: Operating margin (before taxation) publicly reported by main bus operators

3.7. Operational challenges associated with the management and function of the EP.

- 3.7.1. The following challenges have been identified through stakeholder and expert advice. They relate to the management and function of the EP and are not focused on wider challenges towards regional objectives such as traffic congestion and declining patronage.
- 3.7.2. A central operational challenge within an EP is the need to secure broad agreement from operators. This limits the cohesion of the partnership, often requires public funding to protect against commercial risk to deliver improvements, and limits EP commitments to what the least ambitious operators are willing to accept. Examples of this in practice include the protracted negotiations to agree the new multi-operator and multi-modal fares and the failure to realise our BSIP 'kids go free' commitment in the current EP.

⁹² Go North East accounts for 2022/23 have not been published as of June 2024.



- 3.7.3. Although BSIP KPIs are intended to provide an overall goal for the partnership each operator also has separate objectives and business plans. This creates the potential for objective misalignment. Full integration, partnership working or regional objectives can sometimes be in conflict with competition and commercial interest.
- 3.7.4. As mentioned in section 3.3.7, full data and business intelligence does not have to be shared with the partnership, for example revenue and in-depth performance data is not shared. This can cause issues setting and monitoring KPIs.
- 3.7.5. While the partnership has attracted substantial investment from central government, including the BSIP, Levelling Up Fund, and Transforming Cities Fund (TCF), all of these are short-term funding pots and there is no long-term funding guarantee. This limits the scope of our EP and means that improvements are less likely to be committed to as they may not be viable in the long term. Any bus reform option is likely to require long-term funding certainty to be fully effective.
- 3.7.6. Our BSIP and resulting EP reflect ambitions for the region and the funding available, but operational challenges, resource constraints and bureaucracy hamper the deliverability of some commitments. Many of these challenges will exist irrespective of future reform options. For example, capacity pressures in authorities and lengthy procurement processes can limit the speed of delivery; while shortages in bus drivers and recruitment difficulties prevent additional uplifts to service frequencies. Delivering BSIP schemes which are funded has run into significant obstacles, due to legal requirements for provisions such as Grant Funding Agreements.
- 3.7.7. Individual relationships can be crucial to agreeing an EP. Politicians, officers, and bus company senior managers all have important roles in the process. A change in key personnel whether due to an election or career decisions can mean new key individuals enter without existing relationships and potentially different perspectives and risk tolerance, possibly setting the EP negotiations back. For example, an incoming bus operator executive may be unwilling to pursue an option that was previously close to agreement or a new senior authority officer may view a previously agreed compromise as unsatisfactory. It is also a risk that is difficult to predict and mitigate against as it depends on the career decisions of individuals in the process, rather than organisations as a whole.



Key insights from this section:

- Our current delivery model (EP) is characterised by the shared roles between local authorities and bus operators in the region.
- This has resulted in a variation in the current bus network as explored in section 3.2.
- In terms of baselining the North East bus network against other regions, bus use remains relatively high in the North East but it has been declining in line with other regions in the UK (excluding London).
- Despite this, bus customer satisfaction tends to be positive among current bus users.
- In other areas, bus performance remains a problem for passengers and there is limited strategic alignment in wider policy areas, such as housing and rural affairs. Stakeholder and public engagement also found negative views were common.
- Operator accounts reveal the scale of bus operations in the region with huge costs incurred each year. A large portion of the costs of providing a bus service are currently funded using public finances.
- This raises questions about the sustainability of bus services if demands on public funding continues to grow.
- The next section will begin to examine possible solutions to these issues.



4. Where do we want to be?

This section will...

- Start to look ahead to where we want our region's bus network to be, framed through the lens of North East transport policies.
- This will primarily be done through the regional transport objectives, North East CA portfolio headlines and insights from key stakeholders.
- This will respond to the ambition of the region's bus policies and objectives. The bus network also needs to fit the different geographies and therefore different needs of residents across the North East.
- The criteria for where we want to be will be used to inform our analysis of reform options. This criteria will remain indicative however and is focused on the end bus product that passengers will experience rather than specific solutions. This is to prevent against predetermining that a specific delivery path would be necessary to achieve our goals for the network.

4.1. What we require of our bus network to deliver our regional transport objectives?

- 4.1.1. The scale of the challenge towards reaching our regional objectives is not to be underestimated. Bus patronage has been declining for many decades and finances are under pressure, as explored in section 3.
- 4.1.2. As discussed in section 3.3, if current trends continue, we will not reach our regional objectives. In fact, we are likely to become more car dependent with worse bus services as road traffic is projected to grow by 22% by 2060 or 54% if a shift to electric vehicles is achieved⁹³.
- 4.1.3. The Local Transport Plan sets out our collective ambitions and transport initiatives to help achieve our regional objectives, the new incarnation of which has integration at its heart, with bus playing an important role in that. Integration has three key elements:
 - Efficiently designed different parts of the transport system are planned collectively so that connectivity is maximised, but waste, duplication, and fragmentation are minimised.
 - Simple and easy to use operations are delivered in such a way that users experience a consistency of service that makes it easy to travel end-to-end, regardless of transport type.

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⁹³ Department for Transport, 2022



- Part of everyday life transport is considered a fundamental part of "place-making", with transport services, facilities, information, and infrastructure built into the design of housing, employment, and leisure facilities.
- 4.1.4. To deliver our regional transport objectives, we have identified key areas which will need to be improved. These are focused on the bus product and bus passenger as the end user.
- 4.1.5. These criteria begin to look at steps which must be taken to achieve regional objectives without specifying delivery models or plans. The evidence base for these improvements is drawn from the Big Bus Conversation, market research and public consultation undertaken as part of the Local Transport Plan, BSIP and MTRTC strategy.
- 4.1.6. These criteria are also indicative and do not constitute a formal assessment criteria. Deliverability under the reform options will be discussed in section 6.
- 4.1.7. Areas covered include supporting customers to be able to effectively plan journeys, making ticketing and fares simpler, having resilient infrastructure across the network, and ensuring services are held to a high standard. Each of these matters are explained in further detail in Table 14 below.



Connections	Rail and Metro	Ticketing can be an enabler of integration by removing interchange penalties and speeding up
between different		interchange.
transport types		
		Timetables can also be coordinated for added efficiency. Metro services already operate with a
		minimum of four/five trains an hour, providing an excellent platform for greater integration with buses at
		pre-existing interchanges across the network – timetable, ticketing and route coordination can build on
		this and encourage interchange / multi-modal journeys.
		We would need to avoid excessive overlap between rail services and bus as this can lead to duplication.
b		Particularly important with any future rail developments such as the Leamside Line.
age		Further integration between bus and local rail (in terms of both timetabling and ticketing) is a regional
Page 169		aspiration and could deliver significant benefits for passengers.
69	D	
	Bus	Many passengers use multiple bus routes on a single journey, often operated by different operators.
		Ensuring a seamless transition between buses will help the bus network to achieve our transport objectives. This includes integrated ticketing, timetabling, marketing, consistent information across
		operators. From the user perspective, they should encounter no difference in experience between
		operators.
		operators.
		The bus network should ensure that there is no duplication of service, helping to make better use of
		regional resources and balancing service provision across the North East.
	Walking and	Promotion of active travel in the region is arguably the most important step, as the majority of bus
	wheeling	journeys begin with a walk to the bus stop. Ensuring walking or wheeling to bus stops is as pleasant and
		accessible as possible can have a huge impact on the passenger experience and help to drive
		patronage.



	Car	P&R can encourage more people to choose buses for part of their journey. Building on successful P&R
		sites in the region, such as those in Durham, will facilitate more people to travel by bus.
Planning	Journey	At a high-level, the bus network needs to be made simple and easy to access and use. Market research
journeys/informing	planning	that we have conducted indicates that there are North East residents who do not know how the bus
users/supporting		system works, and so steps need to be taken to educate the population. This research will be further
customers		discussed in section 4.3.
		Journey information must be accurate and widely available. This must apply to 'pre' and 'on' journey
		information, such as journey planning and real time information.
D	Disruption	Effective communication is especially important at times of disruption to build a reliable network. When
₫	information	there are issues with performance it is essential that accurate information is provided, customer
()		expectations are managed, and alternatives are provided.
Page 170	Branding	Passenger must be able to use buses without prior knowledge of the network, this can be through
Ф		initiatives such as coordinated route numbering and common branding for logos and vehicle colours.
	Marketing	Residents must also be made aware of the advantages of bus use as part of an integrated network, and
		negative perceptions of buses can be challenged. A high-quality marketing campaign could be effective
		in influencing behaviour change, helping residents to 'Make The Right Travel Choice.'
	Customer	Trust must always be maintained with users. This is likely to include having an effective complaints
	Charter	procedure when things go wrong, ensuring high accessibility standards and allowing users to input into
		issues such as services changes.
		Day to day communication with passengers must also be undertaken to high standards. This includes
		the customer service on board, at station and central communications for issues such as lost property.
Fares and Ticketing	Children &	We require fares which are affordable and attractive for as many residents as possible. While there will
Taros and Hokeling	young people	always be funding constraints, we know removing financial barriers to bus use has huge social benefits.
	Adult fare	atways be fulluling constraints, we know removing illiancial barriers to bus use has huge social benefits.
	paying	
	Paying	



	Concessionary	This can help us to achieve a wide range of regional objectives in areas such as employment, economic	
	travel	development and child poverty.	
	liavet		
		Making ticketing integrated, simple to understand and use can also be a huge driver towards increased bus use and our regional objectives.	
		Bus fares need to be seen as competitive to other modes, if not cheaper than alternative offers such as city centre car parking to encourage more people to make use of buses. The below case study examines how Nottingham has made this a priority.	
Network	The quality of ma	any bus services has suffered by a reduction in operating hours and frequencies. Many services have also	
<u></u>	been cut entirely	leaving communities without a service. Funding additional services will support rural communities and	
a)	can help to rever	rse a decline in mileage to drastically improve the bus offering and increase patronage.	
Q			
Page 171	Often prioritising	greach of network must be balanced with providing a high-quality frequent service in the busiest core	
4	network. These decisions must be responsive to the needs of communities to find appropriate solutions.		
 			
	Community tran future delivery m	sport will also always have a role to play in rural transport provision and this could be integrated into any nodel.	
		changes are inevitable or even describable, the network must also be reasonably stable so communities	
	•	on the provision of a bus offering in the long term.	
Reach and	Fleet and ZEVs	To attract more customers and meet our environmental objectives, our fleet will need to be continually	
resilience of		upgraded. This will require significant commitment, investment and require collaboration with	
infrastructure		neighbouring authorities.	
	Bus Priority	Our road infrastructure must enable safe bus journeys which minimise the impact of congestion and	
	Infrastructure	disruption on bus performance. Bus priority infrastructure will therefore be required if we are to meet	
		our regional transport objectives. Well-designed bus priority schemes can insulate bus journeys from	



	appealing when compared to private vehicles. Traffic management, such as UTMCs and moving traffic regulation and enforcement, can also be used to improve his performance. Buses can also be prioritized when considering the improve of planned.
	to improve bus performance. Buses can also be prioritised when considering the impact of planned disruption.
stops, ions and rchanges	Infrastructure such as our bus stops, stations and interchanges must also be attractive and accessible to remove barriers to bus travel and encourage more residents to take buses.
ctuality, ability, eds	Buses must be reliable – services should be on time and should not be cancelled outside of exceptional circumstances. Market research and surveys, discussed in sections 3.5 and 4.3, have shown us that reliability is the biggest problem stopping residents choosing buses for journeys and any reform would need to focus on improving this. Improvements can be achieved by introducing bus priority infrastructure and effective of traffic management. Other factors are also important such as effective management of depots, quick boarding, maintenance of staffing levels and rationalising stops.
es	Stops and stations can determine the quality of the journey experience, on board factors such as cleanliness and comfort can also have a big impact. Investing in and maintaining the bus fleet is vital and facilities such as modern seating, Wi-Fi for longer journeys, easy payment and device charging can increase the attractiveness of the bus service. Other investments such as audio-visual announcements, hearing detection loops and CCTV can also increase the safety and accessibility of the network.
eds	-

Table 14: Criteria for what the region requires of its bus network to deliver regional transport objectives



Case study – Nottingham City Council's Parking Policy

In 2020, Nottingham City Council introduced an Advanced Quality Partnership, which ensures that day rates within the City Council's parking estate always exceed the cost of the Robin Hood Multi-Operator Day Bus and Tram Ticket. In 2012, a Work Place Parking Levy was also introduced to reduce congestion and to provide revenue to be re-invested in the sustainable transport infrastructure of the city. While it should be caveated these decisions came with a number of legal and other contentious issues, the bold decision to implement such a radical change did result in an increase in economic growth as well as overall improvements to the bus and tram network.

Case study - Strategic integration with planning policy in London

The London Plan is the city's Spatial Development Strategy, setting out a long-term vision for London's development and informing planning decisions across the city. It exemplifies how transit-friendly policies can support, and be supported by, decisions made in other portfolios. The current London Plan, approved in 2021, requires developers to prioritise sites that are or will be well-connected to its public transport network and safeguards land and buildings used for public transport from development. It treats car free development as the "starting point" for housing developments with good public transport connections, linking this to active travel and wider health and environmental benefits.

Case study - Bus priority infrastructure in Brighton

Brighton saw a significant fall in bus punctuality in the mid-2010s, decreasing from 89% to 80%. Bus operators attributed this fall to congestion, though the City Council also highlighted buses were seeing increased dwell time at stops. Bus priority measures and fleet upgrades were identified to mitigate this fall, with the council's analysis highlighting a 12% fall in traffic volumes along a key arterial route following the installation of a bus lane. Road network upgrades to enable bus priority are an ongoing process, with the city's BSIP requesting funding for eight further measures.

Case study - Journey information on Lothian Buses

Riders on Edinburgh's buses have access to excellent journey information. Real-time travel information is available on phone apps, including the city's highly rated Transport for Edinburgh app. The app integrates bus and tram journey planning, suggesting a bus and tram journey if that is the fastest route. Upgrades to bus stops are underway to display real-time bus and tram information for all operators, as well as rail and air travel in some locations. Most buses also feature on-board audio-visual 'next stop' announcements, aiding customer understanding and accessibility. These measures contribute to Edinburgh's buses being held in high regard by residents and support the city's thriving visitor economy.



4.2. What we require of our bus network to deliver the wider North East CA portfolio plans?

- 4.2.1. Section 3.4 set out how the current bus network and our EP is supporting our objectives across the North East CA portfolio areas. Its analysis showed that buses play an important role in many portfolio areas, but our current network is not best positioned to support our objectives.
- 4.2.2. Table 15 below sets out how an excellent, and reasonably achievable, bus network could contribute across our portfolios and the wider impact of this for the region.



Portfolio and vision	What we require of buses in portfolio
Finance and investment	Investment in our region and the associated job creation and inclusive growth benefits can be supported
	by an excellent network.
Ensure that investment decisions	
are underpinned by a clear	Investors will have increased confidence in their investment if they know that our public transport network
investment strategy that	can reliably carry prospective employees to new employment sites – including in their early days of
maximises leverage of the	operation.
investment fund, set within a	
plan for generating positive jobs,	
skills and inclusive growth	
outcomes.	
Environment, coastal and rural	21% of our residents live in rural areas. Residents in these areas would benefit from access to a useful
	and reliable network to connect them to cities and towns in the region. Although high frequencies are not
Place the environment, the	feasible, buses should be regular enough to be a viable transport choice. Community transport will likely
coast, and the growth of our rural	be part of the solution for residents in rural areas.
areas at the core of the	
economic strategy for the North	Rural residents also need affordable fares given their journeys typically have a higher mileage. This is
East.	particularly important if BSIP funding is stopped or the £2 fare cap is not extended.
	Buses are a key enabler of our wider environmental goals. In order to meet net zero targets, we require a
	high-quality bus service which can attract car users to make the switch to bus. To achieve
	decarbonisation, we also require progress in bus fleets such as more ZEBs.
Culture, creative, tourism, and	Fulfilling our ambitions to be a centre for culture and tourism requires a bus network that can reliably
sport	handle large influxes of visitors and transport them to and from event venues. This could be achieved



Seek to deliver a vibrant and	using methods similar to those employed by Nexus in their successful coordination of transport around
	Sam Fender and Pink concerts in June 2023 in Newcastle and Sunderland. This example also helps to
inclusive regional economy with	reinforce the notion that planning, marketing, and ticketing centrally and across modes allows for a large
culture, creativity, the visitor	number of people to be catered for in a short period of time.
economy, leisure and sport at its	
heart.	Tourist use could also be promoted by regular services from key transport hubs to tourist attractions,
	potentially including tailored branding. Coordination with local tourism boards could further aid design
	and promotion of suitable tourist services.
Economy	Residents across our region should be able to rely on punctual, reliable and frequent services to get them
	to their workplace. Integration of our transport network can also make public transport more attractive for
A bold overall economic	workers. Shift workers would benefit from services that extent beyond peak hours into the evening.
strategy that guides investment	
in the region, boosts growth and	Workers get the greatest benefit from services that connect major economic hubs (such as city centres,
productivity and proactively	warehouses or factories) with population centres, as well as coordinated and affordable connecting
guides our economic transition	services to allow those in smaller towns and villages to access opportunities.
while reducing inequality.	
Housing and land	Buses will have to continue to operate within the current planning environment and development trends,
	but there remain opportunities to better coordinate housing and travel. In the future, the bus network
Set out bold and ambitious plans	should serve more new developments, similarly, ensuring accessibility to existing or new local bus
for the North East: to improve the	services could take on a larger role in the development process.
range, quality and affordability of	
housing; drive economic growth	Life events (such as moving house) can encourage behavioural change, including shifting to public
and productivity; and support the	transport. Promotions for people living in new homes could encourage them to think about using public
most vulnerable.	transport before becoming accustomed to using the car to get around their new area.
	1



Education, skills and inclusion

Build an inclusive and sustainable economy that everyone can contribute to and benefit from, equipping residents with the skills and support needed for our economy to thrive.

People would have greater access to adult education courses with a reliable evening bus service that travels to education centres. This could be more attractive if return journeys departed shortly after courses finished.

Adult learners could also be attracted by bespoke ticketing policies that reduce the cost of bus travel, similar to the effective subsidy for young learners travelling to school via discounts for under 18s. Present ticketing offers to adult learners vary by company – Metro and some bus companies offer discounted allage student products while others do not.

Table 15: What the region requires of its bus network to deliver the wider North East CA portfolio plans.



4.3. Wider stakeholder needs:

- 4.3.1. Insight from market research and wider public engagement (beyond what is in the BSIP).
 - 4.3.1.1. Independent market research was commissioned as part of the knowledge base that supports our BSIP, which among other outputs, is designed to offer insight into the perceptions and attitudes toward buses in our region.
 - 4.3.1.2. The project methodology was quantitative, with a survey conducted online and in person with panels of respondents who were resident in the North East as well as a number of tourists. The work was undertaken between August and September 2023, with a survey of 1,220 interviews, spanning the whole region, and an online research panel used to source independent and reliable samples. Quotas and weighting were used to deliver a representative sample of the North East in terms of age, gender, ethnicity, and geography.
 - 4.3.1.3. The market research found that reliability was the biggest issue for people with 21% of people in the region having a negative perception. This was even higher in County Durham where 24% had a negative perception about reliability compared to 26% feeling positive. The age demographic that felt the most negatively about reliability were women aged 55-64.
 - 4.3.1.4. The rural population feel twice as negatively about reliability, range of routes and interconnectivity as their urban counterparts. In general, one in four urban residents feel that "bus services are excellent" compared to just one in 20 rural residents. Figure 20 shows how positive different categories of the population feel about the reliability of services, with urban residents clearly feeling more positively than their rural neighbours. Year on year comparisons found negative shifts of perception in frequency of service and reliability, as well as a decrease in positivity concerning connections with other modes of transport.



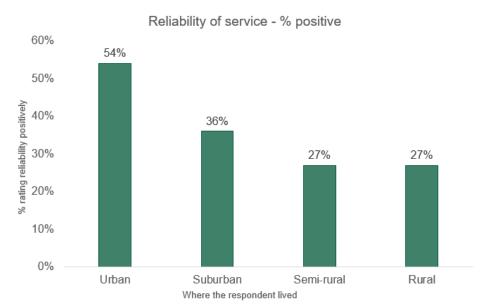


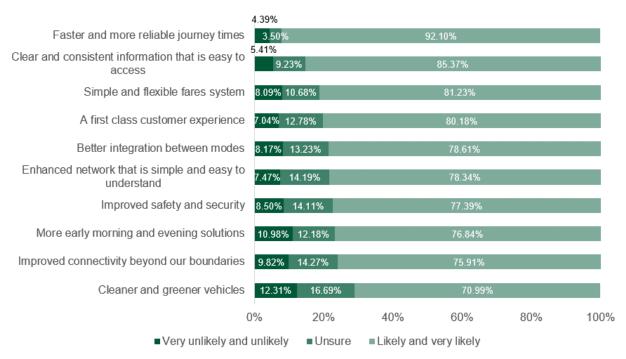
Figure 20: Market research (2023)

Figure 21: Big Bus Conversation (2023)

4.3.1.5. The findings of the independent market research are supported by the results of the North East Travel Survey and the Big Bus Conversation. Figure 21 shows a series of solutions proposed by the BSIP, and which could follow bus reform, all of which were rated likely or highly likely to encourage users to use buses more by the majority of respondents. Improved reliability scored the highest, with 92% saying it would make them 'very likely' or 'likely' to use the bus network more.







4.3.1.6. The North East Travel Survey asked respondents what they thought was the worst aspect of bus services and 34% chose reliability, the most of any other option, as can be seen in Figure 22.

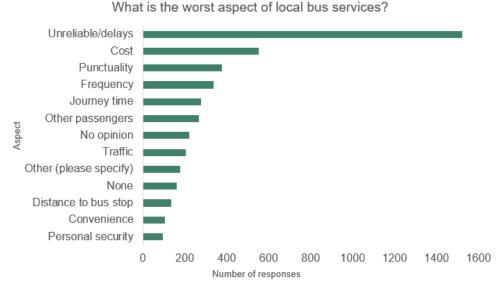


Figure 22: North East Travel Survey (2023)

4.3.1.7. The Big Bus Conversation also included a free text box for secondary results which found that the most urgent priority for bus users is



frequency with nearly 20% of responses referring to frequency either directly, or making comments that implied frequency was a priority for them. Other key priorities for respondents were reliability (around 10%), cost (around 5%) and journey times (around 5%). "Unreliable", "late", and "slow" are a few of the words most commonly used by respondents, which is consistent from the first Big Bus Conversation in 2021.

- 4.3.1.8. These figures and feedback on bus reliability in both our market research and Big Bus Conversation illustrate the importance of supporting a network that passengers can rely on for journeys to work, education, and hospital in order to boost patronage, encourage healthy travel choices, and access the benefits of change detailed later in this document.
- 4.3.1.9. It was also found that there was a substantial fall of 61% in people describing buses as "expensive", since 2021. This trend is reflected in the North East Travel Survey where there was a 40% fall in the number of people identifying "cost" as the worst aspect of bus services between 2022 and 2023. The market research also found a positive change in how people perceived the value for money of bus services with positive perceptions increasing 10% and negative perceptions falling by 8%. These findings are summarised in Figure 23. However, as outlined in section 3.5, many people still find bus services to be too expensive. The independent market research found that fewer than half (47%) of North East residents believe that bus services represent "value for money".

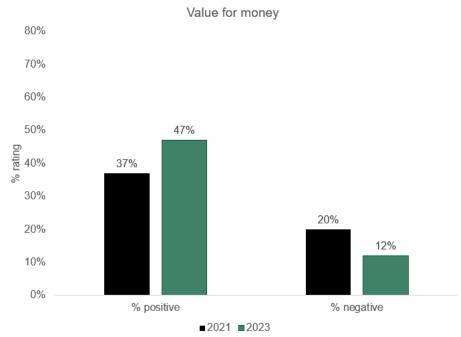


Figure 23: Market research (2023)

July 2024



- 4.3.1.10. Respondents to the Big Bus Conversation did not have a positive view of bus services in the region. On average, bus users and non-bus users alike rated bus services five out of 10. When asked how their perceptions of buses had changed over the preceding few years the prevailing theme was that the service had gotten worse. Similarly, the market research found that public perceptions of bus services had declined over the last few years. This was particularly noticeable in County Durham and North Tyneside where the percentage of people rating bus services positively fell by 19% and 20% respectively.
- 4.3.1.11. Figure 24 shows an extract from the market research regarding opinions on local bus services.

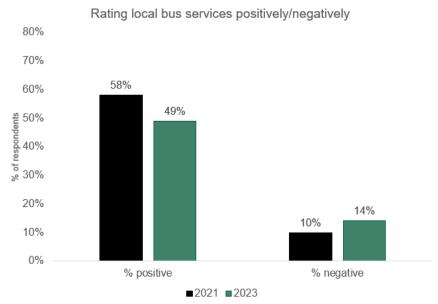


Figure 24: Market research - Opinions on local bus services (2023)

4.3.1.12. It is clear from the responses to the Big Bus Conversation, market research and the North East Transport Survey that the public has a real appetite and need for change. Despite the improvements made to affordability that respondents recognised and appreciated, those improvements have not translated into improved satisfaction with the service they receive, and residents still believe that buses are too expensive. Perceptions of bus services have deteriorated over the past few years and reform is necessary to fulfil the ambitions outlined in our BSIP and improve passenger outcomes.



"The buses have gotten way worse over the past few years, it's a big struggle to get to and from work now"

Big Bus Conversation 2023

4.3.2. Insight from interviews with key stakeholders.

- 4.3.2.1. As outlined in section 3.5.2, the Bus Reform Project commissioned research with a range of stakeholders to understand their priorities for our bus network, including what they would like to see from reform. Interviewees included local and regional political leaders, senior council officers, bus operators and trade union representatives.
- 4.3.2.2. Several stakeholders indicated they were open-minded about the best reform option and were more concerned with the benefits that reform could bring. Stakeholders were also encouraged not to be constrained by what they thought would necessarily be realistic or pragmatic.
- 4.3.2.3. Integrated transport was a key desire expressed by stakeholders. Many believed that the system would be more effective and people would have greater freedom to travel if buses, trains, and the Metro were an integrated system. Stakeholders felt this could support modal shift to public transport.
- 4.3.2.4. Improving the reliability and attractiveness of public transport generally was also important to stakeholders, particularly relative to private cars. As one stakeholder put it, "make public transport attractive enough and reliable enough and affordable enough that people will use public transport in preference to using private cars".
- 4.3.2.5. Stakeholders thought it was important that any transport plan considered a diverse range of local needs, taking into account different needs in different areas to ensure services were adequate.
- 4.3.2.6. Those with a view on the best delivery model outlined how their preferred model helped to achieve these goals such as the speed of an EP or the control franchising gives to the authority. Supporters of different delivery models did not express fundamentally different objectives for the network.
- 4.3.2.7. The need for transparency and continued partnership between the North East CA and all stakeholders was an "overwhelming takeaway from the research". Partners felt decisions should be transparent, evidence-based and impartial.



"I don't think passengers care what the structure is, what the system is. They just want a bus to take them where they want to go, to be accessible from where they live, to be affordable, and for them to be able to get on, to get a seat, and all that kind of stuff." (Explain interview with stakeholder)

Key insights from this section:

- We have a strong evidence base for the identification of steps that must be taken to deliver our regional objectives.
- These are drawn from bus user, public and stakeholder engagement, as well as expert advice.
- This is also informed by wider policy objectives in economic development, health and environment.
- As described in section 4.1, substantial change is needed in our bus network if we are to deliver better outcomes for passengers and the region.
- There is also an emerging consensus between bus users, stakeholders and the general public that buses should be integrated with other modes of transport, have improved reliability and be more responsive to the needs of communities.



5. The case for change

This section will ...

- Take a strategic look at the bus network and set out what the case for change is to achieve wider economic, health and environmental goals.
- It will also consider factors in the operation of the bus network which create the opportunity to bring about this strategic change and risks to delivering this change.

5.1. Economic arguments for the case for change.

- 5.1.1. Section 2.1 highlights the North East's economic underperformance and challenges. Workers in our region earn around £3,400 less each year than the median UK worker, our productivity is the lowest of all UK regions, 105,000 of our residents are unemployed and want a job and one-third of neighbourhoods are in the most deprived quintile (20%) in England.
- 5.1.2. We are falling further behind the rest of the UK; inaction would mean that the gap will continue to widen. Our residents would experience a lower quality of life and we would be less attractive for inward investment. Issues around low pay, poor productivity and deprivation would become more acute.
- 5.1.3. Full delivery of our LTP has an important role in unlocking economic growth, with the 2023 update to the Northern Powerhouse Independent Economic Review stating that "improved connectivity is fundamental to transforming the North's economy"⁹⁴. Buses are a key tool to connect communities and link people with opportunities, especially for disabled residents and people taking longer journeys that cannot be walked.
- 5.1.4. Private vehicles are increasingly the default travel option for many North East residents. The DfT expects traffic to increase by around 22% by 2060, and one scenario (with a quick uptake of autonomous vehicles and electric vehicles) would see traffic grow by 54% in the same timeframe⁹⁵. People without access to a car would likely face further social exclusion. Congestion would increase across our area, particularly in our urban centres, lowering productivity and limiting access to opportunities by reducing the area reachable within reasonable commuting time.
- 5.1.5. An attractive bus network, delivered by the improvements in section 4, would vastly improve the mobility of residents across our region. Access to jobs and training would be enhanced, residents would have more choice in how they

⁹⁴ Transport for the North, 2023

⁹⁵ Department for Transport, 2022



travel, and visitors could travel on the network to tourist sites across the region.

Case study - London's Night Bus network

A night bus network can boost the economy by giving shift workers access to travel options and transporting people home from clubs and pubs. London's expansive night-time network fulfils both roles. Alongside services from central London to residential areas, two services connect areas in West London to Heathrow Airport on a half-hourly basis all night. Staff working late night or early morning shifts can use these services to commute to the airport at unsociable hours, enabling access to employment and supporting the airport's extensive operations. As London's airports are far busier than the North East's an equivalent network could not be sustainable. A well-designed and targeted network – including the current BSIP-funded night buses between Newcastle and the airport – could, however, benefit our economy and lead to economic growth.

- 5.1.6. Improving our bus network can also free up some of the 14% of household expenditure currently spent on transport⁹⁶. More affordable fares would allow the poorest families to use the savings on other essentials, while increased reliability can enable middle-income families to forego the cost of running a second or third car allowing money spent on financing, repairing, and fuelling a car to be spent in more economically productive ways and limiting the forecast rise in traffic.
- 5.1.7. Indirect economic benefits would also result from a reformed bus network. Limiting the growth of congestion would allow those who need to drive to reach their destination faster than the counterfactual situation, boosting productivity (e.g. a tradesperson could complete more jobs a day due to faster road travel). People could spend more years working and in good health, enabled by a fall in premature mortality and medical retirement rates due to the environmental and health impacts identified in sections 5.2 and 5.3.

5.2. Environmental arguments for the case for change.

5.2.1. Protecting our environment and responding to climate change is a regional priority. All seven of our local authorities have declared a climate emergency and set ambitious targets to reach net zero before the government's 2050 target date.

⁹⁶ Office for National Statistics, 2023



- 5.2.2. The North East has made significant progress towards these aspirations our CO_2 emissions have halved since 2005 and all seven of our local authorities emit less per capita than the UK average.
- 5.2.3. Continued progress is needed to meet our net zero target and achieve our other environmental aspirations. Transport represented 26% of the UK's total emissions in 2021. Buses play an important role in reducing this figure; the DfT estimates that a bus journey in London generates 33% less greenhouse gas emissions per passenger than a comparable car journey⁹⁷. Section 2.1 also highlights the significant challenge we face around air quality, especially in our city centres. Nitrogen dioxide emissions exceed legal maximums in some places, primarily during peak travel hours.
- 5.2.4. Decarbonising the region's bus fleet would represent significant progress towards our environmental aspirations, reducing carbon emissions as well as air and noise pollution. We currently have 18 ZEBs in a total fleet of 1,150, with funding secured for 95 more. 38% of our fleet does not meet the latest emission standards (Euro VI). Although buses that do not meet the standard are not yet life expired, these vehicles pollute considerably more than comparable diesel buses which do meet the standard. Increasing the number of ZEBs on our roads, combined with withdrawing non-Euro VI compliant diesel vehicles, would significantly reduce our transport-related emissions as well as noise and air pollution. Journeys would be more pleasant for riders; residents would benefit from a cleaner local environment and our local authorities would make progress towards their net zero targets.
- 5.2.5. ZEBs will allow us to reduce pollution and achieve our aspirations much faster than relying on a shift to electric cars and vans alone. Electric cars and vans will have an important role, but ZEBs are a more efficient tool. Replacing a single diesel bus with its zero-emission equivalent prevents around 46 tonnes of carbon emissions annually⁹⁸, which is a comparable saving to removing 32 petrol cars from the road for a year⁹⁹.
- 5.2.6. Considerable indirect environment benefits would also follow an improved bus network that enabled modal shift and reduced societal car dependence. Each bus journey removes a car from the road, limiting damage to the road surface and cumulatively reducing the need for repairs. It also avoids particulate matter emissions from parts subject to wear and tear, such as tyres and brakes.

⁹⁷ Department for Transport, 2023

⁹⁸ Department for Transport, 2022

⁹⁹ Data for car emissions per km sourced from <u>Department for Energy Security & Net Zero, 2023</u>; Data for average annual mileage sourced from <u>Department for Transport, 2023</u>



- 5.2.7. An efficient and reliable network that enables households to avoid the purchase of second or third cars would avoid the emissions and resource extraction necessary to produce new vehicles. It would also free up public realm space that would otherwise be used for car parking and storage, enabling the space to be used for other purposes. This may include outdoor seating at restaurants and cafes, new housing developments, or parks and play areas.
- 5.2.8. Many of these benefits will continue once the sale of petrol and diesel cars ends in 2035 and these vehicles gradually disappear from roads at the end of their lifespans. However, some of the negative aspects of private vehicle ownership are enhanced electric cars and vans are typically heavier than their petrol and diesel counterparts, wearing down road surfaces faster and releasing more particulate matter from brakes and tyres.
- 5.2.9. Improving our bus network and offering residents a true alternative to private cars carries significant benefits, including those that stretch beyond the environment such as the health benefits of cleaner air explored below.

5.3. Health arguments for the case for change.

- 5.3.1. Gaps in health outcomes exist between the North East region and the rest of England, with the North East generally experiencing worse health outcomes, as discussed in section 2.1. Delivering a better bus system means we will be in a better position to deliver the "Healthier North East" objective in our LTP and deliver the criteria outlined in section 4.1, which will both directly and indirectly improve the health and wellbeing of the people of the North East.
- 5.3.2. Increasing modal shift and decarbonising the bus fleet will have a direct impact on air quality, and therefore improve public health. Air pollution is the principal environmental threat to health in the United Kingdom¹⁰⁰ and transport is a large contributing factor. Transport produces 32% of the UK's NO₂ emissions, and 14% of PM_{2.5} emissions¹⁰¹, the latter of which is attributable to 5% of total mortality in England¹⁰².
- 5.3.3. Three LAs in our region have already declared four separate Air Quality Management Areas (AQMAs), all of which are in response to NO₂ levels exceeding national objectives. There are two in Newcastle (city centre and Gosforth), and one each in Gateshead (town centre) and County Durham (Durham city centre). In 2021, research into air quality outside 12 schools in

¹⁰⁰ Public Health England, 2018

¹⁰¹ Department for Transport, 2023

¹⁰² Environment Agency, 2023



Newcastle Upon Tyne found that morning and evening peaks of NO_2 levels occur on weekdays, around the times that children travel to and from school. It also found that PM levels exceed national guidance relatively frequently in some areas¹⁰³.

- 5.3.4. Children are particularly vulnerable to harm from air pollution as, due to their lower height, they are exposed to air where particulate matter is more concentrated. Other factors that make them more susceptible to harm include higher breathing rate and developing lungs. The short-term health impacts of increased exposure to air pollution in children include wheezing, coughing, exacerbated asthma and other problematic respiratory symptoms. The long-term health impacts include suppression of normal lung function growth by up to 14%, new onset asthma, and may be linked with decreased concentration and alertness along with Attention Deficit Hyperactivity Disorder (ADHD)¹⁰⁴. If nothing is done to increase modal shift and limit the increase in car use, air quality in the North East may worsen, harming the health of the people of the region.
- 5.3.5. The potential to improve connectivity to healthcare settings is compelling argument for change. We know transport issues are a leading cause of missed appointments¹⁰⁵ and that those who do not have access to a private vehicle are more likely to be on a lower income and at greater risk of poor health due to the links that exist between socioeconomic status and the wider determinants of health.

"More direct services [to hospitals] would be better."
Big Bus Conversation 2023

Case study- Addenbrooke's Hospital in Cambridge

Addenbrooke's Hospital is a large teaching hospital and research centre in Cambridge. It represents a great example of how bus services can support the growth and connectivity of research and health settings.

It is directly accessible from three of Cambridge's five park and ride sites and is connected to the A and B lines of the Cambridgeshire Guided Busway network. It has services connecting it directly to Cambridge Rail Station, and five separate bus stops across the hospital site. Additionally, there is an on-site courtesy bus which goes around the campus and runs every 30 minutes, providing a more accessible way of moving around a large area for patients, staff, and those with disabilities.

¹⁰³ <u>Keast, Bramwell, Maji, Rankin & Namdeo, 2022</u>

¹⁰⁴ Royal College of Physicians, 2016

¹⁰⁵ NHS England, 2023



- 5.3.6. An indirect benefit of modal shift is in improving the general health of the population. Improving the mobility of North East residents through public transport has positive implications on health wellbeing. On average, 16 minutes of physical activity is associated with a bus journey¹⁰⁶. A 5% increase in bus usage in the North East could add 2.5 million minutes of walking per week in the region. This could lead to positive health impacts such as improved life expectancy.
- 5.3.7. Physical inactivity costs the UK economy £7.4 billion annually and the NHS around £1 billion directly. Through improving the populations health we can provide savings to the NHS, as fewer people will require medical intervention. Additionally, we can stimulate economic development in the region through increased productivity.
- 5.3.8. Bus users are less likely to own a car and more likely to experience deprivation as we explored in section 2.1, so by improving bus services we have the ability to positively impact on the wider determinants of health and reduce inequalities. Due to the links with income and deprivation, bus users are one of the groups in our region who are at the highest risk of inequalities. Therefore, ensuring equitable access to opportunities in the region through improved bus services will help to combat this. Access to education and jobs has a huge health benefit; this must be a priority under a reform scenario.
- 5.3.9. As the population ages¹⁰⁸ we can also expect to see more older people relying on bus services. Providing mobility options for older people will have a positive impact on not just their physical health through exercise, and better access to healthcare through improved bus services, but also on their wider health and wellbeing, for example through access to social networks.
- 5.3.10. With road traffic set to increase¹⁰⁹, this will have negative implications for the health and wellbeing of the people of the North East through widened inequalities and poorer health outcomes as a result of decreased mobility for those who either cannot afford a car or are unable to drive.

¹⁰⁶ Patterson, Webb, Millett & Laverty, 2019

¹⁰⁷ Office for Health Improvement & Disparities, 2022

¹⁰⁸ Office for National Statistics, 2018

¹⁰⁹ Department for Transport, 2022



5.4. Wider contextual arguments, including delivery of North East CA portfolios and stakeholder aspirations.

- 5.4.1. Current bus services are not meeting the important aspirations of our key stakeholders as outlined in sections 3.5 and 4.3. Integrated ticketing and increased reliability came across as two important areas for improvement in independent research, with many stakeholders unconcerned with the exact delivery model used to deliver these. Reforming the delivery model of bus services will not be a silver bullet or unlock improvements overnight, and some steps towards these aspirations have been achieved in our existing EP, but change is necessary to address stakeholders' expectations for their bus network.
- 5.4.2. Change also presents a wider opportunity for stronger alignment between bus services and wider strategic and policy objectives. Separation between the bus network and other areas of public policy was an unfortunate side-effect of deregulation, ultimately limiting how the bus network could enable wider strategic objectives. Strong initial steps towards greater alignment have already been taken, including drawing heavily on our Local Transport Plan in the drafting of our BSIP and negotiation of our EP; change opens further opportunities for better strategic alignment in all reform options.
- 5.4.3. The establishment of the North East CA strengthens the potential and rationale for strategic alignment, with the Combined Authority and Mayor joining-up region-wide strategy, objectives, and decision-making for the first time. Achieving the North East CA's aspirations for the region such as tackling socioeconomic challenges will require close-alignment across portfolios and policy areas. Bus reform cannot single-handedly achieve these aspirations, but they will be an important part of the puzzle.

5.5. Commentary on bus industry operational factors, including financial stability and longevity of current network.

- 5.5.1. As described in sections 5.1 to 5.3, change in the bus network can have far reaching impacts in terms of our wider economy, environment, and public health. The operational model of our bus network provides opportunities to effect this change.
- 5.5.2. There are many opportunities for investment to deliver meaningful change to the bus network. While we already invest extensively, any reform option pursued should enable spending to be used more strategically and with higher value for money. As discussed in section 4, key areas to deliver this change



include integration, accelerating the transition to ZEBs and encouraging modal shift.

5.5.3. These opportunities to deliver change in our bus service include:

- Increasing integration could be a game changing opportunity to improve the
 bus offer and make buses easier to use. This could increase patronage which
 would help stabilise the bus network and lead to far reaching economic,
 social and environmental benefits. Integrated ticketing, network investment,
 information, branding and marketing could also mean that existing public
 investments see a higher value for money. For example, a secured service
 may see higher ridership if a central source of information could present high
 quality journey information.
- Bus network planning should be more strategic, and at the same time routed in the community with local people able to help shape how their services are delivered. Resources will always be limited, but a holistic transport network that considers buses, Metro, heavy rail, and community transport services jointly could ensure that education, employment and housing sites – including those in rural areas and those with high rates of TRSE – could be better joined-up, with decisions reflecting the priorities of local leaders.
- Alongside strategic network planning, developments could also be made more bus friendly. New housing, education and employment sites should ensure that travelling by bus will be a viable and attractive option for new users of the development.
- Increasing investment and improving performance will attract more residents to the bus network. This can be further encouraged by policies which target modal shift, such as those affecting parking. These are often only sustainable if objective alignment throughout the transport network is achieved. For example, higher parking charges in city centres will be more viable if matched with an improvement in buses, active travel and other public transport modes. Collaboration with highways authorities would be required to deliver this.
- A focus should be brought to inefficiencies that already exist in the current deregulated market such as potential 'over-bussing' along high-frequency routes such as the Coast Road (before the introduction of a Qualifying Agreement). Duplication of transport provision can also be found with Metro and heavy rail; resulting in excess capacity along existing routes. The resources used to provide these services could be redeployed to parts of the region that are currently underserved, keeping the cost base the same but improving wider accessibility to the network. An in-depth network review would be needed to assess the scale of duplication which current exists in the region.
- Greater transparency could be brought to the network through data sharing, ensuring that service performance is accountable to users and elected



- officials. For example, Metro performance is publicly advertised on platforms to ensure transparency.
- While profits in the local bus market are currently understood to be low (with several operators reporting losses within their most recent accounts), it is reasonable to assume that operators will take action to restore their target profit levels through interventions such as fare increases and cost reductions. Reform options which generate increased profit that can be reinvested back into the network would be beneficial for passengers and regional objectives. This would also mean that public investments in the bus network, currently estimated to be £103.8 million in 2022/23, could see a higher value for money.
- 5.5.4. As highlighted in sections 2.2 and 3.6 there is also risk associated with not changing. Demand on secured service budgets can be unpredictable and if bus patronage continues to decline local authorities will be forced to choose between increasing investment in secured services or allowing the network to contract. Operators would ultimately determine which services were no longer viable, it would be surprising if decisions did not focus on reducing services that had low patronage and high operating costs to yield the greatest financial results. Many of these services operate in rural areas, placing them at risk of being cut though services in urban areas would also not be immune. Throughout the region frequencies, morning, evening and Sunday services could also be reduced to make savings. While this would leave a service in place it seriously limits the utility of the bus network for residents.
- 5.5.5. Our local authorities and Nexus have different policies for secured service provision, reflecting different populations, local priorities, and transport needs. Continued bus patronage decline would not have equal impact throughout the region, with the response dependent on the policies in the relevant area. Nexus, for example, currently aims to provide a minimum hourly frequency for most secured services in Tyne and Wear and provide households with a bus or Metro service within 400 metres that connects them to local amenities. Northumberland reflecting its different geography outlines three priorities (supporting economic activity, supporting social activity, and enabling children to travel to the nearest school or college) and specifies a maximum subsidy of £7 per passenger.
- 5.5.6. Differing levels of funding availability would determine how Nexus and local authorities would apply their secured service policies in future scenarios. Engagement with them highlights the risk of a 'cliff-edge' for secured services in a scenario where funding declines. Though there would be a desire to keep as many residents as possible connected (albeit with fewer, less frequent, or less convenient services), it is likely that this new secured service network would fail to meet customer expectations and could leave some communities



disconnected from bus services. For example, one authority indicated that around two-thirds of its secured service network is dependent on BSIP funding and, while they would seek to redraw their secured network to provide a wide but thinner coverage if BSIP funding were withdrawn, this would risk leaving parts of its area with little or no public transport options.

- 5.5.7. If the choice is taken to secure an increasing share of the bus network the balance of public to private investment in the bus network could tilt with operators only running the highly profitable routes. Operating the bus network on this basis could result in worse outcomes for passengers as profits in high use areas could not be directed into low use routes. Existing procurement processes could also result in inefficient spending if an increasing proportion of the bus network was to be secured.
- 5.5.8. As local authority budgets are increasingly strained, with only 4% of senior local authority figures across England confident about the sustainability of overall council finances¹¹⁰. Increased demands in areas such as social care mean it is unlikely that spending on buses could be increased indefinitely. As bus investments have high value for money this would be a wasted opportunity for the region.
- 5.5.9. Despite this, there are several features of the current operational model which are favourable and there are strategic risks in pursuing change in the operational model of the bus network.
- 5.5.10. The most significant of these is the risk currently taken by private operators. Operators currently take revenue risk for most bus services meaning authorities are insulated from losses directly associated with patronage decline. Operators also bring commercial expertise to the running of the bus network and have a direct relationship with passengers. Regardless of operating model, maintaining a strong partnership between authorities and bus operators must be prioritised.

¹¹⁰ Local Government Information Unit, 2024



5.5.11. Investigating change in the bus operational model carries financial costs and expends some of the North East CA's 'political capital' in the region, creating an opportunity cost – other priorities could be pursued with the finances and attention. Transitioning operating models could cause uncertainty and turbulence in the bus industry, having implications for operators, authorities and the public if not properly managed.

Key insights from this section:

- There is a strong case for changing bus services in the region. Current services are not meeting our aspirations and change could unlock significant benefits for the economy, our environment, and people's health. Change would be most effective if it addressed common complaints about reliability, a lack of integration and service levels to attract new passengers to the network.
- Improved bus services that encouraged people to travel by bus instead of car
 would reduce congestion, making our economy more dynamic and making
 driving easier for those who needed to drive. Reduced congestion allows people
 to travel further to access employment opportunities and get around the region
 faster, boosting productivity. Families could also avoid the costs involved with
 running second or third cars, freeing up income to be used in more
 economically productive ways.
- Decarbonising transport is essential to meet our net zero aspirations and buses are the most efficient way to decarbonise road transport – changing one diesel bus to a ZEB is the equivalent of removing 32 petrol cars from the road for a year.
- Air quality is an issue in our city centres and harms the health of our residents.
 Reduced congestion and more ZEBs are opportunities to reduce the emission of harmful pollution. Buses also involve an element of active travel in walking to/from stops, bringing wider health benefits.
- Not changing is a significant risk. Continued patronage and revenue decline could require local authorities to choose between ever higher secured service spend or allowing some routes to be cancelled/operate a bare minimum service. Regular services would only remain on the most profitable routes, significantly damaging the ability of people to move around the region and



6. Reform Options

This section will ...

- Summarise a feasibility study into all options for bus reform, conducted by independent consultants to analyse the deliverability of 18 total potential reform options.
- Introduce the two primary reform options considered viable in the feasibility study and set out in the government's National Bus Strategy expanding our EP and a franchising scheme.
- Analyse how both options could deliver on our ambitions for the bus network and set out key implications, including costs, timescales to implementation, and risks.
- Set out an abridged analysis of the implications of public ownership the other main reform option considered.

6.1. Introduction

- 6.1.1. There are a range of potential bus delivery models that could be adopted, as well as several sub-options based on variations of different delivery models. Each model involves different timescales for implementation, different scopes for public authorities to design or influence the network, different cost and risk allocations, and differing degrees of feasibility. Potential funding sources are also a key consideration for each model.
- 6.1.2. To determine which delivery models are feasible and hold potential benefits, independent consultants were appointed to explore the feasibility of all options at an early stage of the Bus Reform Project. A summary of this study can be found in section 6.2. Following input from partners and assessment against a number of Critical Success Factors (CSFs) linked to our BSIP KPIs, it was found that options including the use of Enhanced Partnerships and those relating to different types of Franchising Schemes were very effective in satisfying the CSFs.
- 6.1.3. This outcome is aligned with governmental priorities as outlined in the National Bus Strategy and the franchising guidance updated by the Department for Transport in March 2024.
- 6.1.4. Maintaining the current Enhanced Partnership approach (or strengthening our EP into an 'EP+/EP max') is a broad option which encapsulates considerations such as funding, appropriate delivery bodies and geography. This option includes not only the use of EP plans and schemes, but related delivery mechanisms outside of franchising, including qualifying agreements, ticketing arrangements and public sector procurement of non-commercial secured services. Similarly, franchising can take many forms which would need to be considered in further detail as part of the legal process before a final decision could be taken.



- 6.1.5. This report will analyse potential implications of these two main options by exploring their ability to deliver against the indicative criteria set out in section 4. Other crucial implications will also be explore such as costs, timescale to implementation, risks and equality impact implications. While this report draws on best available evidence, this assessment has not been informed by detailed modelling and cannot be considered conclusive. The exact scope of reform options is also yet to be determined, including geographical footprint. A full assessment would instead be required to inform any final decision, taken out under a Franchising Scheme Assessment.
- 6.1.6. Other options, such as the introduction of a publicly owned bus operator were found to be less beneficial and difficult to implement under current legalisation. The significant injection of funding option promoted by some stakeholders has also not been considered as a standalone option in this report as the implications of different levels of funding need to be considered under each delivery model. A significant injection of funding or conversely, a significant reduction in the funding available would shape the operational reality of each delivery model, and therefore needs to be considered in the context of how each of the options would use that funding, which may itself affect the way that option is delivered.
- 6.1.7. An abridged analysis of public ownership options has been included in this Options Report, with passive provision to allow for further investigation of any other option(s) if the Mayor and Cabinet choose to do so.

6.2. Summary of feasibility study taken into reform options

- 6.2.1. As discussed, the Bus Reform Project commissioned independent consultants to evaluate the feasibility of this wide range of options for bus reform at an early stage in the project. 18 potential options were initially considered as part of this feasibility study.
- 6.2.2. Commissioning independent consultants and asking them to review a range of options was intended to give visibility of all major options and ensure that no option was ruled out prematurely. Options that are not possible under current legislation or which would be complex to implement were intentionally included in the feasibility study in support of this objective. The full feasibility study can be found at Appendix E.
- 6.2.3. Four high-level categories of potential models emerged. There would be further variation within and between models depending on the strategic and operational decisions that would be taken when implementing any of these models. These categories were:



- Continuing with or expanding the current EP;
- Implementing a franchising scheme;
- Public ownership; and
- Other options (such as different models of voluntary authority-operator cooperation).
- 6.2.4. Independent consultants evaluated the options on their potential to deliver against the Local Transport Plan objectives and BSIP KPIs. An EP (including a scenario where there was a significant injection of further funding), a franchising scheme, and public ownership were seen as the most likely to deliver and analysed further.
- 6.2.5. Five 'Critical Success Factors' (CSFs) were mapped against the BSIP KPIs and used by the consultants to analyse these models. The CSFs were:
 - Improved customer outcomes;
 - Affordability;
 - Deliverability;
 - Risk allocation; and
 - Region-wide applicability.
- 6.2.6. This analysis concluded that the most effective methods of meeting the CSFs were a franchising scheme or an expanded EP. Public ownership was considered "generally less effective, particularly from a deliverability and region-wide applicability perspective".
- 6.2.7. The feasibility study was informed by the National Bus Strategy and associated government guidance that makes Department for Transport funding conditional on areas either entering into an EP or pursuing a franchising scheme, as well as the Bus Services Act's prohibition on the establishment of new municipal operators. A government could theoretically specify a single preferred delivery model, make specific other delivery models eligible for DfT funding, or remove the conditionality of funding entirely. It could also change the law to remove restrictions on municipal ownership. These future scenarios could change the feasibility of different delivery options.
- 6.2.8. The Bus Reform Project commissioned the feasibility study to outline potential delivery models, understand the potential effectiveness of each model, and determine the barriers to pursuing and implementing the models. It concluded in line with government guidance that an expanded EP or a franchising scheme would be the most effective; these are accordingly analysed in the rest of this section. An abridged analysis of public ownership is also included.



6.2.9. While the feasibility study, National Bus Strategy, and government guidance have informed the focus on either an expanded EP or a franchising scheme, no option has been ruled out of consideration. The Mayor and Cabinet may instruct North East CA officers to analyse any models further and report back to them if they saw a benefit in exploring models beyond franchising or an EP in greater detail. It is also for the Mayor and Cabinet to determine which model they want to pursue once satisfied they have sufficient information to make that decision.

6.3. Introduction to the main options available

6.3.1. Retain and strengthen our current EP approach, evolving into an 'EP Max'

- 6.3.1.1. As described in section 3.1, North East bus services were deregulated in the 1980s and an EP was made in March 2023, coming into effect in April 2023. As discussed throughout this report, the current situation is not meeting regional objectives. Our BSIP is refreshed annually, however there is potential for our EP to be strengthened in future evolutions.
- 6.3.1.2. Other authorities have sought comparatively more expansive EPs and operators have also proposed these enhanced partnership arrangements as alternatives to franchising sometimes referred to as an 'EP+' or 'EP Max'. This is an informal concept with no legal definition, and how the North East EP could be strengthened would have to be defined in the future, by reference to what operators and authorities could agree to either incorporate into an EP and/or deliver in parallel to an EP.
- 6.3.1.3. We can consider what enhancements could realistically be made to our EP and our key objectives, this is informed from experience of negotiating an EP within the North East and the experience of other authorities who have sought to develop an 'EP+/ EP Max.' and also what has publicly been offered by operators either in the North East or elsewhere under such a structure. It is not possible to determine what any future EP would include however until and unless it is negotiated with operators. There is also uncertainty around the level of funding which will be available in the future which is likely to affect what operators may commit to. This section considers what an EP approach could theoretically do in the future, but its exact scope remains undefinable. Note that as with any EP structure, this model is not limited to use of an Enhanced Partnership scheme, but also any other regulatory structures and contracts that could be used within an EP deliver model.



- 6.3.1.4. EPs can theoretically include wide-ranging commitments. In principle, authorities could agree to fund bus lanes, parking restrictions and other facilities and infrastructure improvements to support the bus network. Operators, in return, could agree to standards on the time and frequency of services. Many EPs are more limited in practice due to the need to secure the required threshold of operator agreement to implement the EP, as well as the need for additional funding for improvements.
- 6.3.1.5. EPs offer opportunities for better multi-modal transport integration than a fully deregulated model, though overall network control would remain split between the public and private sectors. Case studies in 3.2 outline how integrated ticketing has been partially achieved through our existing EP and a future EP could see further steps towards coordination of timetables, capped fares or common branding.
- 6.3.1.6. EPs' scope and scale therefore reflect what both sides are willing to agree in negotiations and the risk each is willing to take on. Inevitably there is some compromise between the ambition of the authorities and what operators feel able to deliver. Agreements by operators will reflect the consensus of the majority on the minimum standard they want to accept. For instance, requirements on fleet age and emission standards could be introduced, but these would reflect a realistic target for all operators covered by the EP area rather than the current, but not legally binding, decarbonisation targets announced by the operators leading in emission standards. Operators are also incentivised to be risk adverse in negotiations; it is better for them to agree lower standards they later exceed rather than accept ambitious targets that could result in serious enforcement action if they fail to deliver.
- 6.3.1.7. Similarly, dynamics within and between authorities can shape how ambitious they are able to be. Different units within the organisation may take different views on some proposed measures due to different motivations and interests. Significant expansions of bus priority infrastructure may be beneficial and unlock EP aims, concerns over road space reallocation will have to be considered however. Ambition may require internal compromise to ensure internal agreement prior to negotiations with bus operators. Similar issues may, however, occur around infrastructure improvements under any delivery model.
- 6.3.1.8. Currently, the delivery model benefits from extensive BSIP funding, as well as external investments, such as the national £2 fare. In recent years, local authorities have also managed to fund many services which



faced cuts¹¹¹. It cannot be assumed that central government funding will continue meaning improvements may have to be removed and authorities may be in a weaker position to negotiate with operators. If an EP is chosen as the mechanism with which to deliver reform it is possible that additional funding would be available for services when compared to franchising as additional implementation costs would be avoided. It is also possible that operators would commit to further EP improvements if the alternative was seen as franchising.

6.3.2. Franchising scheme

- 6.3.2.1. Franchising powers allow franchising authorities to grant operators exclusive rights to run services on a route or in an area. These exclusive rights can be applied to the whole of a local transport authority's area or parts of it. Authorities must also follow a complex statutory process to introduce franchising that requires an assessment to be produced, an independent audit undertaken and a consultation concluded. This process can be costly and lengthy and this is explored further in section 6.5.
- 6.3.2.2. Franchising is where a franchising/contracting authority specifies the local services it wants the routes, days and times of services, fares, vehicle standards etc through contracts with operators. Operators compete through a tendering process for the right to operate specified services.
- 6.3.2.3. Legislation allows franchising to cover all or part of the North East CA area, with a different delivery model used for the rest of the region. Other combined authorities that have recently proceeded with franchising have chosen a model that covers their whole geography. This report indicatively assumes it would be implemented across the whole CA area for simplicity; replicating the model in other Mayoral Combined Authorities (MCAs).
- 6.3.2.4. Models based on authorities contracting private operators to run services are common in continental Europe and are increasingly being pursued and introduced across the UK. Several sub-models exist that determine how the network is designed, routes packaged and risks allocated.
- 6.3.2.5. London and Greater Manchester's models give the authority extensive network control. The authorities receive passenger fares while paying operators to run specified services. For example, Transport for London's

¹¹¹ Nexus, 2022 is an example of a newly secured service that reflects the increase in secured service spend since 2020



(TfL's) wholly-owned subsidiary London Bus Services Limited sets the routes, times, fares and vehicle standards in London and takes fare revenue from passengers. Operators bid to run specific routes and are paid by London Bus Services Limited to do so, with the vast majority of London contracts incorporating performance payments and deductions, capped at 15% and 10% respectively¹¹².

- 6.3.2.6. The model used in Jersey leaves most risk with the island's sole contracted operator and sees limited public control of the network. The Government of Jersey sets its criteria for the network and awards its contract accordingly, but the operator has operational control of the network able to design routes and keep most fare revenue. Profits beyond a defined level are shared between the operator and the government, intended to incentivise the government to improve bus infrastructure and promote ridership¹¹³.
- 6.3.2.7. Some contracts in the Netherlands package buses and local rail services together, with a single operator running an integrated network. Most contracts allow the operator to design the network (within certain defined minimum service standards). Many also give the operators the network revenue, or a share of it, incentivising them to join up services and promote integrated transport¹¹⁴.
- 6.3.2.8. Franchising brings more of the transport network into public control, presenting significant opportunities to expand and deepen integration across the region. Franchised routes could be designed to complement, rather than compete with, relevant Metro and rail routes across the region, with coordinated timetabling and capped multi-modal ticketing. Integrating buses with local trams into the 'Bee Network', including a uniform brand for network, has been a key objective of franchising in Greater Manchester. This could mean that improvements could be delivered for passengers with the same cost base through using resources more efficiently.
- 6.3.2.9. Control of the network also provides the opportunity for wider strategic alignment as bus routes could be catered towards areas such as areas of TRSE, key employment or housing sites. This would be subject to affordability and strategic agreement with and between authorities. 'Bus Friendly' schemes which would benefit the franchising authority would also require agreement within and between authorities.

¹¹² Transport for London, 2015

¹¹³ HCT Group, 2016

¹¹⁴ Urban Transport Group, 2016



- 6.3.2.10. While franchising would transfer control of the network to the franchising authority, intra-public sector dynamics would still shape the deliverability of some commitments. This issue is arguably more significant in an EP environment as it shapes what operators feel willing to commit to as a quid pro quo but disagreements between busfocused politicians and officials and highways authorities could continue to limit infrastructure upgrades, negatively impacting the network. Transferring control to the public sector does not guarantee a joined-up and agreed approach internal negotiation is still required.
- 6.3.2.11. Franchising has very significant financial implications and similarly to an EP our ability to deliver many improvements within a franchised environment is contingent on funding. We benefit from extensive government funding such as BSIP and the $\mathfrak{L}2$ fare cap although this is not guaranteed in the future . Costs depend on the precise operating model adopted, but it is likely that additional funding would be required to support the transition and operation of a franchised network. Franchising could also increase the financial risk to the public sector, again depending on the model adopted.

6.4. Ability of a future EP (EP Max) to deliver against the criteria set out in section four.

- 6.4.1. EPs rely on partnership working between the authority and operators; both commit to agreed improvements that support a joint vision for the region's bus network.
- 6.4.2. The North East's current EP implemented in April 2023 represents the best that was achievable in negotiations with operators at that point in time. It has had benefits for our region, but more expansive EP provisions have been proposed or introduced in other areas. Examples include Cornwall (introducing interoperable ticketing and significant marketing)¹¹⁵, Leicester (focusing on network optimisation)¹¹⁶ and Stoke-on-Trent (significantly reducing fares)¹¹⁷. These reflect what both authorities operators in those regions were willing to agree to and invest in. In West Yorkshire a more expansive EP+ was prepared by operators as an explicit alternative to franchising, going beyond the commitments agreed in its existing EP.

¹¹⁵ Transport for Cornwall, 2022

¹¹⁶ Leicester City Council, 2022

¹¹⁷ Stoke-on-Trent City Council, 2023



- 6.4.3. Expansive EPs are sometimes dubbed as an 'EP+' or 'EP Max', but there is no clear delineation between an EP and an EP+/EP Max. All operate within the same EP legal framework and are subject to the same constraints.
- 6.4.4. It is possible that the North East EP could be expanded with new commitments by the authorities and operators. Both may be willing to go further than previously if they viewed the current EP as a successful start; additional funding was available; or if it arose as a direct alternative to franchising. Extensive negotiation with operators would be required to determine the scope and scale of any future EP improvements. It is therefore not possible to concretely define what a future EP Max would look like.
- 6.4.5. This section sets out what commitments could allow a future EP to deliver on our ambitions for our region. Achieving better for our residents would require large financial contributions from the authority and operators, although this could represent a saving when compared to the cost to implement franchising. It also highlights the limitations of the EP model and notes that some enhancements may be unachievable.
- 6.4.6. Negotiation with operators would be required to determine what expansions to our EP were agreeable. Negotiation would also be required with relevant teams within local authorities to determine what they would commit to. A significantly expanded EP is likely to require highways authorities to be bolder in committing to bus priority measures. This could involve acceleration of bus priority infrastructure plans, significant additional road space reallocation or disincentives to parking in town and city centres.
- 6.4.7. Delivery challenges and advantages associated with our EP (as explored in section 3) and examples of improvements delivered by other EPs have been used to formulate Table 16 below which examines potential improvements in a future expanded EP. As noted, operator agreement would be required.



Area	Bus Network Improvement	Ability of a future EP to deliver improvement
Connections between different transport types	Other buses	EP commitments could facilitate improved connections to other buses. This could include multi-operator tickets that cover multiple buses – such as a ticket valid to a defined final destination that includes transfers (similar to rail tickets) or tickets allowing travel for a defined period of time (such as the London hopper fare). An EP could also specify defined times for services to arrive at key interchanges.
	Rail and Metro	There is scope within an EP to set Route Requirements that set the time that individual services arrive at an interchange, or to just generally request that bus service timetables are co-ordinated with other modes, such as the Metro, Ferry or Rail.
Page 205	Walking and wheeling	An EP could include requirements to promote active travel, improved wheelchair accessibility standards, or compel bicycle carriage on routes. Joint network marketing could also promote the benefit of walking to/from bus stops.
)) 	Car	Improvements to the region's P&R offer could be part of an EP, including high profile sites at strategic locations on the Key Route Network ¹¹⁸ as well as smaller and more informal P&R sites such as 'pocket P&R'.
	Air	An EP could involve coordination of services to Newcastle Airport. Similar timing requirements could be introduced as those for interchanges require buses to arrive/depart within a set period of time before major flights take off/land. Improved bus services to Newcastle Airport could also be introduced such as those currently being piloted with BSIP funding.
Planning journeys/informing users/supporting customers	Journey planning	Bus operators could agree to promote a single website that included journey planning capability, timetables, and maps in addition to their own websites. There could also be a common brand for onstreet timetable information.
Cuctofficio		Local authorities/Nexus could commit to rolling out real-time information displays at key stops and interchanges across the region.

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¹¹⁸ Key Route Networks are a network of some of the most important roads in a combined authority for which an MCA and its constituent authorities both hold powers



	Disruption	An EP could stipulate where and how disruption information is provided to customers as well as a
	information	common standard for the notification of planned and emergency works affecting bus routes. Bus company employees could theoretically be put into a central multi-agency control room with agreed protocols around consistent public messaging.
	Branding	Adoption of a common brand across all buses could be required in an EP. It could also require that this brand is adopted for all marketing materials and bus infrastructure. A common brand could be designed to link to other modes of transport.
	Marketing	Operators could be obligated to make a financial commitment, matching a public fund used for marketing to boost an overall pot. For example, to market the bus network as a whole.
D	Customer Charter	All operators adopting a common Customer Charter could be facilitated by an EP.
Fares and Ticketing	Children & young people	Ticketing could be made more attractive to children and young people under an EP by providing further discounted or free travel for local services, a multi-modal youth fare cap, or new specially targeted ticket types.
б	Adult fare paying	Competition law requires that operators set individual ticket prices independently, but the EP could introduce multi-operator tickets (such as a capped fares scheme or the existing BSIP all-day tickets). An agreement would need to be reached with operators around allocating revenue from these tickets or reimbursing them for lost revenues. These EP-enabled tickets could be designed and promoted to be the most convenient option for passengers and aim to supersede individual operators' tickets, though legally these would still need to be available.
	Concessionary travel	Bus operators would continue to participate in ENCTS and receive reimbursements linked to commercial fares, as required in legislation. Local enhancements could be agreed within an EP, such as reducing the age of eligibility or withdrawing some time restrictions on use (such as allowing passes to be used before 09:30 on weekdays, as is currently possible in some parts of the region).
Network	design objectives a	roduce an authority-led bus network management group with decisions based on a clear framework of and principles. Less ambitious variants could allow for increased pre-change consultation to allow keholders to influence changes while keeping the final decision with operators.



	Scope to introduce Route Requirements. This could include requirements for buses on a particular corridor to operate with an even headway—spreading buses out so the time between buses is consistent. Similar scope for more collaboration on the network by reallocating over-provision and duplication by specifying the maximum frequency on a corridor. Operators may also be willing to offer open book data sharing on route performance to give greater transparency. Authorities would still be responsible for designing and procuring socially necessary (gap filling) secured services. Additional funding could also provide an enhanced network which could be tendered by local authorities/ Nexus. This would be achieved through existing procurement processes.		
Reach and resilience of infrastructure	Fleet and ZEBs Bus Priority Infrastructure	Operators could agree to make a particular route or defined area served by ZEBs only, possibly including a phasing plan with a defined timeline. The OTC could cancel the registration of noncompliant services to allow the authority to tender replacement provision that complies with the ZEB requirement. Local authorities and bus operators could collaborate under an EP to identify congestion hotspots, with the EP committing the authorities to make improvements. The EP could also specify that operators would reinvest saved resource following these improvements back into the local network. Further commitments to mitigating planned and unplanned disruption on the road network could be introduced. This could include investing in our UTMCs and ensuring buses are prioritised at times of disruption. Increased data sharing could also be included in an EP to provide the authorities with a greater evidence base to use when seeking funding for improved bus priority measures. There could also be a multi-agency working group tasked with delivering targeted improvements to journey times and facilitating greater scrutiny on congestion hotspots.	
	Bus stops, stations and interchanges	A future EP could see operators and local authorities work together to prioritise upgrades to bus stop and station infrastructure. Funding could be allocated by the partnership towards upgrading facilities at the busiest locations, or rolling out more real-time information displays at key stops/stations. Upgrades could also include new or refurbished interchanges, supporting connections between modes.	

Service Quality	Punctuality,	There is scope for the North East CA to become the registration authority. This would enable the North	
	reliability,	East CA to refuse registration applications which do not meet the required standards set by the EP. It	
speeds		could also require operators to share more data on service performance to increase transparency. It	
		would also allow the North East CA to cancel registrations due to breaching EP commitments.	
	Buses	Requirements around vehicle age, design, emissions, accessibility, and onboard facilities (such as Wi-	
		Fi for longer journeys, phone charging facilities, or seat type) could be included in the EP.	
		Commitments could be bound to specific transition dates or specified routes.	

Table 16: Ability of a future EP to deliver improvements



6.4.8. Commentary on timetable for implementation

- 6.4.8.1. Our existing EP has a variation mechanism which could be used to introduce significant changes and enhancements. Using this mechanism truncates the process to implement an entirely new EP. Time would be required for the vision and proposals in the EP to be negotiated, the formal operator objection period, and time for any agreed improvements to be implemented.
- 6.4.8.2. Negotiation timelines are likely to scale based on the ambition of the EP. A less ambitious EP would likely require less intensive negotiation and could be implemented quicker, while a more expansive EP could require more complex issues to be agreed potentially delaying agreement and implementation. It may be possible to implement an ambitious EP in stages agreeing and implementing less controversial provisions first to enable some improvements while more complex issues are resolved. This approach depends on the scale of disagreements and the willingness of operators to pursue it.
- 6.4.8.3. Implementing an expanded EP is a legal process would require agreement from all partners on the best method, as well as agreement on the precise legal text of the EP Plan and Scheme(s). Our existing EP includes a variation mechanism that allows changes to be made provided no objections are received during a 28-day operator consultation period this provides a relatively quick legal path to implementation, but timescales could be significantly elongated by all partners confirming agreement to the specific legal agreements. There may also be a need to run a public consultation, particularly if the expanded EP included extensive commitments, which could also elongate the process.
- 6.4.8.4. EP timelines are also very dependent on the accessibility of funding. Table 17 shows it took over two years between the EP process starting in the North East and one of the most visible achievements all-day, multi-operator, and multi-modal tickets going live. A year-long wait for DfT funding was responsible for much of this delay, with the operator objection period and public consultation stages passing quickly once reached.



Milestone	Month reached
National Bus Strategy published: LTAs told to	March 2021
enter an EP to access funding	
Joint Transport Committee (JTC) agrees to	June 2021
pursue an EP: formal notice of intent to prepare an	
EP published	
North East BSIP published: setting out vision for	October 2021
the North East network and services	
Negotiations about fares begin: Fares were one of	September 2022
the most difficult parts of the EP to agree	
North East BSIP refreshed: annual update	November 2022
approved by JTC	
Draft EP prepared : Operators notified of draft plan	December 2022
and scheme, objection period begins	
EP approved: no operator objections submitted	February 2023
and successful public consultation	
EP takes effect: operators and local authorities	April 2023
bound by commitments	
DfT funding announced : funding allocated to LTAs	May 2023
following year-long delay	
Negotiated fare products fully launch: all-day,	November 2023
multi-operator and multi-modal tickets negotiated	
in the EP launch. Under 21 fares were launched	
earlier due to faster negotiations	

Table 17: North East EP timeline

- 6.4.8.5. West Yorkshire's (WYCA) proposed EP+ was developed as an alternative to franchising and built upon its prior EP to include several relatively ambitious operator commitments. Operators submitted their proposals to the authority in August 2023¹¹⁹, five months after engagement sessions with WYCA started in March 2023¹²⁰. Further work would have been required to translate this into a formal EP Plan and Scheme. This would have required further engagement between the operators and authority to finalise provisions and manage the risks involved. Objections would have been unlikely to object during the minimum 28 days that would follow the formal Plan and Scheme being proposed, enabling a relatively quick implementation in comparison to the franchising option the region ultimately adopted.
- 6.4.8.6. Fully operationalising EP commitments to deliver the full range of benefits for passengers could take considerable time, particularly for

¹¹⁹ FirstBus, 2023

¹²⁰ West Yorkshire Combined Authority, 2023, p.135



commitments requiring new bus priority infrastructure to be installed or new buses procured (for example, a commitment to rapidly expand ZEBs). WYCA's proposed EP+ included measures that operators claimed could be delivered in three or six months to provide some 'quick wins', though some of these were commitments to establish new forums/partnerships or agree other matters such as a 'standard interior bus specification for all new buses'. It could take longer to translate these 'quick win' commitments to real-world improvements to bus services.

6.4.9. Financial and other resource implications

- 6.4.9.1. Additional negotiation with bus operators would be required to deliver an expanded EP capable of delivering additional improvements. Significant resource will be required at this stage for the organisation to participate in intensive negotiations as well as business as usual needs. Working groups with bus operators and authority staff would need to meet frequently to develop initiatives with senior management on both sides involved regularly to determine what will be included or excluded from the agreement.
- 6.4.9.2. Additional staff resource would be required to deliver on the commitments once the expanded EP was in a 'steady state', with the precise number and functions dependent on the agreement reached with operators. Broad and solely indicative insights about the potential staffing implications can be drawn from other combined authorities, but each EP is different and their staffing assumptions depend on detailed assumptions about how they would manage their individual EPs. WYCA estimated it would need an additional 25.5 FTE staff to support the EP+, including 13 to staff the authority-run control room and four to facilitate the partnership and network planning, costing an estimated £1.1 million per annum¹²¹. LCRCA's analysis of a potential ambitious EP option concluded that it would need 15 new posts, resulting in a total headcount with resource costs of over £2.5 million¹²² per annum¹²³. Detailed analysis would be undertaken alongside negotiations to determine what staff resource would be required to deliver the commitments involved in any expanded EP.

¹²¹ West Yorkshire Combined Authority, 2023

¹²² This figure covers 150 posts which LCRCA have termed 'core teams'. 50 posts manage bus stations under all delivery options and LCRCA have not included their salary costs in the £2.5m figure. Support teams (largely 0.5 FTE across functions such as legal, IT, and communications) are estimated to have a further cost of £260k.

¹²³ Liverpool City Region Combined Authority, 2023



- 6.4.9.3. Further capital funding would be required to deliver any infrastructure improvements agreed in an EP. Our current EP depends on time limited DfT BSIP funding, meaning there is no long-term funding certainty for either the authority or operators. More ambitious and long-term infrastructure improvements (such as an accelerated rollout of ZEBs, new P&R stations, or many new bus lanes) and associated ambitious performance targets need a sustainable and reliable funding source the lack of which is a barrier to the implementation of any enhanced EP. A significant injection of funding, such as increased transport levy contributions by local authorities, a mayoral precept on council tax, or the 30-year investment fund available to combined authorities, would provide the authority with the ability to invest for the medium-to-longterm. These are listed solely as indicative potential sources – any decision on funding would need to be taken at a later stage in the EP process. Operators would also be expected to contribute significant financial investment on a similar scale to the authority and are likely to prefer investment in the bus network, limiting the funding available for better integrating public transport into a single cohesive system.
- 6.4.9.4. Realising an ambitious EP would require substantial funding, but this is likely to cost less than the franchising model. Financial contribution by the authority should be seen in comparison to franchising as the two headline reform options.

6.4.10. Legal implications

- 6.4.10.1. EPs allow the authority significantly more control of the network, but buses continue to operate in a complex legal environment limited by competition law, procurement regulations, and subsidy control. A more demanding and far-reaching EP would push the boundaries of what is legally permitted under the current legislative framework.
- 6.4.10.2. Establishing and varying an EP requires the authority to operate inside a defined legal process. Much of the work can be done through informal negotiations, but the EP Plan and EP Scheme(s) ultimately need to have language and implementation details that all parties are willing to be legally bound by. Implementation also depends on no valid objections being raised during the 28-day operator objection period.
- 6.4.10.3. Some proposals would not be possible under any EP as they would contradict a part of the legislative framework regardless of how they were implemented. Current funding could theoretically be used to pay the existing operators to boost frequencies on many key routes in the network, but this would be unlawful unless the relevant routes were put



out to tender. Tendering the routes then risks fragmentation and damaged relationships if a non-incumbent operator won the tender.

6.4.11. Key risks

- 6.4.11.1. A central risk of the EP delivery model is the uncertainty over securing operator agreement and collaboration. EPs are shaped by what operators are willing to collectively agree to. Operator offers are likely to vary based on risk tolerance, working relationships between operators and the authority, and whether they need the EP to be a credible alternative to another option. For example, operators may prefer to avoid commercial risk and consequently limit their offer. Similarly, EP offers in other areas such as in WYCA have been the most expansive when presented as an alternative during the franchising assessment process, with operators attempting to illustrate a credible alternative.
- 6.4.11.2. The availability of funding for a future EP is also a key risk. Additional long-term funding would likely be required to maximise the potential for improvements under the EP, but DfT funding is relatively limited and short-term. The North East CA has some revenue raising options, but these would be controversial to exercise. Operator investment could also be limited they would have no obligation to invest at the level the authority may want and proposals requiring significant private sector investment could attract a valid operator objection.
- 6.4.11.3. Nexus and local authorities remain responsible for providing and funding secured services under an EP. As highlighted in section 5.5, a continued decline in bus patronage could see commercially unviable services withdrawn by operators and risks requiring local authorities and Nexus to choose between increasing secured service spending or allowing a potentially significant contraction to the network. Operators would ultimately determine which services were unviable, but this risk is particularly pronounced for rural areas as they typically have higher costs to serve and lower patronage. Similarly, local authorities would ultimately determine their budget allocations but funding available for bus services is not infinite and it is plausible that increases to secured service spending result in less funding being available for EP improvements.
- 6.4.11.4. Although standards can be introduced and enforced through the EP it would not always be practical to negotiate and enforce all details of bus operations in the region. Objective misalignment may mean that the network is not designed in a cohesive manner and strategic outcomes are not delivered.



- 6.4.11.5. Although integrated ticketing, journey information and branding, can be introduced these are likely to sit alongside operators' individual offerings meaning the network is further complicated and confusing for passengers.
- 6.4.11.6. As discussed in section 3.7 here are numerous operational challenges associated with delivering the EP including local authority resource, procurement processes and legal barriers. This can endanger delivery or result in poor value for money.
- 6.4.11.7. Delays delivering the improvements could result from unforeseen issues outside the control of the authority and operators. These delays would mean our ambitions remain unfulfilled for longer, potentially losing passengers and causing reputational damage. A significant change in circumstances that altered what the authority or operators were realistically able to deliver or the overall vision for the network could also require that negotiations be re-opened, causing further delays.
- 6.4.11.8. There is a risk that operators do not comply with their obligations under the EP. EPs have relatively blunt enforcement measures allowing the OTC to cancel a registration and enabling the relevant LTA to seek replacement services. Depending on the precise commitments in an EP, this may cover a single route, a group of routes, or the entirety of that operator's services in the region our current EP would involve the latter. Enforcement in this instance becomes largely theoretical it is unlikely the authority would ask the OTC to cancel an entire operator's service over breached EP commitments, meaning operators have relatively limited incentive to comply beyond retaining goodwill. This risk exists in addition to potential financial and reputational risks for any local authority that does not deliver their commitments under a more comprehensive EP.
- 6.4.11.9. Within an EP change to or within operators can be highly significant. While political change can also be impactful, it can be accommodated more effectively (defined time periods between local and general elections) whereas operators could leave the market leading to service disruption. Individual personnel changes in operators can also disrupt working relationships and change what individual operators may be willing to agree to.
- 6.4.11.10. An expansive EP would likely seek high service standards. These would deliver benefits for the travelling public but could also act as a barrier to entry for new operators who may need to comply with these



requirements but lack time to build operational expertise in the area. High barriers to entry limit how competition could boost quality and reduce prices, which is a key argument for the deregulated model.

6.4.12. Equality and diversity implications

- 6.4.12.1. The Public Sector Equality Duty (PSED) means decisions by public sector bodies, such as the North East CA or LAs, must pay 'due regard' to the need to eliminate discrimination, advance equality of opportunity and foster good relations between different groups.
- 6.4.12.2. Any improvements to the bus network are likely to have significant positive equality and diversity implications. Bus use is more common among several groups protected by the Equality Act 2010 (the Equality Act). This includes older people, women, ethnic minority groups¹²⁴ and disabled people.¹²⁵
- 6.4.12.3. Analysis supporting the region's initial EP found that older residents, residents not in education, employment, or training and black and ethnic minority residents were more than twice as likely to be bus users as the general population. This concluded the EP initiatives had positive equality implications.
- 6.4.12.4. General improvements to the network, such as increased reliability and reduced journey times, would have positive implications given the demographics of bus users. More specific interventions, such as going beyond the legal minimums on accessibility for disabled people, would theoretically be possible under an EP, but would require operator agreement and sufficient funding.
- 6.4.12.5. The North East has one of the highest levels of digital exclusion. The proportion of people in the North East that are currently offline is approximately 8% whereas the England average is 5%¹²⁶. Any improvements to the wider EP for passengers that revolved around expanding the use of digital solutions would have to consider that they are not accessible for everyone, and alternatives must be provided.
- 6.4.12.6. Although bound by the Equality Act, it is possible for operators to take decisions with negative equality implications for commercial reasons. Hypothetical examples could include cancelling a route running through an area with a high concentration of ethnic minorities due to commercial

¹²⁴ Department for Transport, 2023

¹²⁵ Department for Transport, 2023

¹²⁶ Lloyds Bank, 2021



non-viability or reducing the frequency of midday services commonly used by retired people. Operators would not set out to discriminate, but commercial decisions can have disproportionately negative implications.

6.4.12.7. Further equality and diversity analysis of the provisions agreed in a future EP would be undertaken as part of negotiations with bus operators and to inform the North East CA Mayor and Cabinet ahead of approval. At this stage, it is likely that any EP improvements would have significant positive implications, but the structure of the deregulated model includes a residual risk that commercial decisions could indirectly have negative implications.

6.4.13. Any further impact of proposals

- 6.4.13.1. EPs do not change the need or cost of secured services in our area. Our local authorities and Nexus support around 14% of services by mileage in the region, with this growing consistently since 2017 when it was 9% of overall mileage¹²⁷. Declining bus patronage is likely to require further spending on secured services. This represents a significant financial burden on local authorities many of which face constrained financial positions as well as eating into resource capacity to manage and monitor contracts.
- 6.4.13.2. There is significant geographic flexibility in EPs. Different requirements can apply to different areas, allowing measures to target different issues (e.g. a rural route may have measures that target low frequencies while an urban route may be subject to measures that will reduce dwell time at stops). Our current EP applies region-wide, but there would be scope to tailor a future iteration to defined geographies, such as local authority boundaries or travel to work areas. The desirability of this would be considered ahead of EP negotiations.
- 6.4.13.3. EP standards apply to cross-boundary services unless those services are specifically exempt from the EP, but fare caps and similar measures do not apply across boundaries possibly creating higher costs for passengers. For example, a passenger travelling from Newcastle to Sedgefield on Arriva's X12 service would be able to access EP fares, but a passenger continuing to the terminus in Middlesbrough would not. Scope exists to negotiate fare zone extensions as part of other authorities' EPs, but this would require coordination with the Tees Valley and the two local authorities in Cumbria. Difficulty could also arise

¹²⁷ Bus Reform Project analysis of Department for Transport, 2023



- regarding extending fares to the small number of cross-boundary services to the Scottish Borders as EPs do not exist in Scotland (though a similar model Bus Service Improvement Partnerships does operate).
- 6.4.13.4. EPs do not affect local authorities' obligations to provide home to school transport or how this is delivered. Operators would still bid for contracts to run home to school services, though buses operating these routes could benefit from infrastructure improvements, such as bus lanes.

6.5. Ability of franchising to deliver against the criteria set out in section four

- 6.5.1. Franchising involves the authority controlling the network setting routes, fares, and vehicle requirements, and service standards and contracting operators to run specified routes.
- 6.5.2. Various models exist with different allocations of risk, methods of route packaging, and whether the network is designed by the authority or contracted operators. A potential future FSA would be required to determine the most appropriate operating model in the North East.
- 6.5.3. All examples in this section are included to indicate what is possible under franchising and are summarised in Table 18. The scope of a franchised network in the North East would be determined in a future FSA.
- 6.5.4. Legislation does not require that a franchising system is adopted across the authority's whole area. It is legally possible to franchise some of the region and have an EP cover the rest, although this introduces additional complexities around cross-boundary services. All previous franchising decisions in other combined authorities have covered the authority's whole footprint. This section assumes the same approach would be taken in the North East for simplicity.



Connections between different transport types	Bus	Fares could allow free transfers between different buses, enabling more complex journeys. This could work similarly to London's 'Hopper' fare allowing unlimited journeys for 60 minutes.
		Service planning could also align when buses arrive and depart from key interchanges to allow passengers time to connect where feasible.
Page 218	Rail and Metro	Franchising introduces a central mind for service planning and provides an opportunity to have greater density of local bus journeys feeding interchanges with the minimum possible premium on fast onward travel. This will increase frequency and reduce overall journey time in suburban areas without significantly increasing peak vehicle requirement (PVR).
		Multi-modal tickets could be permanently introduced and publicised, alongside potential multi-modal fare capping.
	Walking and wheeling	A requirement to promote active travel is likely to sit with the franchising authority. Franchising could also introduce requirements around wheelchair facilities on buses as well as bicycle storage on specified routes. Alignment could also be sought with cycle and scooter hire facilities, for example seeking to have these close to defined bus stops – though this is not franchising-specific.
	Car	The franchising authority would be responsible for all service planning and could work with the respective local authorities to introduce new P&R facilities. Operators providing local service contracts could be contractually obligated to serve and promote these sites.
	Air	Franchising moves the service planning function from the private sector bus operators to the local authority. This would enable services to be planned to meet wider public



		sector objectives. This could include the development of improved connectivity
		to/from Newcastle Airport by bus.
Planning journeys/informing users/supporting customers	Journey planning	A franchising scheme covering the region could facilitate the introduction of a single website with journey planning capability and timetables/maps for all bus journeys, rather than these being spread across different operators' websites. On-street timetable information using a common brand could be rolled out to all bus stops and interchanges throughout the region.
Page 219	Disruption information	Within a franchise environment it would be possible to centrally control how disruption information is provided to customers, adopting a common standard for notification of planned and emergency works affecting local bus routes. There would be scope to put bus company employees into a central multi-agency control room with agreed protocols established around consistent public messaging. Passengers could be advised to route through any public transport service – such as Metro services – without issues around ticket acceptance.
	Branding	A franchise would allow all operators to adopt a common brand across all buses (with an opportunity to mandate branding on cross-boundary services via the Service Permit regime).
	Marketing	A franchising scheme could allow marketing activities to be centrally co-ordinated by the franchising authority, affording opportunities for a simple and consistent brand and message across all buses and infrastructure. Options to promote particular routes or service types on a wider regional level, for example GMCA marketing buses as part of its integrated 'Bee Network' alongside trams, cycle hire, and (in the future) local rail.
	Customer Charter	The authority could publish a common Customer Charter across all bus services. This could also cover the Tyne & Wear Metro to give commitments for the wider public transport network.



Fares and Ticketing	Children & young people	Within a franchise it would be possible to increase the age threshold for free travel, define a multi-modal child/young person fare cap or see the introduction of new ticket types targeted specifically for children/young people. There would no longer be a
		requirement for operator specific tickets (except for excluded commercial services) - allowing simplification of product range.
		As with all possible fare and ticketing improvements, this would be enabled by franchising but funding would be required to implement it.
Page 226	Adult fare paying	Authorities would set the price of all tickets. This can be index linked or revised in line with other metrics, for example improved journey times. It could also be targeted at different audiences (for example, adult, child, apprentice etc.).
220		Franchising powers could permit the extension of current single-leg price capping, discounted multi-operator ticketing (offering period versions of the current area based multi-modal/operator products) and/or provide a framework for a much-simplified range of agreed ticketing products.
	Concessionary travel	Passengers would continue to be able to access ENCTS and a franchise could enable local enhancements, for example, ability to reduce the age of eligibility and/or withdraw some of the current time restrictions in place in parts of our area (e.g. enable passes to be used before 0930 Monday – Friday across the whole region).
		Operator reimbursements, linked to commercial fares, would no longer be payable if the authority retained farebox revenue. While costs for the scheme would still be
		incurred, meaning the costs would be 'internalised' rather than removed, this could be advantageous in the long term. This is because increases to operator reimbursement can be unpredictable, requiring accurate assumptions about the level of commercial



		fares, future patronage, and uptake among the eligible groups. Some inefficiency in the reimbursement process could also be avoided. Removing the link to commercial fares could therefore give local authorities / Nexus savings compared to the status quo.
Network	The authority would assume responsibility for planning the routes/network, providing a single guiding mind that will be empowered to remove duplication on the network and to incorporate input from communities and users. The networks could also be revised and built upon to serve new housing developments. The authority can establish internal protocols for pre-change consultation.	
Page 2	Commercial bus operator requirements.	uld be re-configured to offer greater integration with other modes. s still responsible for designing/operating excluded services - subject to Service Permit
of infrastructure	Fleet and ZEBs	Franchise contracts could mandate the use of ZEBs on a particular route or within a defined area. This requirement could apply fully from an agreed date or be linked to a phasing plan with a defined timeline. Non-compliance would be dealt with through contractual mechanisms. There is potential for authorities to lease to private operators (potentially a useful mechanism to accelerate ZEB deployment).
	Bus Priority Infrastructure	A franchising scheme could allow contracts to be configured so that bus operators are required to share performance data on where congestion is adversely affecting journey times. Highway interventions can then be designed with implementation by the authority. As these are likely to lead to savings it may be that authorities in franchised bus networks are more motivated to introduce bus priority infrastructure. A franchising scheme could also set out what happens with any resource saved from those interventions - for example, a commitment by the authority to reinvest saved resource back into the network. Although any changes that reduce the road space



		available for cars may face resistance, this could create a virtuous cycle where
		reducing congestion for buses leads to improvements further driving modal shift.
		TfGM's well-funded Urban Traffic Control team illustrates what is possible with control
		of the network, enabling traffic signal modelling to project the impact of different
		interventions ¹²⁸ .
		A franchising scheme could see the creation of multi-agency working group - tasked
- h		with targeted improvements to bus journey times and facilitating greater scrutiny on
Page 222		congestion hot-spots. Franchising could also cover expanded mitigation for planned
g e		or unplanned disruption on the network – supporting routes to be rerouted due to
N		roadworks or traffic incidents. TfGM's approach includes integration with police,
N.		allowing bus services to be rerouted once a threshold of disruption is reached.
	Bus stops, stations and	A franchising scheme could allow the authority to prioritise upgrades to stop/station
	interchanges	infrastructure (linked with wider socio-economic investment). Funding could be
	interchanges	allocated towards upgrading facilities at the busiest locations, including modal
Comice Quality	Description and abiliar	interchanges, or rolling out more real-time information displays at key stops/stations.
Service Quality	Punctuality, reliability,	Operators sharing data on route-by-route performance with the authority would likely
	speeds	form part of the contractual mechanisms underpinning the franchising relationship,
		giving greater transparency and supporting the identification of areas for improvement.
		Failure to comply with punctuality/reliability targets would be enforced via the
		franchising contracts. There would also be an opportunity to incentivise good
		punctuality /reliability by using a performance regime which rewards operators

¹²⁸ Transport for Greater Manchester, n.d

	financially (and/or via extended contract terms). Similarly poor performance could be disincentivised, with similar performance provisions included in London's bus contracts.
Buses	A franchise scheme could set requirements about vehicle age, design, emission standards, accessibility requirements and provision of other on-board features such as Wi-Fi for longer journeys, power charging facilities and/or seat type.

Table 18: Ability of franchising to deliver improvements



6.5.5. Commentary on timetable for implementation

- 6.5.5.1. Developing and then implementing a franchising scheme in the North East would require significant time and financial investment. A clear statutory process would need to be followed including developing an assessment, undertaking an independent audit and a significant consultation before the North East CA Mayor could decide to implement the proposed franchising scheme. A transition and implementation period would then follow and depending on the preferred model it could include potential acquisition of assets (e.g. depots and/or buses), network review/development and procuring contracts before the first franchised bus enters service.
- 6.5.5.2. Assuming there was a decision to franchise after the FSA, the franchising process would likely require just over 5 years for the first bus services to enter operation, but depending on various factors, it may take between 4 and 7 years. An FSA in the North East (inclusive of audit, consultation and approvals) is likely to take around 2 years 8 months but factoring in opportunities and risks it may range between 2 years and 3 years 9 months. Franchising transition and implementation timelines are hugely dependant on the preferred operational model and the implementation strategy defined in an FSA - for example, a tranche approach to procuring services (as pursued by other authorities) would mean the transition could take significantly longer. A robust programme for the implementation of a franchising scheme would be developed as part of an FSA, but indicative estimates based on experience of other combined authorities show that it may take in the region of 2 years and 6 months (post FSA) for the first North East buses to enter service under a franchising scheme. Factoring in opportunities and risk it may take anywhere between 2 years and 3 years 6 months for the first buses to enter service under a franchising scheme. The duration for the full network to be franchised is determined through the FSA and cannot be reliably estimated at this time.
- 6.5.5.3. This indicative timeline is informed by lessons learnt from other combined authorities that have recently pursued franchising, informed by risks and opportunities, assumptions regarding potential franchising models and assumed streamlined North East CA approvals. A summary of estimated timelines from other CAs is presented in Table 19 below with the estimated North East CA programme for comparison purposes. To date, only TfGM have implemented franchising and durations for the Transition & Implementation for other MCAs are estimates (rather than actuals) provided by the authorities themselves and refer to the



estimated duration for the first franchised buses to enter service rather than implementation of the entire franchising scheme.

Combined Authority	Activity	Estimated Duration	Total Estimated Duration
Manchester (GMCA)	Assessment Transition & Implementation (first services)	60 months ¹²⁹ 23 months	6 years 11 months
Liverpool (LCRCA)	Assessment Transition & Implementation (first services)	61 months ¹³⁰ 35 months ¹³¹	8 years
South Yorkshire (SYMCA)	Assessment Transition & Implementation (first services)	33 months ¹³² 36 months	5 years 9 months
West Yorkshire (WYCA)	Assessment Transition & Implementation (first services)	34 months 36 months	5 years 10 months
North East CA (indicative timeline)	Assessment (inc. project mobilisation)	Likely 32 months (26 – 45 months) ¹³³	Likely 5 years 2 months

¹²⁹ Duration includes COVID-19 impact (second consultation) and legal challenge.

¹³⁰ Notice to proceed to franchising assessment issued in Sep 2018. No activity between mid-2020 and mid-2021 due to the COVID-19 pandemic.

¹³¹ LCRCA decided to proceed with franchising in October 2023. Implementation is planned to be staggered across five lots, with the first franchised buses operating in September 2026. Implementation of the fifth lot is scheduled for December 2028.

¹³² SYMCA issued notice in March 2022. Approval to proceed to audit in Mar 2024. Audit and consultation timescales assumed as 9 months.

¹³³ Acceleration opportunities may exist in running the audit in parallel with assessment, early procurement of consultant support and streamlined North East CA governance. Key constraint is development of a Financial Model to underpin the assessment.



Transition & Implementation (first services) ¹³⁴	30 months ¹³⁵ (24 – 42 months)	(range of 4 years and 2 months – 7
		years 3
		months)

Table 19: Indicative timeline for franchising

- 6.5.5.4. The franchising implementation timeline will be heavily influenced by the franchising model that may be pursued. For example, gross cost versus net cost; 136 packaging strategy i.e. individual route contracts (London), area/depot-based packages (Manchester) or a single package contract (Lyon). For example, South Yorkshire have recently announced their intention to pursue a franchising option that commits them to acquire the legacy fleet and depots of the incumbent bus operator¹³⁷. They estimate that their implementation phase will take three years, albeit that is a "compressed" timeline. For the purpose of estimating a scheme implementation duration for the North East, it is assumed that a model consistent with other UK schemes will be the likely preferred approach. Both duration and preferred franchising model would need to be determined as part of any future FSA. Timescales for delivery could also be affected if a decision is taken to deliver a franchising scheme in tranches, following the approach taken in Greater Manchester.
- 6.5.5.5. Some industry stakeholders have expressed a desire for government to accelerate and de-risk the franchising process. This could accelerate the programme and is Labour Party policy¹³⁸. Legislative change would likely be required; an FSA could already be significantly progressed in the North East by the time new legislation was passed, so at the time of writing, the prospect of an accelerated process remains an emerging situation to observe, and possibly to seek to influence.

6.5.6. Financial and other resource implications

¹³⁴ Assumed a model that is consistent with other UK schemes, whereby the North East would be segmented into a number of packages (with the focus of creating sufficient competition in the market), be it how the networks in London (route based) and Manchester (depot based) have been segmented, or another approach. The preferred approach would need to be determined as part of any Franchising Scheme Assessment, and the Authority would have the ability to propose different models for different parts of the region, if it so wishes.

¹³⁵ Assumption based on estimates from other CAs, however this may differ significantly for a region with our characteristics and ultimate preferred model. The duration refers to first buses in service not the full implementation of the franchising scheme.

¹³⁶ 'Gross cost' franchising refers to a contractual structure in which an operator is paid the whole cost of operating the route, including overheads and profit. Revenue risk sits with the public sector. 'Net cost' is a model where operators retain fare revenue and typically involves operators retaining some control over the network within government-defined specifications.

¹³⁷ South Yorkshire Mayoral Combined Authority, 2024

¹³⁸ Labour Party, 2024



- 6.5.6.1. The financial demands on the Authority for implementing franchising may be considerable and include both one-off and ongoing costs. Costs can be split in four categories:
 - (1) costs to produce an FSA;
 - (2) transition costs, if a decision is made at the end of the assessment that franchising is desired;
 - (3) initial capital costs, depending on the operating model proposed; and
 - (4) ongoing operational costs
- 6.5.6.2. Other CAs categorised these costs differently during their FSAs and there is no consistent definition for each category. LCRCA, for example, limit the transition phase to costs such as 'consultancy to manage transition' and 'early mobilisation of procurement resource' coming to a total of £27 million. GMCA's much larger figure of £126 million for the same phase encompasses wider costs such as 'on bus equipment and branding' and 'electronic ticket machines'. The figures later in this section use each authority's own definition and are therefore not directly comparable.
- 6.5.6.3. FSAs are complex, lengthy and may be subject to legal challenge. Successfully conducting an FSA requires significant investment in human resource, consultancy support, expertise and risk management. A project team would need to be established to successfully deliver a project of this magnitude and this is reflected in the estimated costs for producing the FSA. Costs of other CAs' FSAs are varied. South Yorkshire estimated that conducting an FSA would cost £3 million, with an additional £2 million budgeted for the independent audit and public consultation¹⁴¹, while West Yorkshire budgeted £7 million for its whole scheme assessment process¹⁴².
- 6.5.6.4. Early estimates suggest that conducting a North East FSA would likely cost in the region of £8.5 million¹⁴³, however when considering risks and opportunities a likely range of costs could be between £6.5 million and £10.7 million. This includes costs associated with specialist consultancy, audit, public consultation, legal support, staff and other costs, as well as a 20% contingency value. This likely figure is similar to the other FSAs conducted elsewhere and reflects the fact that our FSA would be the first outside of a city region and our desire for it to fully

¹³⁹ Liverpool City Region Combined Authority, 2023

¹⁴⁰ <u>Greater Manchester Combined Authority, 2023</u>

¹⁴¹ Barnsley Metropolitan Borough Council, 2022

¹⁴² West Yorkshire Combined Authority, 2024

¹⁴³ These figures are best estimates based on programme planning and remain subject to change.



consider the unique urban, rural and coastal geography of the North East CA and the implications of franchising across our region.

- 6.5.6.5. Transition and implementation costs following an FSA and mayoral decision to proceed with franchising would depend heavily on the preferred model for the region. A comprehensive FSA would produce a robust, detailed estimate and show how costs are allocated. While this is not possible to produce at this stage, lessons learnt from other CAs suggest costs may be significant. For example, TfGM identified that they would require 93 posts during the peak transition period, reduced to 57 additional staff post-transition at an annual cost of £1.7 million¹⁴⁴. If the risk of prolongation materialises, this will translate into further costs associated with the process.
- 6.5.6.6. Significantly different headline estimates have been produced by other MCAs. South Yorkshire estimated transition and implementation would cost £25 million, Greater Manchester published that it would cost them £135 million, while West Yorkshire's headline estimate was a significantly more expensive £358 million. These variations largely reflect differences in how the MCAs propose to acquire depots and fleets and whether these costs are included in the headline figure. Headline estimates are therefore not directly comparable.
- 6.5.6.7. West Yorkshire's headline estimate of £358 million includes £252 million to procure 868 new WYCA-owned ZEBs for its fleet and £86 million to fit out the new ZEBs and purchase depots from existing operators, giving a total for fleet and depots of £338 million¹⁴⁵. Greater Manchester's FSA, however, excludes such costs from its headline £135 million estimate. GMCA did not propose to procure the fleets itself and only included the initial depot financing cost within their headline figure. The depots, including Stamp Duty Land Tax and proposed GMCA improvements are estimated to cost a further £86 million¹⁴⁶. South Yorkshire's estimated £25 million also excludes fleet and depots SYMCA have not published an estimate for these procurement costs.
- 6.5.6.8. Excluding fleet and depot costs from the headline estimates enables a more accurate comparison between regions. 'Core' transition and implementation costs (excluding fleet and depots) are £20 million for West Yorkshire, £25 million for South Yorkshire and £126 million for Greater Manchester.

¹⁴⁴ Greater Manchester Combined Authority, 2019

¹⁴⁵ West Yorkshire Combined Authority, 2023

¹⁴⁶ Greater Manchester Combined Authority, 2019



- 6.5.6.9. Greater Manchester's core £126 million figure includes £45.2 million of staff and consultancy costs to prepare, procure and manage the initial network as well as rebranding, upgrading, and standardising on-board ticket machines and facilities at a cost of £22.6 million. A further £12.5 million was allocated for increased costs of ENCTS and secured services during the transition, as well as a quantified risk allowance of £36 million¹⁴⁷.
- 6.5.6.10. A summary of estimated financial costs from other combined authorities is presented in Table 20 below. Differences in franchising models, the size of CAs and their existing bus networks, and different budgeting approaches may account for the wide cost ranges. Only an FSA could detail an accurate cost of franchising in the North East.

Combined Authority	Activity	Estimated Cost (£m)	Total Estimated Cost (£m)	
	Assessment	20		
Manchester	Mobilisation &	126 ¹⁴⁸		
(GMCA)	Implementation		232	
(311671)	Fleet & Depot (if	86		
	applicable)			
	Assessment	5.5		
Liverpool	Mobilisation &	27 ¹⁴⁹		
(LCRCA)	Implementation		347.5	
(LCNCA)	Fleet & Depot (if 315 ¹⁵⁰			
	applicable)			
	Assessment	5		
South	Mobilisation &	25	20 (ovoludos	
Yorkshire	Implementation		30 (excludes fleet & depot)	
(SYMCA)	Fleet & Depot (if	Not Known	neer a depor)	
	applicable)			
	Assessment	7		
West	Mobilisation &	20		
Yorkshire	Implementation		365	
(WYCA)	Fleet & Depot (if	338		
	applicable)			

¹⁴⁷ Greater Manchester Combined Authority, 2019

¹⁴⁸ GMCA refer to transition costs of £135m but a small proportion of this relates to fleet and depot acquisition costs. Removing these, the 'core' mobilisation and implementation figure is £126 million.

¹⁴⁹ Liverpool City Region Combined Authority, 2023, p.371

¹⁵⁰ Comprises £253 million to acquire 70-80 ZEBs each year until 2039 and £62 million to acquire and fit out depots.



North East CA (indicative costs)	Assessment (inc. project mobilisation) Mobilisation & Implementation Fleet & Depot (if applicable)	8.5 (6.5 – 10.7) Pending FSA Pending FSA	Pending FSA
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Table 20: Estimated financial costs associated with franchising from combined authorities

- 6.5.6.11. Funding sources for any North East franchising scheme would be further explored within the FSA and require the consent of the Mayor and Cabinet as part of the North East CA budget setting process. It is not possible at this stage to detail the funding sources that would be used, but other combined authorities illustrate some of the options. GMCA set out that, between 2019/20 and 2024/25, revenue was expected to be raised to support the transition from a range of sources¹⁵¹, including:
 - £78 million would be provided from GMCA's 'earn back' funding agreed as part of its devolution deal, analogous to our 30 year investment fund.
 - £34 million would come from the mayoral precept on council tax bills.
 - Local authorities would make a total combined one-off contribution of £17.8 million.
 - £5 million would come from pooling business rates receipts. GMCA also proposed borrowing £86 million at Public Works Loan Board rates for 30 years to finance the acquisition of the depots, including purchase costs such as Stamp Duty Land Tax. Ongoing operations were assumed to be funded by farebox revenue, public sector funding currently used for concessionary travel and secured services, and continued BSOG funding (presumed to be held steady in cash-terms, falling in real-terms).
- 6.5.6.12. Ongoing operational costs would be incurred alongside the upfront costs of producing the FSA, transition costs, and procuring a fleet and depots if required. There is significant uncertainty around these costs as they depend on future patronage projections, decisions around the network and fares, and future external factors such as fuel or electricity costs. These would be considered further in a potential FSA, based on the specific operating model selected for the region, but could include contract payments to operators, maintenance and renewal costs for authority-owned fleet and depots, and resource costs to manage the network. The FSA would evaluate whether farebox revenue from a franchised network and other bus-related public funding (such as BSOG

¹⁵¹ Greater Manchester Combined Authority, 2019, p. 72



- and current concessionary travel reimbursement) would be sufficient to meet this requirement.
- 6.5.6.13. Ownership of assets such as the bus depots and fleet would be considered under an FSA, determining the costs of procuring these in the North East and whether or not the authority owning them represented value for money compared to the operators. It is worth noting that these assets would need to be acquired by either the authority or operators under any delivery model, which may include public sector involvement irrespective of whether a franchising scheme is adopted for example, the authority could commit funding for more ZEBs under an EP Max arrangement (alongside potential ZEBRA funding).
- 6.5.6.14. Franchising would further move financial risk towards the public sector. Short-term revenue risk is currently held by private operators who accept the risks of delivery in exchange for the opportunity to make a profit. The public sector is still exposed to some risk under the current model, with all three authorities managing greater revenue risk than before on enlarged secured service networks at public expense, and needing to increase this provision even further when private operators withdraw unprofitable services. Additionally, Nexus has 44 years' experience managing revenue risk on Metro. Specifics vary based on the delivery model adopted, but franchising models proposed in other combined authorities transfer further financial risk to the public sector. A transfer of farebox revenue to the franchising authority gives it income from bus customers and, if patronage were higher than forecast, this would be additional revenue for the network. Equally, the authority could need to fund losses if revenues were lower than expected.
- 6.5.6.15. Under a franchising scheme, operators would be expected to provide a fee to run the service over the franchise term bid. This service fee is likely to be adjusted for inflation, however, should provide the Authority with cost certainty. Competitive tendering should promote a competitive price for the franchise with GMCA's experience of receiving franchising bids indicating that there is strong interest in the private sector in bidding for franchise contracts which may help lower contract payments further. Economies of scale may also be achieved by bringing all services under the ultimate control of one party.
- 6.5.6.16. Further to the funding risk exposure, there may be one off costs associated with a transition to franchising, likely to include capital expenditure required to establish the operations, such as purchasing of depots, fleets and IT systems, organisational change/set up costs and



- risk pricing. The acquisition of assets would involve significant capital expenditure and ongoing capital and operating costs.
- 6.5.6.17. Additional funding may be required to support the creation of a cohesive and integrated public transport network, including upgrades to Tyne & Wear Metro stations and interchanges to better promote onward bus journeys. This would not be an integral part of moving to a franchised network but could improve the customer experience and better fulfil our aspirations.

6.5.7. Legal implications

- 6.5.7.1. The authority would need to follow a statutory process to implement franchising as prescribed in the Transport Act 2000 and this process may be subject to legal challenge. A decision to develop an FSA is a function that needs to be taken by the North East CA Mayor and Cabinet and requires a Formal Notice to be issued. Following assessment, the decision to introduce a franchising scheme is a mayoral function although, if required, this would likely be carried out following consultation with the Cabinet. In exercising the power to introduce a franchising scheme, the Mayor would need to be satisfied that the process followed is:
 - lawful;
 - the consultation process was fair and responses appropriately considered;
 - there is sufficient information to enable a decision to be made;
 - there is due regard to matters set out in section 149 of the Equality Act.
- 6.5.7.2. Procurement law requires the authority to undertake a competitive tender process to award contracts to operate defined services.

 Acquisition of assets would also be subject to relevant procurement regulations.
- 6.5.7.3. Under a franchised system operators would be contractually obliged to deliver services against a specification set by the Combined Authority. Contract mechanisms would typically exist to manage poor performance, including the right to terminate the contract and retender the service. Retendering services would provide the Authority the opportunity to make any necessary changes to contractual requirements that it sees fit. Change provisions in contracts will be included as part of detailed contract design following any decision to implement franchising.



- 6.5.7.4. The franchise authority would need to consider cross-boundary services, such as those between the North East and Scotland, Cumbria, or the Tees Valley if the whole CA area was franchised. As part of the franchising process there is a statutory requirement to consult neighbouring authorities if the proposed franchising scheme would impact the implementation of their bus policies¹⁵². The authority must also consult local service providers in the area before publishing any notice specifying the conditions attached to a service permit.
- 6.5.7.5. The scale of contracts offered to operators may have legal implications as large contracts may artificially restrict the pool of bidders to the largest operators who have the necessary capacity. Inversely, contracts that are too small may be unappealing to large portions of the market. There are specific requirements in franchising guidance to consider how small and medium operators would be involved in a franchised network.
- 6.5.7.6. There may be legal implications to the CA assuming responsibility for ticketing systems and information, central marketing and customer service functions which must be considered.
- 6.5.7.7. Other legal considerations include any potential issues around purchasing depots and fleet from existing operators alongside the land the depots currently occupy, and contractual issues with staff arising from a TUPE process, such as pension arrangements.

6.5.8. Key risks

- 6.5.8.1. Franchising involves a significant transfer of risk from private operators to the public sector as the trade-off for the increased levels of public control. Different operating models, such as whether the authority owns the fleet and depots, would be explored as part of a franchising scheme assessment some of these can mitigate risks but would involve other trade-offs.
- 6.5.8.2. There are three distinct stages to a move to franchising, each involving different risks. These are: 1. the FSA; 2. transitioning to a franchised model; and 3. the implementation and running of the franchised network.

Franchising Scheme Assessment

¹⁵² Bus Services Act, 2017



- 6.5.8.3. The authority would largely be accepting resourcing, relationship, cost and time risks during the process of developing an FSA. We would be able to learn from other authorities that have conducted similar assessments to mitigate risk, but each represents a unique process, tailored to the needs and geography of the region.
- 6.5.8.4. Franchising requires an independent audit of the scheme assessment to ensure that the information and analysis supporting the assessment is "of sufficient quality". An unfavourable audit conclusion would mean the authority would need to take time correcting issues identified. An unfavourable conclusion could also lead to a fatal loss of faith in the process by key stakeholders. However, recent FSA guidance suggest early involvement of auditors in the process to mitigate risk and streamline the audit process.
- 6.5.8.5. A decision to make a franchising scheme could face a legal challenge for judicial review which could add unforeseen costs to the authority and delay implementation. This could relate to perceived predetermination in our franchising scheme assessment, perceived failures to properly consult or other potential deficiencies in the decision. GMCA was subject to judicial review around its consultation process, though plans in the LCRCA and WYCA have not (to date) faced similar challenges. Lessons learnt from other areas can help minimise costs and risks as far as possible.
- 6.5.8.6. Officers would prepare and work towards a realistic project plan based on likely capacity, but unforeseen resourcing issues could delay the preparation of the franchising scheme assessment. Failure to allocate sufficient resource or any staff absence due to resignation, long-term illness or difficulty recruiting could result in unexpected delays to completion. Similarly, FSAs have only been completed in city regions to date our mixed geography could add unexpected difficulties during the process and delay the completion of the assessment.
- 6.5.8.7. Relationships will need to be maintained with constituent councils and individual bus operators during the process. Declining relations during the FSA whether directly related to franchising or damaged by another issue could jeopardise working relationships and limit perceptions of the FSA as an impartial and objective document.
- 6.5.8.8. The North East CA has a unique geography and would still be developing and maturing as an organisation during the FSA process. The risks associated with reaching consensus on outcomes or approach, addressing local authority interests and concerns, relationship



management etc. should not be underestimated as these can delay the process at potentially significant financial or reputational costs to the Authority. Difficulty reaching consensus has caused problems for high-profile initiatives in other CA's, such as Stockport Council publicly vetoing GMCA's proposed Spatial Framework Plan and its proposal for 180,000 homes across the CA after four years of development and two redrafts due to planned development on 1.2% of Stockport's greenbelt¹⁵³.

Transition to franchising

- 6.5.8.9. Risks during the transition period primarily relate to the attractiveness of franchised packages, procurement and contract management and the impact on small and medium operators. These are principally cost and reputation risks, though substantial difficulties at this stage could result in a failed transition with significant impacts on public transport delivery. Decisions taken on the model of franchising adopted shape barriers to entry and many of the risks in this category. Contract design would need to consider the risk appetite of the market as attempting to transfer risk inappropriately could deter bidders and limit the value for money of the scheme.
- 6.5.8.10. If the authority's preferred model included owning the depots and/or the fleets (which would create the lowest barriers to entry), these would need to be procured and ready for the transition to franchising at the right time. Achieving a fair price and a timely purchase requires procurement skills in the authority's staff. Failure to do so may result in the authority paying more than required and not achieving value for money, delays to the operation of the network, and reputational risk. Effective procurement may require recruitment of additional staff, training existing staff or seconding procurement officers from constituent authorities. Depot ownership could also mitigate potential challenge risk from operators who may have stranded assets, something which is particularly significant given the geographic size of the North East CA.
- 6.5.8.11. Similarly, the authority would need sufficient capacity and skills to manage the transition to franchising at its various stages. It would likely be difficult to recruit staff with bus franchising-specific experience as other franchised authorities are outside reasonable commuting

¹⁵³ BBC News, 2020



distance, but it is possible to seek staff with transferable skills or train existing colleagues through insights from other authorities. Failure to build sufficient capacity increases the likelihood of other risks materialising and the impact if they do.

- 6.5.8.12. Franchising relies on competition for the market to deliver value for money and quality services. Its benefits are diminished if that competition does not materialise. Franchised packages would need to be attractive to multiple operators to generate that competition. Low barriers to entry as a result of the authority owning fleets and/or depots would facilitate operators who do not currently operate in the North East, or whose operations are limited, to bid and stimulate competition. This risk occurs whenever contracts need to be retendered; it is not limited to the first transition phase.
- 6.5.8.13. There is a risk that small and medium operators cease operating if not awarded contracts (effectively being forced out of the market). Small or medium sized enterprise (SME) operators in WYCA have been vocal about the potential negative implications of franchising for them, while some in GMCA reported concerns that the tendering process was too onerous or costly. SME operators fared poorly in the initial GMCA tender awards. Most lost all local bus and school service work and where one did gain a local school bus contract this came at the expense of other service work. Contracts will need to be awarded on merit based on bid quality and value for money, but both an FSA and eventual franchised network design would need to consider how to enable SME operators to participate. There are specific duties to consider the impact on SMEs in the franchising legislation; the implications of franchising on SME operators would be considered in greater detail as part of a future FSA.
- 6.5.8.14. Initial bid quality could be inhibited as bus operators are not used to operating in a franchised environment. This is particularly acute for SMEs, as the larger operators have dedicated bid teams and significant experience of franchise operations in other areas. Developing clear guidance for bidding operators, as well as avoiding unnecessary complexity and providing appropriate packages, would mitigate this for the first tendering round. This risk is likely to decrease in importance as operators gain experience of the environment.
- 6.5.8.15. Operators may withdraw services or reduce frequencies for commercial reasons at any point up to franchising going live. Incumbent operators would have no obligation to continue services up until the franchising handover date, with this risk particularly acute if the operator has not been successful in securing replacement tenders. Public funds would



then need to be used for short-term stabilisation of the bus network. Greater Manchester incurred a £2.5 million cost to secure some services for approximately five months before transferring to the franchised network after two operators withdrew services¹⁵⁴. Operators cited commercial reasons such as low post-pandemic patronage and these withdrawals may have occurred irrespective of tender allocations. Similar decisions in the North East – whether a direct response to franchising or purely commercial decisions by operators – would have a noticeable, though time-limited and short-term financial impact.

Implementation and running of franchising

- 6.5.8.16. Revenue risk is the most significant risk accepted by the franchising authority. Fees paid to operators are (at least partially) recovered by revenue from bus fares, meaning the authority would be liable for costs if routes were less profitable than forecast at the start of the contract. Decreased demand for buses due to a continued increase in car ownership and use could be one source of lower farebox revenues. Fare evasion could also decrease expected takings. Sudden shocks to demand, such as seen in the COVID-19 pandemic, could also be extremely damaging and require additional unexpected financial support to sustain the network. Transport for London required substantial government support to sustain the capital's public transport network during the pandemic, though (less expansive) DfT subsidies were also used to prop up bus networks across the country during and after the pandemic.
- 6.5.8.17. Reputational risk would also partly transfer to the public sector from the operators, another trade-off for increased control. Operators and the authority would share responsibility for the network and the press and public could justifiably blame the franchising authority if franchised services were poor, particularly if issues persisted across multiple routes or operators.
- 6.5.8.18. Conflicts are likely to emerge between handling revenue risks and reputational risks, requiring difficult decisions. Poor ridership and lower than expected could lead the authority to reduce the frequency of a route when next tendered to limit revenue risk, but this would likely result in negative publicity. Similarly, there may be political pressure to introduce several new routes or cheap fares (particularly in the early days of franchising to promote the network or 'take advantage' of the

¹⁵⁴ Greater Manchester Combined Authority, 2023



- opportunity). This would generate a trade-off between positive publicity and revenue risk management.
- 6.5.8.19. Franchising requires ongoing contract and relationship management between contracted operators and the authority, ensuring that operators are delivering on the required standards and addressing issues as they arise. Ongoing staff capacity would be required to fulfil this function, as well as appropriate systems and resources inside the authority (see earlier references to staff requirements in Manchester). Vague or imprecise contractual commitments could result in disputes with operators, harming our relationships and delivery as well as risking a potential operator withdrawal at the end of the contract term in severe cases.
- 6.5.8.20. Operators could fail during their contract term, requiring the contract to be re-tendered (with the associated risks). A sudden failure and immediate withdrawal would require contingency action. The Bus Services Act 2017 would allow the CA (or its constituent authorities) to function akin to an operator of the last resort if needed, though this involves legal and practical challenges.
- 6.5.8.21. None of these risks prevent the Combined Authority conducting an FSA if that is the preferred option of the North East CA Mayor and Cabinet. Relevant risks would be further identified and analysed as part of the franchising scheme assessment process. Appropriate risk management procedures would need to be developed during the transition and adopted including cataloguing of risk, assessing its likelihood and impact, regular monitoring by officers and politicians, and contingency planning for severe risks.

6.5.9. Equality and diversity implications

- 6.5.9.1. The PSED would have an expanded influence under a franchising model. Strategic decisions, such as route design and frequency choices, would be subject to the authority's responsibility to pay it due regard.
- 6.5.9.2. As noted in section 6.4.12, general improvements to the bus network would have positive equality implications due to the demographics of bus ridership. This applies to improvements achieved through franchising services as well as through an EP.
- 6.5.9.3. Franchising would allow the authority to direct that various equality-led improvements were made, rather than requiring agreement with



operators. Specifics would vary by political priorities as well as financial and operational feasibility but could in principle include expansions of reduced fares and free travel; late night services targeted at low-income shift workers and improved accessibility at stops and on buses.

- 6.5.9.4. The authority could possibly consider other characteristics in its franchise-related decision-making, beyond the nine set out in the Equality Act. For example, Newcastle City Council has voluntarily adopted the 'Socio-Economic Duty' to supplement the PSED and will consider the impact of proposals on those experiencing socio-economic disadvantage. Similar decisions could be applied to a future franchised network.
- 6.5.9.5. The North East has one of the highest levels of digital exclusion. The proportion of people in the North East that are currently offline is approximately 8% whereas the England average is 5%¹⁵⁵. Any franchising scheme which made use of digital solutions would have to consider that they are not accessible for everyone, and alternatives must be provided.
- 6.5.9.6. Analysis by other mayoral combined authorities (MCAs) that have considered franchising has concluded that there are significant equality and diversity benefits to the decision. Examples include GMCA finding that increased reliability and consistent branding would make it easier for people with learning disabilities to use the network¹⁵⁶; LCRCA's conclusion that improved services through franchising could boost women's participation in the workforce¹⁵⁷; and WYCA's analysis that increased night-time services would benefit the 40% of night-time workers who are under the age of 24¹⁵⁸.
- 6.5.9.7. The North East would undertake its own detailed equality impact assessment as part of the franchising process, including considering views expressed in the public consultation. This assessment would inform any recommendation on whether to proceed with the process, and as noted, could be more expansive than the nine statutory protected characteristics.
- 6.5.9.8. At this stage, the equality impact of franchising is similar to the potential equality impact of an EP in principle. All improvements whether through an EP or franchising will positively impact groups with protected characteristics.

^{155 &}lt;u>Lloyds Bank, 2021</u>

¹⁵⁶ Greater Manchester Combined Authority, 2019

¹⁵⁷ Liverpool City Region Combined Authority, 2023

¹⁵⁸ West Yorkshire Combined Authority, 2023



6.5.9.9. The extent to which an EP can replicate franchising's implications depends on the agreement reached with operators. Franchising would give the authority direct control and responsibility for improvements, as well as insulating services from some commercial decisions with negative equality implications that may occur under an EP.

6.5.10. Any further impact of proposals

- 6.5.10.1. There are further impacts of proposals to franchise which would significantly affect the nature of any franchise model that could be taken forward. They include transfers for staff who currently work for the operators under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE), school services operated by the local authorities and the impact of the geography of the region, such as the difference in service provision between urban and rural areas which will dictate the franchise environment. If we proceed to an FSA, then the implication of these factors will be investigated further.
- 6.5.10.2. Cross-boundary services would need to be carefully considered as part of a franchising scheme. Only services within the boundaries of the scheme area can be franchised cross-boundary services would either need to be exempted or subject to service permits. This would particularly impact people living close to the boundary with Tees Valley if franchising applied across the whole North East, though a different geography for the franchising scheme could make these challenges more pronounced. The full implications of this, and the best solution for our region, would be explored further as part of an FSA, but GMCA for example requires cross-boundary services to acquire service permits, which can be subject to meeting conditions such as vehicle emissions or ticket acceptance.
- 6.5.10.3. Franchising would be a high-profile decision for the Combined Authority that would require significant energy and time from officers and politicians at all stages of the process. Considerable resource is required to produce an FSA and implement a franchising system. There are several significant decision points for Cabinet during the process and it is likely to attract considerable local and national media attention. Franchising would need to be a key priority in the authority to secure progress.
- 6.5.10.4. Legislation specifies that the final decision to proceed with franchising is a mayoral decision. Preliminary stages, including conducting the required FSA would however be North East CA functions. In practical



terms, this means that the Cabinet would need to decide to progress to an FSA, including an affirmative vote by the Mayor. A final post-FSA report to Cabinet could seek its endorsement to implement franchising based on the FSA, though the final decision would legally be for the Mayor alone.

- 6.5.10.5. Franchising requires a lengthy process, but network benefits may not be seen until the end of that process. It could therefore take some time before passengers notice a significant improvement in the network. Some measures, such as bus priority infrastructure or fleet upgrades could be done earlier, but other significant changes (such as modification of routes) would likely come much later. For example, Transport for Greater Manchester (TfGM) are intending to undertake a full network review once their last tranche is contracted and sufficient data is available to understand demands and inform decisions. This is approximately nine years from when their franchising process started, albeit their process has been delayed by COVID-19, legal challenges and being the first authority outside London to pursue franchising. However, investment in the network can continue during the FSA.
- 6.5.10.6. It is also important to note that sufficient funding would be required to fully deliver the possible benefits outlined in this section. Some improvements such as greater strategic coordination would incur minimal financial cost, but many of the most significant improvements such as fare rationalisation or network expansion would be costly. An FSA would more closely define the costs of franchising and determine the extent to which it delivers value for money compared to the best 'realistically achievable' EP or other potential operational models.

6.6. Assessment of public ownership options ability to deliver against the criteria set out in section four

- 6.6.1. Several variations of a public ownership model exist, but it would typically involve the authority holding a bus company as an arms-length subsidiary. The authority would either need to establish a new company or acquire an existing operator from a willing seller.
- 6.6.2. The Bus Services Act 2017 explicitly prohibits local authorities establishing new municipal companies. Existing municipal companies in the UK are legacy arrangements that predate this provision. These municipal companies, such as those in Edinburgh, Reading and Nottingham, operate within the deregulated market but hold a dominant position in their local markets.



- 6.6.3. Legislative change could enable the authority to establish a new public operator. The default position is that this new operator would need to compete against established private sector incumbents in the current deregulated market to gain market share. Most benefits of public ownership require the municipal operator to control a significant proportion of the network.
- 6.6.4. An alternative would be to acquire an existing operator. There is no explicit prohibition on this, though it has never been legally tested. Acquiring an incumbent operator would require a willing seller; there are no known current potential sellers. Acquisition of an existing operator would mean the municipal operator inheriting a network shaped by that previous operator's provision which may exclude parts of the region. Purchasing all existing operators to gain control of the whole network would most likely be blocked by the Competition and Markets Authority (CMA), even in a very unlikely situation where all were willing to sell.
 - 6.6.5. It is theoretically possible for a publicly owned operator to compete for contracts under a franchised model, but the authority could not give preference to the operator solely because it was publicly owned. Moving to a franchised model would still involve the process detailed in section 6.5.
- 6.6.6. The ability of public ownership to deliver improvements is summarised in Table 21.



Connections	Other buses	EP: All operators, including municipal, could participate in a fares scheme to allow passengers
between different		to change between buses on a single journey without paying extra. Services could also be
transport types		designed to arrive at interchanges at set times.
		Franchising: Authority could set requirements around ticketing to enable onward journeys across the network.
	Rail and Metro	EP: Municipal operator could be made to participate within ticketing scheme, or offer ticketing products, that integrate with local/national rail services.
		EP could also impose requirements for municipally operated services to co-ordinate with rail at specified interchange points.
		As part of an EP, the authority could commit to improving bus stations/interchanges served by the municipal.
		Franchising: franchising authority would act as a central planning authority and could therefore design ticketing, timetables and interchange facilities that better integrate with rail. A municipal operator (if successful in winning a franchise contract) would need to comply with terms of their local service contract.
	Walking and	EP: Requirements for municipal operator to promote active travel could be included within EP.
	wheeling	Option to propose vehicle standards which facilitate carriage of bikes on municipal fleet
		(subject to operator agreement).
		Franchising: Requirement to promote active travel likely to sit with franchising authority. Scope for franchise to be awarded which includes requirement for operator (including municipals) to deliver complementary bike/scooter hire facilities within defined areas.



	Car	EP: An EP could commit to and provide funding for an improved P&R offer throughout the region. New sites introduced at strategic locations around our cities in Newcastle and Sunderland could be delivered by local authority partners, with a commitment from local bus operators (including a municipal) to serve the new sites with high frequency, fast and direct links to/from city centre locations.
		Franchise: The franchising authority would be responsible for all service planning and could work with the respective local authorities to introduce new P&R facilities. Operators providing the local service contracts (potentially including a municipal) would be contractually obligated to serve and promote these sites.
	Air	EP: Municipal operator services could be required to arrive at airport at set times, such as linking to major flight departures. Franchising: Network would be designed by the franchising authority, which could specify the frequency of services to the network (including additional services during peak travel times such as school holidays).
Planning journeys/informing users/supporting customers	Journey planning	A publicly owned operator would need to operate within an EP or franchised market: EP: An EP could require a publicly owned bus operator to promote a single website with journey planning capability and timetables/maps. Franchise: The franchising authority could introduce single website with journey planning capability and timetables/maps. If successful, winning a local service contract, a publicly owned operator would need to comply with requirements on journey planning stipulated within
	Disruption	the relevant contract specification. EP: A publicly owned operator could be required to adhere with standards that stipulate where
	information	and how disruption information is provided to customers, adopting a common standard for



		notification of planned and emergency works affecting local bus routes. There would be scope
		to put publicly owned bus company employees into a central multi-agency control room with
		agreed protocols established around consistent public messaging.
		Franchise: Within a franchise environment it would be possible to centrally control how
		disruption information is provided to customers, adopting a common standard for notification of
		planned and emergency works affecting local bus routes. There would be scope to put publicly
		owned bus company employees into a central multi-agency control room with agreed protocols
	D !!	established around consistent public messaging.
	Branding	EP: A publicly owned bus operator would need to adhere to any branding specifications
		included within the agreement.
		Franchise: A publicly owned operator would need to adhere with branding specifications
		included within any local service contract.
	Marketing	EP: An EP could obligate a publicly owned operators to pursue joint marketing, for example to
		market the bus network as a whole. Marketing requirements would be subject to level of
		commitments negotiated with majority of bus operators in market.
		Franchise: A franchise could stipulate marketing requirements within a local service contract.
		Marketing requirements would be imposed contractually by the authority
	Customer	EP: An EP could obligate a publicly owned operator to comply with a common Customer
	Charter	Charter. Commitments would be subject to level of commitment negotiated with majority of bus
		operators in market.
		Franchise: A franchise could require a publicly owned operator to comply with a common
		Customer Charter. Requirements would be imposed contractually by the authority.
Fares and Ticketing	Children &	EP: Publicly owned operator would need to establish operator specific tickets at a level deemed
	young people	commercially viable by the arm's length company. Municipal operator would need to comply



	Adult fare	with and offer ticketing products specified within EP. Appropriate levels of		
	paying	subsidy/reimbursement would need to be agreed with the authority.		
	Concessionary travel	Franchise: Fares/ticketing specified by franchising authority (if they hold revenue risk).		
		EP: Municipal operator would participate within ENCTS and any local discretionary concessions. Reimbursement levels determined by local scheme or would need to be agreed as part of commercial negotiation.		
		Franchise: Municipal operator would contractually be required to adhere with concessions specified by franchising authority within local service contracts.		
Network	EP: Municipal operator responsible for planning their own routes/network. May be bound by EP requirements to consult with users/stakeholders in advance of change. Ultimately, final decision on network changes sits with arm's length municipal. A municipal operator may have a lower threshold on what level of profit is required to make a service commercially viable. Municipal operator may need to comply with Route Requirements, for example requirements for buses on a particular corridor to operate with an even headway. Alternatively, there are powers available which would allow a maximum frequency to be specified on a given corridor. Authorities are responsible for designing/procuring socially necessary (gap filling) services. Municipal operators can bid for secured service work but would face competition from private sector operators and could not be given any preferential treatment.			
	_	hising: franchising authority responsible for network planning. Municipal operator successful in winning local e contract(s) would operate network specified by franchising authority.		
	Fleet and ZEBs	EP: An EP could mandate a municipal operator to use ZEBs on a particular route or within a defined area. This requirement could apply fully from an agreed date or be linked to a phasing		



Reach and		plan with a defined timeline. Non-compliance would be dealt with through OTC enforcement
resilience of		(with scope for OTC to cancel registrations of non-compliant services, allowing the tendering of
infrastructure		replacement provision with a ZEB specification).
		Franchising: Municipal operator would be contractually required to operate a fleet compliant
		with specification set by franchising authority within local service contracts.
	Bus Priority	EP: Arm's length municipal would have commercial motivation to make journeys faster and
	Infrastructure	more reliable (as this reduces cost and makes bus travel more attractive - thus increasing
	Illiastiuctule	revenue). EP could require municipal operator shares performance data allowing delay points to
		be identified and prioritised. Requirements and responsibility for installing/managing bus priority
		infrastructure and mitigating the impact of disruption sits with the authority. If municipal
		operator generates profit there is scope for dividend payment to be paid to the authority which
		could help fund additional priority measures or traffic management.
		Franchising: Revenue risk sits with franchising authority who will also have responsibility for bus
		priority infrastructure and traffic management.
	Bus stops,	EP: A municipal operator and authority could work together within an EP to prioritise upgrades to
	stations and	stop/station infrastructure. Funding could be allocated by the partnership towards upgrading
	interchanges	facilities at the busiest locations, or rolling out more real-time information displays at key
		stops/stations.
		Franchise: A franchising scheme could allow the authority to prioritise upgrades to stop/station
		infrastructure (linked with wider socio-economic investment). Funding could be allocated by the
		authority towards upgrading facilities at the busiest locations or rolling out more real-time information displays at key stops/stations.
Service Quality	Punctuality,	EP: Municipal operator would be bound by standards set within EP. Failure to meet the required
Jervice Quality	reliability,	standards could potentially see service registrations cancelled by the authority. Municipal
	speeds	Standards could potentially see service registrations cancelled by the authority. Municipal
	speeus	



	operator would need to establish internal systems/processes to ensure compliance with OTC standards.
	Franchising: Municipal operator could be mandated (through contractual mechanisms) to share more data on service performance (route-by-route) giving more transparency and identifying areas for improvement. The franchising authority may also establish a performance regime with opportunities for a municipal operator to secure additional income for performance that exceeds specified thresholds.
Buses	EP: Municipal operator would be responsible for the specification and procurement of their buses. Buses operated would need to comply with EP standards – failure to do so could potentially result in cancellation of service registrations. Commercial motivation for municipal operator to exceed EP vehicle standards with option to provide enhanced on-board facilities where the arms-length company can make a business case to justify the additional investment.
	Franchising: Specification for buses set by franchising authority. Buses procured by municipal operator or potentially franchising authority (and then leased to operator). Failure to comply with required vehicle standards enforced through contractual mechanisms. In likely scenario where franchising authority holds revenue risk then there is no commercial motivation for operators to exceed specified vehicle standards although there could be option to incentivise
able 21. Ability of public ownership to de	enhanced provision by awarding additional quality marks within tender evaluation, or by running a performance regime which rewards contractors (financial payments or via extensions to contract term) where vehicle standards exceed those specified.

Table 21: Ability of public ownership to deliver improvements



6.6.7. Commentary on timetable for implementation

- 6.6.7.1. Municipal ownership is likely to involve a long process of legislative change, company establishment and growing market share. This process would likely take longer than negotiating an EP or moving to a franchising scheme.
- 6.6.7.2. Timelines for legislative change can vary significantly, but as an example, the Bus Services Act was introduced to Parliament in May 2016 and became law in April 2017¹⁵⁹. Additional time would be required prior to the Bill's introduction for detailed policy development by the civil service and drafting by parliamentary counsel.
- 6.6.7.3. Legal challenges could add significant delay to the timeline. These are possible where an attempted acquisition of an existing operator was challenged in court, or where public investment in a municipal company presented subsidy control issues.
- 6.6.7.4. A municipal bus company would need significant time to reach an influential scale in the local market. Acquisition of an existing operator may truncate this timeline but would leave an initial network shaped by that operator's previous provision. It would take a prolonged period before the municipal company had a network with enough coverage to achieve our aspirations.

6.6.8. Financial and other resource implications

- 6.6.8.1. Public ownership would involve the authority providing significant up-front financial investment to establish or acquire the municipal operator and acquire resources, such as fleets and depots. Ongoing investment, for example to support a rolling programme of fleet upgrades, could also be required.
- 6.6.8.2. Public investment would need to be carefully structured to comply with subsidy control restrictions. Regulations on this are complex, but effectively any public subsidy would need to be on terms a private investor would find acceptable, constitute low-value support in the 'public economic interest', or comply with the government's seven principles for state subsidies. It appears that significant investment in a large municipal bus company would struggle to comply with the government's principles.

¹⁵⁹ UK Parliament, 2017



- 6.6.8.3. Our three largest incumbent operators are all part of wider groups, allowing them to share overheads and benefit from economies of scale during procurement exercises. A municipal company would therefore be operating at a comparative disadvantage; it would likely cost more to operate comparable services.
- 6.6.8.4. Public ownership would, however, mean that all profits could be reinvested in the municipal company rather than paying dividends to shareholders. This could enable cross-subsidisation of more routes or finance upgrades to vehicles.

6.6.9. Legal implications

- 6.6.9.1. It is unlawful for LAs (including CAs) to form a local bus company under the Bus Services Act 2017¹⁶⁰.
- 6.6.9.2. Restrictions on municipal ownership could be overturned by new primary legislation. Overturning the legislation would require a willing government, prioritisation of limited parliamentary time in that government's legislative agenda and Parliament's consent. The Labour Party committed to lifting the prohibition in its 'Plan to Power Up Britain' 161, but a possible timeline is still unclear.
- 6.6.9.3. Changes in legislation to permit municipal ownership may not be unconditional. Restrictions could be placed on the circumstances where municipal ownership was permissible or require a detailed legal process before one can be established.
- 6.6.9.4. Acquisition of an existing operator is not explicitly prohibited, but this has never been tested. Attempts to purchase an existing operator could require the authority to defend legal action given the legal ambiguity around such a decision.
- 6.6.9.5. Public ownership could encounter subsidy control issues that would restrict investment in the municipal company. Some exemptions exist for low-value subsidisation of 'services of public economic interest', but any wide-scale investment would require rigorous assessment to ensure compliance with regulation. Specialised advice could be required to resolve any complex issues.
- 6.6.9.6. Competition law could also intersect with public ownership, through both potential acquisition of existing operators and the ongoing

¹⁶⁰ Bus Services Act, 2017

¹⁶¹ Labour Party, 2024

July 2024



operation of the network. It would not be permissible to establish a local monopoly by acquiring all incumbent operators. Interaction with other operators by the arm's length company could also risk issues around anti-competitive practices.

6.6.10. Key risks

- 6.6.10.1. Choosing to pursue public ownership at this time runs the risk of legislation not changing, potentially after an extended period of waiting. Legislative change is not imminent and, waiting any longer would mean the inadequacies in the current network persist, itself risking a worsening of public perceptions and reduced patronage.
- 6.6.10.2. Public ownership includes a very significant transfer of risk from the private sector to the public sector. This includes risks that revenues are not sufficient to support the network, procurement risks and reputational risk if perception of the operator was poor or routes had to be curtailed. These risks are similar to those accepted in a franchised network, but more expansive given the sole responsibility of the authority in a publicly owned company. Profitability risks are not limited to the initial setup period the liquidation of Halton Transport in Merseyside shows how a previously profitable municipal company can become unprofitable, requiring increased public sector support and, potentially, a decision by the borough council to cease its operations.
- 6.6.10.3. There is a sizeable risk that a municipal bus operator would never grow to a sufficient size to influence outcomes in the region's network. Initial provision would need to be profitable enough to support expansion. If initial services failed to generate enough revenue for expansion possibly due to being outcompeted by existing operators, continued patronage decline, or political and public pressure for very low fares the municipal company would remain a small operator and fail to realise any wideranging benefits for the public.
- 6.6.10.4. If it did grow to being a leading local operator, there would be an ongoing risk that private operators would attempt to outcompete it in an area. This would be a legitimate business decision for a private operator. Similar happened in Edinburgh in the mid-2000s when FirstGroup offered much lower fares on some routes in an attempt to expand in the city and dislodge publicly owned Lothian Buses¹⁶².

¹⁶² BBC News, 2001



6.6.11. Equality and diversity implications

- 6.6.11.1. Improvements to the bus network achieved by public ownership would yield positive equality and diversity implications. These would be similar to those identified in sections 6.4.12 and 6.5.9 for an EP and franchising. Bus use is more common than average among ethnic minorities, women, elderly people and disabled people. Improvements to the bus network would improve the experience of these groups.
- 6.6.11.2. More targeted positive equality and diversity implications could be achieved through the closer control public ownership would give the authority. It would be possible to influence the municipal company's strategic direction, which in turn could include a commitment to buses as a tool to boost social and economic inclusion. Provision also could be designed to better support the needs of minority groups, for example increased midday services to meet the needs of pensioners.
- 6.6.11.3. However, positive implications are not an inherent part of a municipal operator. Business decisions could still be taken that are positive for the network but carry negative equality implications. This is particularly pronounced in the early stages when it was attempting to build market share there would likely be a choice between spending money on routes that support equality and diversity and those which generate the largest profits to reinvest in the network.

6.6.12. Any further impact of proposals

- 6.6.12.1. There are further impacts which would significantly affect the nature of any public ownership model that could be taken forward. They include cross-boundary services, transfers for staff who currently work for the operators under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE), school services operated by the local authorities and the impact of the geography of the region, such as the difference in service provision between urban and rural areas. If further study is given to public ownership then the implication of these factors will be investigated further.
- 6.6.12.2. This analysis assumes that the aim of a municipal bus company would be to gain a significant share of the market to deliver improvements to the widest number of passengers. Smaller-scale public ownership could provide improvements in some areas, though this would still require a choice between other delivery models for the wider network.



- 6.6.12.3. Strathclyde's analysis of different options concluded that, although municipal ownership "will not in itself deliver the change needed to achieve [our] aspirations", it could add value by competing for secured service contracts where competition among existing operators is limited¹⁶³. The region's transport body is set to conduct further targeted analysis into this possibility. There is no prohibition on establishing a municipal bus company in Scotland, though it remains unclear how SPT will handle some of the other challenges around municipal operator establishment such as subsidy control.
- 6.6.12.4. Existing municipal bus operators elsewhere in the UK are predominantly urban operations, there is uncertainty therefore that the model could deliver improvements throughout the region.

Key insights from this section:

- The DfT presents an EP or franchising as the main options for areas' bus networks. Different models can apply in different parts of the same authority; subsequent development of the options will consider the desirability of this approach.
- EPs can achieve a lot in theory, but their practical scope is determined by negotiations between the authority and operators. Some areas have gone further than our current EP and it is possible we could expand it relatively quickly, though doing so requires both bus operators and authorities to be open to a range of service standards and network improvements, beyond what was previously agreeable.
- Operators compete for contracts to run specified routes/services in a franchised system. Implementing franchising requires a long legal process, significant expense and transfers risk to the public sector, but also gives the authority control over the network allowing it to set routes, fares and service standards.
- It is not currently legally possible to establish a new publicly owned bus operator
 and legislative change would likely be required to pursue this option. Public
 ownership would theoretically give the authority considerable control over a
 municipal operator but, unless further reforms were undertaken, this operator
 would still need to compete for market share in the deregulated market. There
 would be significant costs involved as well as legal issues around subsidy control
 in establishing a municipal operator.
- It is for the North East CA Mayor and Cabinet to determine which option has the greatest ability to deliver for our region. This may involve different solutions in different parts of the North East CA area. Proceeding with franchising would involve undertaking a franchise scheme assessment; proceeding with an EP would involve scoping and negotiating a more expansive agreement; while seeking another option would instruct officers to conduct a more detailed analysis of such options.

¹⁶³ Strathclyde Partnership for Transport, 2024



7. Conclusion

- 7.1. Buses are vital to the North East and connect residents to work, education, retail and leisure destinations every day. The North East is one of the highest bus use areas in the country, with 106 million journeys made on buses in 2022/23¹⁶⁴.
- 7.2. Despite their importance for many residents, bus services have seen a sustained decline. The bus network in the North East sees 60 million fewer journeys each year and covers 23 million fewer miles than it did in 2010. 165 At the same time, more and more journeys have been made by private vehicle, a trend which is expected to continue. 166 If this is not addressed there will be increasing pressure on the bus network and road congestion will worsen. This will endanger the delivery of regional ambitions for the economy, the environment and health.
- 7.3. Bus passengers and residents too often feel let down by current bus services. Public engagement in the North East has found a sense that buses cannot be relied on, do not take people where they want to go, are not integrated with other transport modes, such as the Tyne and Wear Metro, or simply are not an attractive option for most journeys compared to the car. The five most common words used when residents were asked about local buses were "unreliable", "late", "expensive", "slow" and "infrequent".
- 7.4. As discussed throughout this report, large sums of public money are invested in the bus network with approximately 43% of North East bus operator income coming from public funding sources in 2022/23. Authorities have limited control of the bus network however and routes, fares and frequencies are largely commercial decisions.
- 7.5. Collaboration between public authorities and bus operators has increased due to the North East Enhanced Partnership. Supported by £163.5 million of time-limited government funding, the region's EP has facilitated improvements such as new all-day multi-modal tickets, reduced fares for young people and a common customer charter. These have delivered real benefits for passengers, with the all-day multi-modal tickets used on over one million journeys in the six months following their introduction.
- 7.6. More expansive bus reform could build on the accomplishments of the region's EP and is needed to deliver regional objectives. Change that delivers a reliable, integrated and attractive bus network would support the delivery of the Local Transport Plan and Bus Service Improvement Plan, as well as enabling progress towards the aims of other North East CA objectives. Improved bus services would also support region-wide efforts on the region's economic, environmental and

¹⁶⁴ Department for Transport, 2023

¹⁶⁵ Department for Transport, 2023

¹⁶⁶ Department for Transport, 2022



- health challenges, support more people to access work and training opportunities, address poor city centre air quality with a move towards zero-emission vehicles and enable more active journeys.
- 7.7. A continued decline in patronage would see the number of profitable routes shrink further, ultimately requiring either a significant increase in secured service spending or a substantial decline in service coverage and frequency across the region. This report sets out that there is a compelling case for change and not changing poses significant risks to the region.
- 7.8. The two primary bus reform options show potential to improve bus services and deliver on the case for change. This Options Report has set out what is presently known about the costs, timescales and implications of pursuing each option: expanding the EP and a franchising scheme.
- 7.9. Drawing on experience from other combined authorities, the report has been able to make several significant estimations. This includes an estimated cost of £8.5 million to conduct an FSA which is likely to take around 2 years and 8 months (inclusive of audit and consultation). The FSA would assess the impact of franchising on a mixed rural, urban and coastal geography and how a franchising scheme compares to other operational models.
- 7.10. This report also estimates that it would take a further 30 months (2 years 6 months) to transition to and implement a franchising model if this mayoral decision were to follow an FSA. Both costs and duration associated with transition and implementation are considered significant. They can only be established fully through the FSA and are dependent on the preferred operational model of franchising pursued and the geography covered by any franchising scheme. Any viable opportunity to accelerate this programme would however be pursued.
- 7.11. Notable areas that have not been fully analysed in this report include detailed financial modelling, determining a criteria of bus reform aims and a clear definition of the precise reform options. Further work is therefore needed to fully understand the possibilities and implications of any option. Without these steps it is impossible to make accurate assumptions regarding risks, benefits, costs and timescales.
- 7.12. Recognising the importance of the bus network and the opportunity to deliver significant change and improvements for communities in the region, this Options Report has demonstrated that bus reform is worthy of further detailed investigation. A more exhaustive piece of work will be required to comprehensively analyse and evaluate the range of solutions available to the North East CA. The Options Report therefore recommends that the Mayor and Cabinet proceed to a Franchising Scheme Assessment.



8. Glossary and Key Definitions

Glossary

- ADHD attention deficit hyperactivity disorder
- AQMAs Air Quality Management Areas
- AVL Automatic Vehicle Location
- BPC Bus Passenger Charter
- BSIP Bus Service Improvement Plan
- BSOG Bus Service Operator Grant
- CA(s) Combined Authority/Authorities
- CAZ Clean Air Zone
- CMA Competition and Markets Authority
- CSFs Critical Success Factors
- DCC Durham County Council
- DfT Department for Transport
- DRT Demand Responsive Transport
- DVSA Driver and Vehicle Standards Agency
- ENCTS English National Concessionary Travel Scheme
- EP Enhanced Partnership
- Equality Act Equality Act 2010
- FSA(s) Franchising Scheme Assessment(s)
- GHG Greenhouse gas
- GMCA Greater Manchester Combined Authority
- GNE Go North East
- GVA Gross Value Added
- H2S Home-to-school
- IMD Index of Multiple Deprivation
- ITA(s) Integrated Transport Area(s)
- JTC Joint Transport Committee
- KPIs Key Performance Indicators
- LAs Local Authorities
- LCRCA Liverpool City Region Combined Authority
- LSOAs Lower Layer Super Output Areas
- LTA- Local Transport Authority
- MCA(s) Mayoral Combined Authorities
- MTRTC Making the Right Travel Choice
- NBS National Bus Strategy
- NCC Northumberland County Council
- North East CA North East Combined Authority
- NO₂ Nitrogen dioxide
- NTS National Travel Survey



- OTC Office of the Traffic Commissioner
- P&R Park and Ride
- Partnership Board North East Regional Bus Partnership Board
- PM_{2.5} Particulate matter 2.5
- PSED Public Sector Equality Duty
- PSV Public Service Vehicle
- PTE Passenger Transport Executive
- PVR- Peak Vehicle Requirement
- SME Small or Medium sized Enterprise
- SYMCA South Yorkshire Mayoral Combined Authority
- TC Traffic Commissioner
- TCAs Travel Concession Authorities
- TCF Transforming Cities Fund
- TfGM Transport for Greater Manchester
- TfL Transport for London
- LTP North East Local Transport Plan
- TRSE Transport Related Social Exclusion
- TUPE Transfer of Undertakings (protection of Employment) Regulations 2006
- UTMC Urban Traffic Management Centre
- WYCA West Yorkshire Combined Authority
- ZEB Zero Emission Buses
- ZEV(s) Zero Emission Vehicle(s)

Key Definitions

Bus Service Improvement Plan (BSIP) - the first North East BSIP was published in October 2021 and outlines our region-wide ambitions to make buses more attractive by making them an affordable and practical alternative to using private cars for more people and helping existing bus users to travel more frequently. Our BSIP was awarded £163.5 million by the Department for Transport (DfT).

Bus Service Operator Grant (BSOG) - The Bus Service Operators Grant (BSOG) is a grant paid to operators of eligible bus services and community transport organisations to help them recover some of their fuel costs.

English National Concessionary Travel Scheme (ENCTS) - Guaranteed free travel for people over state pension age and people with an eligible disability on all eligible local bus services anywhere in England from 0930 until 2300 on weekdays and all day at weekends and on Bank Holidays. This is administered locally by local authorities/ Nexus according to a reimbursement calculator guided by a principle that bus operators should be 'no better or worse off' due to the scheme.

Enhanced Partnership (EP) - an Enhanced Partnership is a statutory arrangement under the 2017 Bus Services Act which can specify, for example, timetables and multi-operator



ticketing, and allows the LTA to take over the role of registering bus services from the Traffic Commissioners. The main difference versus franchising is that operators in an Enhanced Partnership have a much greater role, working with LTAs to both develop and deliver improvements for passengers and having a real say on how bus services should be improved.

EP Plan - a clear vision of the improvements to bus services that the EP is aiming to deliver, mirroring a BSIP.

EP Scheme – one or more statutory documents produced alongside or following the EP that sets out how the EP Plan will be delivered, including specific commitments by the authority and bus operators.

Facilities - assets that are provided at specific locations along particular routes (or parts of routes) within the Combined Authority area or new and improved bus priority measures with are made within the Combined Authority area.

Key Route Network - Key Route Networks (KRNs) are a network of some of the most important roads in a combined authority for which an MCA and its constituent authorities both hold powers.

Measures - includes improvements which have the aim of increasing the use of Local Services serving the routes to which the measures relate or ending or reducing a decline in their use; or improving the quality of Local Services.

National Bus Strategy (NBS) - Published by the Department for Transport in 2019, the NBS set out a vision for better bus services in England outside of London. As part of the strategy all Local Transport Authorities were required to publish a Bus Service Improvement Plan (BSIP) and then either pursue an Enhanced Partnership or Franchising.

Nexus - Nexus is the Tyne and Wear Passenger Transport Executive (TWPTE) which delivers and administers services on behalf of the North East Combined Authority within Tyne and Wear.

North East Combined Authority (North East CA) - The North East Combined Authority is a Combined Authority in North East England. The North East CA has a directly-elected Mayor and seven member councils of which two are county unitary authorities (Durham and Northumberland) and five are metropolitan boroughs (Gateshead, Newcastle, North Tyneside, South Tyneside, Sunderland).

North East - Throughout this document the North East is used to refer to the 'North East CA area' covering Northumberland County Council, Newcastle City Council, North Tyneside Council, Gateshead Council, South Tyneside Council, Sunderland City Council and Durham County Council. Where the term 'North East' is used to describe an alternative geography (such as inclusive of the Tees Valley) this is marked in the text.

North East Local Transport Plan (LTP) – The North East LTP is a statutory plan which sets out the region's transport priorities up to 2040. It is supported by a delivery plan. The delivery plan takes the strategic vision set out in this LTP and identifies specific schemes



and interventions that could be delivered to achieve our overall policy vision and commitments.

Radial Routes - Core routes that operate at high frequency (up to every 10 minutes Monday to Saturday daytime), Serving our urban city centres of Newcastle, Sunderland, and Durham. Radial Routes require intensive levels of resource but cater for high levels of demand and are generally profitable.

Revenue risk – the risk to either make a profit or loss which is held by the body commercially responsible for the route/network.

Secured Service - A bus service that is contracted and funded by a local authority or Nexus, these can be evening or Sunday services, works or college routes, or services which operates at a loss and so require subsidy.

Transfer of Undertakings (protection of Employment) Regulations 2006 (TUPE) - 'TUPE' refers to the "Transfer of Undertakings (Protection of Employment) Regulations 2006" as amended by the "Collective Redundancies and Transfer of Undertakings (Protection of Employment) (Amendment) Regulations 2014. TUPE regulations protect employee's terms and conditions of employment when a business or service is transferred from one employer to another. The Franchising Schemes and Enhanced Partnership Schemes (Application of TUPE) (England) Regulations 2017 make specific provision for TUPE applies to EPs and franchising schemes.

Zero Emission Buses (ZEB) - A zero emission bus is a bus that is zero emission at the tailpipe, or possesses either of an Ultra Low Emission Bus Certificate or a Zero Emission Bus certificate.

Zero Emission Bus Regional Areas (ZEBRA) - ZEBRA is a central government funding pot to help local transport authorities (LTAs), outside London, to introduce zero-emission buses and the infrastructure needed to support them.



9. Background documents available for inspection

- 9.1. The North East Local Transport Plan
- 9.2. The North East Bus Service Improvement Plan
- 9.3. Department for Transport The National Bus Strategy
- 9.4. Department for Transport-<u>Franchising Guidance</u>
- 9.5. Greater Manchester Combined Authority- Franchising Scheme Assessment
- 9.6. Liverpool City Region Combined Authority- Franchising Scheme Assessment
- 9.7. West Yorkshire Combined Authority- Franchising Scheme Assessment
- 9.8. The North East Strategic Economic Plan

Bus Reform Option Report- Appendix A

Appendix A

Estimating % of bus operator income from public sources

Introduction

- 1. The Options Report notes that 43% of bus operator income (within the NECA area) during 2022/23 was received from public sources.
- 2. The methodology used to identify this figure is summarised below.
- 3. There are various limitations on the data used (described below). We are in the process of seeking more accurate data direct from the bus operators, however, in the absence of this our analysis has been completed within the confines of the data publicly available.
- 4. It is acknowledged that there are costs incurred by the bus operators for all elements of public funding received. The objective of this exercise was to identify gross estimated income received from public funding sources relative to total gross estimated income received.

DFT BUS STATISTICS

- 5. Table BUS02d_km shows 2022/23 total distance (KM) for NECA region as 83.83m km.
- 6. Table BUS04ci_km shows 2022/23 operating revenue per KM for England outside of London as £2.85.
- 7. Combining above gives an estimated total income for the NECA region of £238.9m.
- 8. Table BUS05ai shows operating revenue for local bus services by revenue type.
- 9. The 2022/23 data for England (outside of London) is summarised within the table below.

Table 1 – Bus operator income sources in 2022/23 for England (outside of London)

Passenger	LA gross	Concessionary	BSOG £m	CBSSG /	Fare	Total £m
fare receipts	support	Travel £m		BRG £m	Cap £m	
£m	(i.e.					
	tenders)					
	£m					
1,920	475	582	200	153	60	3,391
56.6%	14%	17.2%	5.9%	4.5%	1.8%	100%

10. We have then assumed the same % profile applies for the NECA area - which produces the breakdown of revenue illustrated in the table below.

Table 2 – Estimated operator income during 2022/23 for NECA area

Passenger	Local	Concessionary	BSOG £m	CBSSG /	Fare	Total £m	
fare receipts	Authority	Travel £m		BRG £m	Cap £m		
£m	gross						
	support						
	(i.e.						
	tenders)						
	£m						
135.2	33.5	41.091	14.1	10.8	4.3	238.9	
(56.6%)	(14%)	(17.2%)	(5.9%)	(4.5%)	(1.8%)	(100%)	

Summary (DfT Bus Statistics)

- 11. Based on data from DfT's annual Bus Statistics (2023) we can estimate that total operator income within the NECA area during 2022/23 was £238.9m.
- 12. Assuming the split of operator income for England (outside of London) applies equally to the NECA area, the income received from the public sector was as follows:
 - a. Concessionary revenue £41. Page 262

- b. BSOG/DfT covid-related grants £24.9m
- c. Local authority secured service contract payments £33.5m
- d. Fare Cap £4.3m
- 13. The estimated sum of public sector funding (£103.8m) therefore represents 43% of the total income (£238.9m) for 2022/23.

Data Limitations

- 14. The DfT data used for 'KM operated' and 'Operating Revenue per KM' is marked provisional and therefore potentially subject to change.
- 15. Operating Revenue per KM figures are only available for England outside of London and are also marked as provisional and therefore potentially subject to change. Figures for English Metropolitan and English Non-Metropolitan areas (which potentially would have been more accurate) have previously been produced but are currently not available post 2020.
- 16. A breakdown of income sources based on the figures provided for England outside of London has been used (as the best available data) but may not be representative of local circumstances.

Long-Term Trend

- 17. It is acknowledged that several of the revenue streams applicable during 2022/23 are time limited and not representative of the norm. For example, the grant income received by bus operators to help them recover from reduced levels of passenger revenue following the pandemic.
- 18. To mitigate this issue, we have analysed the results from BUS05ai over the last 10 years see table 3 below.

Table 3 – Operating revenue % sources 2014 – 2023 for England outside of London

Year ending March	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Pax Receipts	57%	58%	58%	58%	60%	60%	58%	23%	44%	57%
Public funding	43%	42%	42%	42%	40%	40%	42%	77%	56%	43%

(derived from BUS04ci km)

19. This analysis illustrates that figures presented for the year ending March 2023 are in line with trends observed prior to the pandemic, where public sector income typically accounted for c40-43% of gross bus operator income.

Conclusion

20. It is estimated that 43% of bus operator income (within the NECA area) during 2022/23 was received from public sources – a figure which is also considered representative of the prepandemic norm.

Bus Reform Option Report- Appendix B

BSIP KPIs

Modal Share and Patronage

- KPI 1: Modal share of buses to grow by 1 percentage point in 2023/24 and a further 1 percentage point in 2024/25.
- KPI 2: Modal share of bus use for journeys to work and education to grow by 1 percentage point in 2023/24, and a further 1 percentage point in 2024/25.
- KPI 3: Bus patronage to grow by 10% in 2024/25, and then by a further 10% in 2025/26.
- KPI 4: Bus patronage from people under the age of 22 to grow by 10% in 2023/24 and then by a further 10% in 2024/25.

Customer Satisfaction

- KPI 6: Overall bus passenger satisfaction to grow from a baseline of 91% to 92% in 2023/24 and to 93% in 2024/25
- KPI 5: Bus boarding at rural bus stops to grow by 10% in 2023/24 and then by a further 10% in 2024/25.

Bus Performance

- KPI 7: Average speed of buses to grow, relative to the average speed of general traffic, each year starting in 2024/25.
- KPI 8: Bus reliability to be 99.5% throughout the period of the BSIP.
- KPI 9: Bus punctuality at point of origin to be 95% in 2023/24, 96% in 2024/25 and 97% in 2025/26.
- KPI 10: Bus punctuality at all timing points to be 90% in 2023/24, 95% in 2024/25 and 95% in 2025/26.

Environmental Standards

 KPI 11: Bus fleet emission standard to Euro 6 or better to be 63.2% in 2022/23, 80.8% in 2023/24 and 91.1% in 2024/25 and to be 100% at the start of 2025/26. **Bus Reform Option Report- Appendix C**

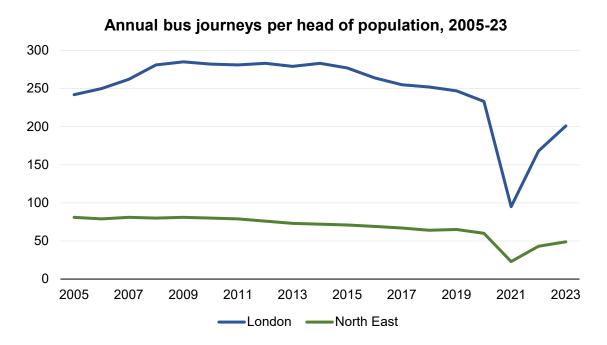
Changes in bus patronage in London compared to the rest of England

London's buses see much higher patronage than buses across the rest of England. Patronage in the rest of England has decreased from pre-deregulation highs but patronage in London has increased significantly over the same period. No single factor explains this, but London patronage has benefited from extensive bus priority infrastructure as well as the direct and indirect influence of the congestion charge. This builds on the pre-existing advantages available to London as a dense urban area.

Background

Bus patronage has diverged between London and the rest of England. Buses remain well used in London, with patronage per head increasing throughout the 1990s and 2000s until a slight fall in the 2010s¹. Contrastingly, patronage has fallen across the North East².

The recent decline in bus patronage per head in London can also be attributed to an increase in mode share by active travel and rail rather than private vehicles³.



Patronage in London has also recovered faster since the pandemic than the North East and the rest of England. Total journeys in London in 2023 represented 80% of the total journeys made in 2019, compared to 74% in the North East.

London would be expected to have higher bus patronage than England overall – it is a dense urban area with a high population, creating higher demand for services. It is, however, notable that London has largely resisted post-deregulation trends in the

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¹ Analysis of <u>Department for Transport, 2023</u>

² The definition of the North East used in the patronage figures includes the five local authorities in the Tees Valley CA as well as the seven that will comprise the post-May North East CA.

³ Transport for London, 2018

rest of England. This does not have a single explanation, and many involve 'chicken and egg' issues, but this document evaluates some key potential enablers for this divergence.

Population density

London is the most densely populated urban area in England and one of the most densely populated areas in Europe. London has around 5,600 people for each square kilometre; compared to 2,600 in Newcastle and 2,000 in Sunderland.

London is especially dense at in its urban core. One million people live within 5km of Trafalgar Square. Other major English cities – including Manchester, Birmingham, and Leeds – are less than half as dense⁴. Newcastle is one-third as dense and Sunderland just over a tenth as dense⁵.

London's population distribution has largely not changed within the city – its inner and outer boroughs have grown at broadly the same rate⁶. Patronage has therefore not increased due to people choosing to live in the denser inner London boroughs where cars have less utility.

London's density has given its public transport network significant advantages when compared to those serving other English cities. Higher density means that there are more people to ride buses and – even ignoring parking restrictions imposed by councils – higher density makes it more difficult to own a private car. Space which may be used for parking in low density areas is typically allocated for housing in higher density areas.

London's dense population enables a successful public transport network. More people live closer to each bus stop and – all else being equal – demand for services will be higher in densely populated areas. London's population has grown at broadly the same rate in the dense inner boroughs and the more suburban outer boroughs, indicating that urbanisation does not explain long-term bus patronage increases.

Bus priority infrastructure

London benefits from established and well-developed bus priority infrastructure. This includes a network of no-stopping red routes along key arterial roads, expansive bus lanes, and junctions designed for bus priority.

Red routes were piloted in London in 1991 prior to being rolled out throughout the 1990s. The Department for Transport's evaluation of the pilot – which covered an eight mile stretch of road in North London – found that it had delivered significant benefits. These included:

 "Considerably quicker" bus journeys with a significant reduction in bus journey variability;

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⁴ Analysis of city populations using Forth, n.d. Manchester, Birmingham, and Leeds were measured with a 5km radius around Piccadilly Gardens, New Street Railway Station, and City Square respectively.

⁵ Measured from Monument and Sunderland Railway Station respectively.

⁶ Analysis of Office for National Statistics, 2022

- Patronage on the 43 bus service covering much of the pilot route increasing by approximately 9%; and
- A 17% reduction in personal injury accidents across the route⁷.

The 2000-03 London Bus Initiative built on the implementation of red routes. It used government funding to install a range of further bus priority measures. These included 100 extra bus lanes, 300 junctions equipped with bus priority, and other junction improvements across 27 high frequency bus routes.

The Department for Transport analysed three routes giving the highest levels of bus priority. Its conclusion was positive, finding that the measures improved bus speeds; increased bus patronage; and improved reliability. It described the London Bus Initiative as a "highly successful" project. A similar scheme in Edinburgh was also successful⁸.

Infrastructure to support cycling and active travel has also been expanded across London, such as cycleways. This infrastructure appears to be supporting an increase in cycling in London, but could negatively impact motorised traffic – including buses.

Transport for London highlight that post-completion journey times along new cycle routes are "in many cases" similar to pre-completion journey times but note that construction can add delays – such as up to ten minutes compared to the pre-construction time along the short CS5 route, which crosses the Thames between Oval and Pimlico. TfL has mitigated this with various measures, including temporary bus timetables, enhanced bus priority, and implementing dynamic signal timing; balancing the need for buses to move quickly with the desire to improve active travel infrastructure⁹.

Bus priority infrastructure could be characterised as a 'carrot' to increase bus patronage. Measures such as red routes and extended bus lanes can yield significant benefits for buses, enabling faster and more reliable journeys. London's experience shows that passengers recognise such improvements quickly, with increases to patronage as a result.

Congestion charging

The London Congestion Charge was first introduced in 2003 and briefly operated across a slightly expanded footprint from 2007 to 2011. The zone covers a small part of central London which has a relatively low population and high concentration of workplaces – including Whitehall and the City of London.

Drivers currently pay £15 a day to drive in the zone. Electric vehicles¹⁰ and blue badge holders are entirely exempt, while residents of the zone area are eligible for a 90% discount.

⁷ House of Commons Library, 2010

⁸ Department for Transport, 2004

⁹ Transport for London, 2016

¹⁰ The 'Cleaner Vehicle Discount' – which makes electric vehicles exempt from the charge – is being abolished with effect from 25 December 2025.

Motorised traffic has fallen significantly in central London since the zone was introduced, with around 70% as many vehicles crossing into central London 11 compared to in 2000 – despite the significant growth in the city's population¹².

Transport for London's research indicated that the congestion charge had resulted in a modal shift from cars to public transport for journeys to central London, with the bus network also benefiting from "the reduced congestion and ongoing investment of scheme revenues"13.

Bus passengers entering the congestion charge zone increased by 37% during the scheme's charging hours after introduction, with Transport for London attributing half of this increase directly to previous car drivers switching modes and the rest reflecting general improvements in bus services that made them more attractive to ride. Services also became more reliable 14.

Congestion in central London crept back up to pre-zone levels following its introduction, although the number of cars and journeys remained lower. Transport for London attributes this to a reduction in road capacity due to roadworks and highlights there are long-term opportunities to reallocate the road space made available 15.

Some drivers decided that they would continue to pay the charge and drive in the congestion charging zone for various reasons. Transport for London's analysis on drivers who continued to drive in the briefly expanded area of the zone following its introduction reported various reasons for this decision – including driving for work needs; a feeling they had no other choice; or because they thought it was easier and would save time. Most reported that they had not considered any alternative for their most recent journey¹⁶.

Intuitively, those who did not pay the full charge themselves – either because they received a substantial discount as a resident, were exempt, or because their employer reimbursed them – were much more likely to continue to drive in the zone, with eight in 10 of this group continuing to drive ¹⁷.

The London Congestion Charge yielded a significant increase in bus patronage in central London with both direct and indirect benefits. Most directly, the cost appears to have encouraged many drivers to switch to the bus (if bus priority measures are a carrot, the congestion charge is the stick). Indirectly, less congested roads enabled buses to be more reliable and faster which made the network more appealing.

Fare cost and ticketing

12 <u>Transport for London, 2023</u>
13 <u>Transport for London, 2007, p.3</u>

¹¹ The definition of central London used to derive this figure is wider than the congestion charge zone. It is likely that the true fall inside the zone is greater.

¹⁴ Transport for London, 2007, p.55

¹⁵ Transport for London, 2007, p.2

¹⁶ Transport for London, 2008, p.114

¹⁷ Transport for London, 2008, p.114

Bus fares are generally lower and simpler in London than the rest of England. Bus travel zones were abolished in 2004 and a flat fare implemented across the city. It currently costs £1.75 for a single journey – below the national £2 cap.

Switching buses is facilitated by the 'hopper' fare, with subsequent journeys free for an hour after the first journey begins. This enables passengers to make more complex journeys that criss-cross bus routes and require connections. There is also a daily cap of £5.25.

Fare increases in London have generally been similar to the rest of England, with both outpacing CPI inflation while motoring costs have fallen¹⁸. Real incomes have, however, risen faster in London compared to the rest of England meaning that similar sized fare increases affect Londoners less than people in the rest of England¹⁹.

Analysis from the Chartered Institute of Logistics and Transport, drawing on published economics research, suggests that fare costs do not significantly alter short-term ridership. A 10% rise in fares would result in a 4% reduction in ridership²⁰. Changes are likely more pronounced in the long-term as residents are able to adjust factors such as their home, workplace, or acquire a private car in response to the cost.

The level of any extent is hard to quantify, but the Institute also highlights that "simpler [fare] structures may help to attract ridership". Simpler fare structures also have the indirect benefits – such as enabling quicker boarding and consequently reducing journey time and variability²¹.

London's fares – both their actual level and simplicity – likely contribute to London's ridership being higher than the rest of England, but this is seemingly a small (albeit difficult to quantify) impact. Fares have risen at largely the same rate as the rest of England, meaning they are likely not the cause of London and the rest of England's divergent patronage trends.

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¹⁸ Department for Transport, 2023

¹⁹ Analysis of Office for National Statistics, 2023

²⁰ Chartered Institute of Logistics and Transport, 2021, p.5

²¹ Chartered Institute of Logistics and Transport, 2021, p.5

Bus Reform Option Report- Appendix D

Appendix D

Estimating cost, income, and profit for the NECA bus network

Introduction

- 1. To inform the Options Report it is necessary to estimate the cost, income, and profit/loss for the NECA bus network.
- 2. Analysis is drawn from the 2022/23 period (with 2021/22 data used on an interim basis where there are gaps in data available).
- 3. There are various limitations on the data used (described below). We are in the process of seeking more accurate data direct from the bus operators, however, in the absence of this our analysis has been completed within the confines of the data publicly available.
- 4. The primary use of our analysis will be to:
 - a. Inform cost and revenue baselines used within the interim financial model; and
 - b. To inform indicative levels of funding required to maintain a specified level of service.

Income

- 5. Annual accounts for three largest operators are available on-line from Companies House (accounts for Arriva are split over two operating companies).
- 6. The reporting period used by each company varies (noted as a limitation below), but the data available is considered sufficient to permit high-level analysis over a full financial year.
- 7. Based on analysis of current PVR¹, it is estimated that 40% of income/cost for Arriva Durham County is attributable to operations within the NECA region. The remaining 60% of income/cost is attributable to operations within Tees Valley and North Yorkshire.
- 8. 100% of cost is allocated for all other companies.
- 9. The table below shows the adjusted income recorded during 2022/23.

Table 1 – Estimated bus operator income for NECA region 2022/23

Operator	Income (£m)	% TNE	Estimated	Year Ending
		area	Income TNE area	
			(£m)	
Arriva Durham	48.687	40%	19.475	31 Dec 2022
County				
Arriva	29.414	100%	29.414	31 Dec 2022
Northumbria				
Busways Travel	61.251	100%	61.251	29 Apr 2023
Services				
(Stagecoach)				
Go North East	<mark>87.837</mark>	<mark>100%</mark>	<mark>87.837</mark>	<mark>02 July 2022</mark>
TOTAL	227.2		198.0	

^{* 2021/22} data used for GNE pending publication of 22/23 accounts expected late 2024

- 10. Assuming income for the remaining SME operators (15% market share) is comparable, their total estimated income would be $\mathfrak{L}34.935m$. However, such an assumption would be flawed because:
 - a. SMEs have a lower cost-base; and

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¹ See appendix A

- b. Within our region the primary source of income for SMEs is from LA/Nexus contract payments which cover the cost of operating secured services and provide a profit margin estimated to be between 5-10%.
- 11. Adding a 7.5% (mid-range between 5-10%) profit margin to the 15% discounted cost (see cost section below) for SMEs (£30.59m) suggests total SME income for 2022/23 was £33.07m.
- 12. The estimated income for the three large incumbents (£198.0m) combined with the estimated SME income (£33.07m) gives a total estimated income for the region's bus network of £231.07m for 2022/23 subject to the data limitations highlighted below.

Cost

13. The table below shows the adjusted cost of sales recorded during 2022/23.

Table 2 – Estimated bus operator costs in NECA region for 2022-23

Operator	Cost of Sales	% TNE	Estimated Cost	Year Ending	
	(£m)	area	TNE area (£m)		
Arriva Durham	48.341	40%	19.336	31 Dec 2022	
County					
Arriva	31.686	100%	31.686	31 Dec 2022	
Northumbria					
Busways Travel	63.108	100%	63.108	29 Apr 2023	
Services					
(Stagecoach)					
Go North East	<mark>89.745</mark>	<mark>100%</mark>	<mark>89.745</mark>	<mark>02 July 2022</mark>	
TOTAL	232.9		203.9		

^{* 2021/22} data used for GNE pending publication of 22/23 accounts expected late 2024

- 14. Assuming costs for the remaining SME operators (15% market share) are comparable, their estimated cost would be £35.99m. However, SMEs are likely to have a lower cost base due to lower overheads (e.g. smaller buses/depots and less staff). Application of a 15% discount to account for this reduces the estimated SME cost to £30.59m.
- 15. Estimated costs for the three large incumbents (£203.9m) combined with the estimated SMEs cost (£30.59m) gives a total estimated cost for the region's bus network of £234.5m for 2022/23 subject to the data limitations highlighted below.

Profit/Loss

16. The table below shows the estimated profit/loss generated based on the above analysis.

Table 3 - Profit/loss

Operator	TNE area income (£)	TNE area Cost (£)	TNE area profit/loss (£)	Margin (%)
Arriva Durham County	19.475	19.336	0.139	0.7
Arriva Northumbria	29.414	31.686	(2.272)	(7.7)
Busways Travel Services (Stagecoach)	61.251	63.108	(1.857)	(3.0)
Go North East	87.837	89.745	(1.908)	(2.2)
SME operators (Estimated)	33.07	30.59	2.48	7.5
Total	231.1	234.5	(3.4)	(1.5)

Data Limitations

- 17. Limitations of the data used are summarised below:
 - a. It is difficult to establish whether/how group overheads have been allocated (subject to the intended uses for this data, it may be necessary to make some adjustments to reflect some or all the overheads within calculations).
 - b. Different operators use different accounting policies on depreciation and pensions.
 - c. The accounting period used by each operator is different.
 - d. PVR analysis used to apportion the % of Arriva Durham County costs applicable to the NECA area has been based on a high-level desk-top exercise. Caution should be taken in the application of this figure and efforts should be made to obtain more accurate data on this matter when the opportunity arises.
 - e. The PVR method used to split the results for Arriva assumes an average income/cost across all PVR. There may be a different cost/income profile for the Arriva buses operating either side of the boundary which is not recognised by this method.
 - f. 15% cost discount for SMEs based on feedback provided by Industry Expert Panel.
 - g. 7.5% profit margin for SMEs based on mid-point of 5-10% expected average range.
 - h. Significant inflation has occurred in period since the accounts used to inform baseline data were published and cost savings have also been achieved through recent depot closures (for example, Chester Le Street and Jesmond). More recent accounts, or surveys would help identify new post-covid norm.
 - i. BSOG and covid support/recovery grants are treated different by each operator. Some show grant income as a net cost, whilst others show it as income.
 - j. Income/cost has been calculated using publicly available data sources which may have affected the accuracy of figures presented (access to bus operator data will help improve accuracy and validate assumptions made). Should it be necessary to use the figures quoted then we should highlight caution on the accuracy of data.
 - k. The income/cost figures quoted above for GNE relate to the 2021/22 period. For various reasons this period should not be considered representative of the post-covid 'norm'. In particular, the pandemic led to a stark reduction in patronage which then led to some structural changes within the bus market not reflected within the 2021/22 data.
 - l. The above analysis will be updated as and when more data becomes available.

Appendix A - Arriva Durham County (Estimating cost/income within NECA network)

- Revenue reported for Arriva Northumbria, Busways Travel Services and GNE relates to
 operations almost exclusively within the NECA boundary (there are a small number of routes
 operated by GNE and Stagecoach which also serve Tees Valley or Cumbria, but for the purpose
 of this exercise the scale of these is not considered significant).
- 2. Revenue reported for Arriva Durham County relates, in part, to significant operations outside of our region and therefore an adjustment to the figure presented is necessary.
 - a. To inform this adjustment, some analysis of the network operated by Arriva Durham County was completed to identify the Peak Vehicle Requirement (PVR) for each route (PVR calculations were derived from dividing off-peak cycle times by the service frequency). The sum of PVR for routes serving County Durham and Tyne & Wear was then identified as a % of the total PVR operated by Arriva Durham County.
 - As details for the bus network operated by Arriva Durham County during 2021/22 were not available the PVR analysis completed was based on their March 2024 network.
 Whilst this provides a broad indication of the split, it is recognised as a limitation on the validity of the data.
 - c. Total PVR for Arriva Durham County was identified as 217, of which 88 related to services operating wholly, or partly within the NECA area (40%). A summary of the PVR analysis completed can be found below.
 - d. Assumed revenue for Arriva Durham County (within the NECA area) is therefore estimated as £18.763m (40% of £46.909m).

Service	With	Route	Cycle	Frequency	PVR	TNE PVR
1	******	Darlington - Tow Law	360	60	6	6
'		Dartington - Tow Law	300	60	O	O
2	2a	Red Hall - Branksome	90	15	6	0
3		Mowden - Skerne Park	30	15	2	0
4		Darlington - Minors Cres	40	20	2	0
5		Bishop Auckland - Darlington	160	30	5	5
5		Middlesbrough - Easington	180	30	6	0
5a		Middlesbrough - Lingdale	120	60	2	0
6		Durham - Barnard Castle	480	60	8	8
7		Darlington - Durham	165	15	11	11
7		Stockton - Yarm	150	30	5	0
8		Netherfields - Middlesbrough	70	10	7	0
8		Darlington - Spennymoor	133	60	2.2	2.2
8a		Spennymoor - Ferryhill	47	60	0.8	0.8
9		Darlington - Springfield	32	20	1.6	0
9		Middlesbrough - Overfields	60	20	3.0	0
10		Darlington - Whinbush	32	20	1.6	0
13a	13b	Darlington - Firth Moor	32	10	3.2	0
15		North Tees Hospital - Ingleby Barwick	210	30	7.0	0
16		Middlesbrough - Beckfields Ave	120	30	4.0	0
17	17a/17b	Middlesbrough - Stockton/Yarm	100	20	5.0	0
17		Mowden - Skerne Park	60	60	1.0	0
18		Harrogate Farm - Skerne Park	60	60	1.0	0
19		Darlington - West Park	60	60	1.0	0
22		Durham - Sunderland	205	60	3.4	3.4
22b		Durham - Sunderland	120	60	2.0	2
23		Hartlepool - Sunderland	260	60	4.3	4.3
24		Durham - Hartlepool	375	60	6.3	6.3
28		Middlesbrough - Lingdale	120	60	2.0	0
28a		Middlesbrough - Stokesley	120	60	2.0	0

29		Middlesbrough - Nunthorpe	90	30	3.0	0	
43		Durham - Esh Winning	60	20	3.0	3	
48		Durham - New Brancepath	45	20	2.3	2.3	
49	49a	Durham - Brandon	40	20	2.0	2	
56	56a	Durham - Bishop Auckland	180	60	3.0	3	
58		Durham - Hartlepool	180	60	3.0	3	
62		Middlesbrough - New Marske	120	30	4.0	0	
63		Middlesbrough - Redcar	130	10	13.0	0	
64		Arnison Centre - Sherburn	180	30	6.0	6	
64		Ings Farm - Middlesbrough	180	30	6.0	0	
64a		Grangetown - Middlesbrough	90	30	3.0	0	
81		Stokesley - Marske Estate	120	60	2.0	0	
95		Sainsbury's - Sleights	60	60	1.0	0	
96		Whitby - Lealholmside	120	120	1.0	0	
318s		Ugthorpe - Eskdale School	PEAK	PEAK	0.0	0	
323s		Rail Station - Eskdale School	PEAK	PEAK	0.0	0	
805		Brambles farm - Swans -	PEAK	PEAK	0.0		
000		Corner	FEAR	FEAR	0.0	0	
865		St Johns School - Croxdale	PEAK	PEAK	0.0	0	
ED1		Burnhopefield - EDC Houghall	PEAK	PEAK	0.0	0	
ED2		Blackfell - EDC Peterlee	PEAK	PEAK	0.5	0.5	
ED3		EDC Peterlee - EDC Houghhall	PEAK	PEAK	0.5	0.5	
ED4		North Hylton - Bracken Hill	PEAK	PEAK	0.0	0	
ED5		Tubwell Row - College	PEAK	PEAK	0.0	0	
MC1		Ingleby Barwick - Middlesbrough	PEAK	PEAK	0.0	0	
MC2		Easington - Middlesbrough College	PEAK	PEAK	0.0	0	
МС3		Stokesley - Middlesbrough College	PEAK	PEAK	0.0	0	
MC5		Guisborough - Middlesbrough College	PEAK	PEAK	1.0	0	
P1		Whitby P&R	30	30	1.0	0	
P2		Whitby P&R	30	30	1.0	0	
X2		New Marske - Middlesbrough	120	60	2.0	0	
Х3	ХЗа	Skelton / Lingdale - Middlesbrough	180	60	3.0	0	
X4	X4a	Whitby - Middlesbrough	240	30	8.0	0	
X12		Newcastle - Middlesbrough	480	60	8.0	8	
X22		Middlesbrough - Peterlee	240	60	4.0	4	
X26	X27	Darlington - Colburn Estate / Catterick	240	60	4.0	0	
X46		Stanhope - Durham	75	20	3.8	3.8	
X66	X67	Darlington - Middlesbrough	210	30	7.0	0	
X75	X76	Darlington - Barnard Castle	90	30	3.0	3	
X93		Middlesbrough - Scarborough	274	60	4.6	0	
X94		Whitby - Scarborough	130	60	2.2	0	
					217	88.1	40%
				Spare	15.0%		
				Total fleet	250		
				Total Hool	200		

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Bus Reform Option Report- Appendix E

Bus Reform Delivery Model Feasibility Study

Transport North East

9 February 2024



Lucy Keating
Head of Bus Reform
Transport North East
C/o Gateshead Civic Centre
Regent Street
Gateshead
NE8 1HH

9 February 2024

Dear Lucy,

Bus Reform Delivery Model Feasibility Study - Final report

In accordance with your instructions, we have performed the services as a subcontractor for Bloom Procurement Services Ltd ("**Bloom**") and set out in our engagement agreement with Bloom dated 24 January 2024 (the 'Engagement Agreement').

Purpose of our report and restrictions on its use

This report was prepared on the specific instructions of Transport North East solely for the purpose of the Bus Reform Delivery Model Feasibility Study and should not be used or relied upon for any other purpose.

This report and its contents may not be quoted, referred to or shown to any other parties except as provided in the Engagement Agreement. It does not include all our findings and conclusions and therefore it should be read in conjunction with Appendix A to the report for a full understanding of our findings.

We accept no responsibility or liability to any person other than Transport North East, or such party to whom we have agreed in writing to accept a duty of care in respect of this report and accordingly if such other persons choose to rely upon any of the contents of this report they do so at their own risk.

Nature and scope of the services

The nature and scope of the services undertaken, including the basis of preparation and limitations, are detailed in the Engagement Agreement.

Our work was completed on 5 February 2024. Therefore, our report does not take account of events or circumstances arising, or information made available, after 5 February 2024 and we have no responsibility to update the report for such events or circumstances or information.

Yours sincerely,

Richard Barnes Partner

Ernst & Young LLP

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Executive Summary

Introduction and purpose of this Report

Like many authorities across England, Transport North East (TNE) is exploring the potential for bus reform. As part of this work, TNE is preparing an options paper which will set out the case for change and the bus reform options likely to be available to the future North East Mayoral Combined Authority (NEMCA).

This report is intended to inform the TNE report and deliberately considers a broad range of potential delivery model options for Bus Reform in the North East. Continuing with the current Enhanced Partnership and the introduction of a Franchise Scheme are the primary options available under current legislation, however this report also considers a number of additional options that may be available, both at the current time, and in future, in the event that a change in legislation resulted in additional powers for NEMCA.

Delivery model options considered

The report has deliberately considered a wide range of options, including a number that are not possible under current legislation or that are likely to prove complex, and potentially impossible, to implement, particularly at a regional level. The inclusion of these options enables TNE to consider a wide range of models (including what legislative changes might need to be implemented and/or regulatory issues overcome to implement them), respond to questions that politicians and other interested stakeholders may have and, in turn, develop a robust set of options to consider in any future business case. This is particularly relevant in a region as large and diverse as that covered by the future NEMCA (referred to as the "North East" throughout this report). Given the uncertainty around the availability of future funding, each option has been considered and assessed assuming equal funding is provided, irrespective of the delivery model option adopted.

The options draw upon operating models used in other jurisdictions in the UK as well as internationally, and can be summarised into four broad categories, those relating to use of Enhanced Partnerships, different types of Franchising Scheme, options based on Public Ownership and Other options.

A number of delivery options were considered at the long list stage however ultimately, these options did not proceed to the short list stage. Many of the options in the "Other" options category were excluded as they would not deliver against the Transport Plan objectives and BSIP KPIs in their own right (as compared to an EP, franchising scheme or public ownership model). These options may however be used as tools or facilitators of improvement alongside other delivery models.

Each shortlisted option was then considered against the Critical Success Factors. The Franchising Scheme and Enhanced Partnership Max options were very effective in satisfying the CSFs and therefore scored very high overall scores. The Public Ownership Model delivery options were generally less effective, particularly from a deliverability and region wide applicability perspective.

Delivery model observations

The last few years have significantly changed the landscape in the bus market in England. The impact of Covid continues to be felt. Whilst levels of bus travel recovered sooner and to a fuller extent than other public transport modes, the commercial bus industry relied on significant levels of financial support from government to deliver services both during and then post Covid.

The introduction of a National Bus Strategy and the associated Bus Service Improvement Plans requiring the introduction of Enhanced Partnerships or Franchising in order to access ongoing central Government support has inevitability placed an even greater emphasis on the role of local transport authorities. The authorities in the North East have successfully negotiated an Enhanced Partnership with operators in the North East, and received BSIP funding from government, however to date operators have been unwilling to commit to private investment under the EP. This BSIP funding (of £163.5m) will be vital to maintaining the current network and helping deliver some of the improvements

set out in the BSIP although a number of improvements remain long term objectives dependent on future funding availability.

Within Combined Authorities in England, there is a growing interest in the possibility of re-regulation of bus services through franchising. A number of other combined authorities have elected to introduce franchising (Greater Manchester and Liverpool City Region) or are well advanced in the process to assess whether to introduce a Franchising Scheme (including South Yorkshire, West Midlands and West Yorkshire). There are also authorities with franchising powers that have not elected to use them (i.e. through undertaking a franchise assessment), for example Cornwall and West of England Combined Authority.

It is against this backdrop that the future NEMCA will have to assess whether to continue (and potentially develop) its Enhanced Partnership or consider other options that might have a greater chance of delivering its key objectives.

A number of key observations and issues should be considered to further inform the work the Authority does around Bus Reform:

- 1. The counterfactual for any future changes remains the current Enhanced Partnership. Further customer improvements could be delivered through improvements to this Enhanced Partnership. This would require all qualifying operators agreeing to the measures and/or commitments which may prove challenging to agree. Other partnership models could be used alongside the EP (qualifying agreements, voluntary partnership agreements (VPA) and/or an advanced quality partnership scheme (AQPS)) however this will add complexity in terms of delivery and oversight and may result in inappropriately inconsistent outcomes across the region.
- 2. Obtaining control over the bus network through regulation bus franchising would give the Authority the greatest ability to specify customer outcomes and ensure that they are delivered. Given that the Authority is setting the specifications, a Franchise Scheme also allows a consistent approach to bus services to be delivered across the region, even when split into a series of contracted packages of services. It should be noted however that under a Franchising scheme, the Authority takes primary responsibility for the bus network and, with it, a number of potentially significant risks. This includes financial risk, particularly if it retains the patronage and farebox risk. The complexity, cost and time to transition to a franchised model should not be underestimated. Additionally, achieving value for money depends on having a competitive market to bid for contracts.
- 3. A number of public ownership model options have been considered, including ones that would require new legislation to be enacted. Common to all the public ownership options considered is that, whilst on the face of it they might appear to provide a significant degree of public control, the reality is that on their own, they do not actually provide as much control as Franchising would as the model would still be operating in the deregulated market. They also expose the Authority, as shareholder, to market competition and may make delivery of different models in the future (particularly franchising) more challenging.
- 4. Although we consider that public ownership models do not offer the overarching region-wide opportunities to reform bus services compared to a well performing EP or Franchise Scheme, there might be specific future circumstances where such models could be adopted alongside an EP or Franchising Scheme. For example, there might be stronger rationale to acquire an operator looking to withdraw from a particular area where there are no other operators willing to provide commercial services or to bid to run tendered services.
- 5. The feasibility study represents an initial view of the potential delivery model options that could be available to the Authority. If a decision is made to prepare an Assessment of Franchising, the Bus Services Act requires that there is a detailed long and shortlisting exercise undertaken that can build upon the work in this report. In our view, the options shortlisted at that stage need to have a credible chance of delivering the Authority's primary objectives across the whole region. Options that might require a bundled approach involving a combination of delivery models are inevitably much more complex to assess and would need detailed definition, driven

by the specific circumstances that make such an approach relevant and credible. The Authority will therefore need to carefully consider whether there are circumstances that merit the inclusion of any such options in the shortlist to appraise. In addition, shortlisting options that require further legislation to be put in place could risk delaying the Assessment process.

1. Background and context

Transport North East (TNE) provides strategy, planning and delivery services on behalf of the North East Joint Transport Committee (NEJTC). NEJTC brings together the region's two Combined Authorities which have transport powers for the region:

- North of Tyne Combined Authority covering Newcastle, North Tyneside and Northumberland;
 and
- North East Combined Authority covering Durham, Gateshead, Sunderland and South Tyneside.

Some responsibilities for passenger transport (including buses) are delegated by NEJTC to Nexus (in respect of Tyne and Wear), Durham County Council, and Northumberland County Council.

In May 2024, upon the election of a Mayor, a new North East Mayoral Combined Authority (NEMCA) will be formed, replacing the region's two existing Combined Authorities.

The future NEMCA will have the power to prepare an assessment of a proposed franchising scheme without obtaining the Secretary of State's consent and it is anticipated that the future Mayor and Cabinet may decide to undertake a Franchising Assessment. Whilst the North of Tyne Combined Authority is a mayoral combined authority, it does not have bus franchising powers.

Ahead of the formation of NEMCA, TNE is preparing a bus reform options paper, which will set out the case for change and the bus reform options likely to be available to NEMCA. Authorities in the North East have agreed an Enhanced Partnership (EP) with operators and this is currently in operation, however as part of this work, TNE wishes to understand the full range of potential alternative future delivery models for bus services. TNE has therefore engaged EY to undertake a feasibility study of potential delivery models in order to inform its thinking.

The future roles and responsibilities of NEMCA and the other relevant authorities are not yet known. For example, it is not known whether the status quo, where passenger transport responsibilities are delegated to Nexus, Durham County Council, and Northumberland County Council, will continue. For simplicity, throughout this document the term 'Authority' is used which refers to the future NEMCA or relevant local transport authority as applicable.

2. Purpose

The purpose of this report is to consider potential delivery model options for Bus Reform in the North East. Whilst the future Authority will have the primary two options of a continuing, and potentially evolved, Enhanced Partnership and the introduction of a Franchise Scheme, at this stage it wishes to understand what other delivery options might exist. The future NEMCA will have powers to introduce Franchising (subject to a decision by the Mayor and Cabinet, following completion of a Bus Franchising Assessment), however, TNE would like to consider what other delivery model options may be available, both at the current time, and in future, in the event that a change in legislation resulted in additional powers.

This report therefore considers a broad range of options, including those that are not possible under current legislation. In order to assess the feasibility and potential merits of the options, each has been tested against the Transport Plan objectives and BSIP KPIs (see Appendix A) and for those that were shortlisted, assessed against a range of Critical Success Factors (CSF). The report then sets out the key considerations for Bus Reform in the context of the delivery model options.

Limitations

TNE should note the following limitations to the feasibility study:

- Each delivery model option has been considered independently and in insolation from other
 options in the assessment. A delivery option implemented in conjunction with another option
 (e.g. an EP along with a VPA) may be an optimal solution, however the analysis within this
 report has not sought to define this.
- Similarly, it is recognised that TNE and its stakeholders may wish to transition to and between
 different delivery model options over time. This report notes at a high level whether an option
 may or may not make the adoption of another delivery option easier or more challenging at a
 later point.
- This report represents an initial, high level feasibility study of potential delivery model options for Bus Reform. Once there is greater clarity on the strategy, roles and responsibilities of the relevant organisations following the formation of the future NEMCA, and election of a Mayor, further and more detailed analysis should be undertaken.
- The future NEMCA may undertake a Bus Franchising Assessment following the Mayoral election in May 2024. The purpose of this report is to inform the long list of potential delivery options and does not seek to duplicate or prejudice any of the analysis that will need to be undertaken as part of any future Assessment.
- This report considers a number of areas related to current and potential future regulation and legislation relating to the bus industry. However, it should be noted that this report represents a strategic and commercial perspective on such matters. The work has benefited from an appropriate level of legal input for this stage. However, TNE would need to obtain more detailed advice in pursuing any of the options set out, particularly those that that might require detailed consideration of the currently legal and regulatory frameworks and where there might be a need for further legislation.
- Given the uncertainty around the availability of future funding, each option has been considered
 and assessed assuming an equal level of funding is available, irrespective of the delivery model
 option adopted.

3. Delivery model options considered

The long list of potential delivery options was developed considering a broad range of options, including those used internationally. This approach was taken to ensure all potential avenues of bus reform were explored and was not restricted to options that are permissible under current legislation. We drew upon our understanding of operating models used in other jurisdictions in the UK and overseas, including using local knowledge from EY teams in relevant international offices.

The outcome of this work was the long list of potential delivery models outlined in the table below. A description of each of these delivery models and rationale for short listing is provided in subsequent sections of this Report.

Category	Option	Short listed?
Do Minimum	Retain current Enhanced Partnership No change to existing operation of routes/services by the incumbent bus operators under the current Enhanced Partnership.	✓
Improved Enhanced Partnership	Enhanced Partnership Max Work with operators to maximise the potential for improvements (including private investment) under the Enhanced Partnership/BSIP. This may be delivered by supplementing the current EP with other models outlined in the Transport Act 2000.	✓
Franchising Scheme	Franchising Scheme Implement a Franchising Scheme with operators selected based on competitive bids against the Authority's specification. Franchises or operating contracts are commonly used to deliver bus services internationally.	✓
	Service Permits Implement a Franchising Scheme, but grant Service Permits for current commercial services to operate as today.	×
Public ownership models	Acquisition of existing operators (either by CA or at the municipal level) The Authority acquires one or more of the larger incumbent operator(s) directly and holds them as a wholly owned subsidiary. This may involve targeting a specific geography/area or an operator that may be facing financial difficulty. In any case it would require an operator willing to sell. This option does not appear to be expressly prohibited by current legislation. Potential for minority employee ownership.	√
	Establish a new public operator (either by CA or at the municipal level) Establish a new bus operating company to operate bus services, owned by the Authority (would require primary legislation to be changed). This could be focused on areas where incumbents have withdrawn or compete with them. Potential for minority employee ownership.	√
	Direct operation (either by CA or at the municipal level) The Authority operates the services directly, without establishing a new separate entity. The decision to	✓

Category	Option	Short listed?
	operate services directly could only be taken if services were not otherwise provided (section 9A Transport Act 1968/section 63 Transport Act 1985) and in those circumstances, there is a duty to tender services (section 89 Transport Act 1985). Therefore, this option would only be relevant for minimal services across the region. There are some examples internationally of this approach being used at scale (e.g. Boston, Dubai) however many examples of public ownership use arms-length subsidiaries.	
	Joint venture with incumbent operators (share purchase) Form a joint venture with a willing incumbent operator(s) to operate the bus services through purchase of shares in the existing businesses. This does not appear to be expressly prohibited by current legislation.	✓
	New joint venture with competitively selected operator Form a new joint venture operator with a private sector partner(s) to operate the bus services in the deregulated market (would require primary legislation to be changed).	✓
	Public Service Obligation (PSO) funding A Public Service Obligation or similar model may allow a municipal operator to operate the services without competition, through a Public Service Agreement. This is only possible under current procurement rules if the Authority has control over the subsidiary, similar to an internal department (either under Teckal type exemptions in Public Contracts Regulations / Utilities Contracts Regulations or under PSO in Transport Regulations). This approach is used in Northern Ireland and in many European cities.	*
Other	Public ownership of assets The Authority purchases the assets required to operate the services (fleet, depots etc.) in order control strategic transport assets. This would require willing counterparties. The private sector would be responsible for operating the bus network. This option may be an enabler for other options (e.g. franchising or public ownership).	√
	Significant injection of funding The Authority obtains a significant amount of additional public funding to invest in the bus network.	✓
	Advanced Quality Partnership Schemes The Authority and operators agree to work together to improve services on a voluntary basis. The LTA(s) agree to introduce 'measures' to encourage bus use. This may include investing in improved facilities which are restricted to Operators who provide services of a particular standard (e.g. new buses, or driver training standards). May work alongside an EP or a VPA.	×

Category	Option	Short listed?
	Voluntary Partnership Agreement Similar to an AQPS however it is an agreement (and not a scheme) and the Authority cannot prevent bus operators who are not party to a VPA from using the facilities provided under the agreement. A VPA could be used in conjunction with an EP but wouldn't be an effective model if used on its own.	
	Co-operative/community ownership model The services are owned and operated by members of a local community or group, such as a co-operative society or social enterprise, with the services designed to meet the specific needs of the community.	×
	Advanced Ticketing Schemes Removal of the current Enhanced Partnership, but to make and implement arrangements to sell and accept multi operator tickets. We note that the authorities in the North East have implemented this and could introduce further schemes under the EP/BSIP.	×
	Long term concession Let a long-term concession to operate the bus services (net/gross cost, length of concession subject to legal review). The Authority does not have the power to do this however it is possible to do so under a franchising scheme. A bus concession could not exceed 10 years in any case, unless there was significant investment from an operator (in which case it might increase to 15 years).	×
	Remove current Enhanced Partnership Remove the current Enhanced Partnership and return to a fully deregulated model. The Authority would forego Government funding under this option.	×

Description of short-listed options

Following the assessment of the long list of delivery options against the Transport Plan objectives and BSIP KPIs (see Appendix A), the below delivery options were short-listed for assessment against the Critical Success Factors. The Critical Success Factors were informed by the Transport Plan objectives and BSIP KPIs, however were developed to differentiate between delivery model options as they are more relevant to structural and transition issues. The options that sat under the "Other" options category were largely excluded (see Delivery options not taken forward section for rationale for exclusion). In summary, it was considered that many of the options in this category would not in their own right deliver against the Transport Plan objectives and BSIP KPIs (as compared to an EP or franchising scheme) however might be used as tools or facilitators of improvement alongside other delivery models.

The table below provides a brief description of each of the short-listed delivery options.

Category	Option	Description
Do Minimum	Retain current Enhanced Partnership	No change to existing operation of routes/services by the incumbent bus operators under the current Enhanced Partnership.

Category	Option	Description
Improved Enhanced Partnership	2. Enhanced Partnership Max	Work with operators to maximise the potential for improvements (including private investment) deliverable under the deregulated model. This may include improvements to the Enhanced Partnership, a package of other specific improvements requiring additional partnership and other delivery model included in the Bus Service Act to deliver them (e.g. VPAs, AQPSs, Qualifying Agreements) and potentially further funding for services. Operators in Greater Manchester and West Yorkshire have proposed improved Enhanced Partnerships in response to Bus Franchising Assessments. In Leicester, an Enhanced Partnership has been coupled with Qualifying Agreements and significant investment to deliver improvements.
Franchising Scheme	3. Franchising Scheme	A franchising scheme involves the Authority specifying the requirements and then procuring a third party to undertake these under a contract. This structure allows for a range of models to be adopted that broadly focus on what responsibilities each party has and how the franchises are structured. There is a range of different types of franchise scheme (e.g. gross cost versus net cost; packaging strategy i.e. individual route contracts, area/depot-based packages or a single network), however the exact nature of the franchising scheme is of limited relevance to this exercise. For the purposes of this report we have assumed a model that is consistent with other UK schemes, whereby the North East would be segmented into a number of packages (with the focus of creating sufficient competition in the market), be it how the networks in London (route based) and Manchester (depot based) have been segmented, or another approach. The preferred approach would need to be determined as part of any Franchising Assessment, and the Authority would have the ability to propose different models for different parts of the region.
Public ownership models	4. Acquisition of existing operators (either by CA or at the municipal level)	The Authority acquires one or more of the larger incumbent operator(s) directly and holds them as a wholly owned arm's length subsidiary (as required by law). There are three large incumbent operators that the Authority could potentially target, and this could be driven by targeting a specific geography/ area the Authority would like greater influence over or an operator that may be facing financial difficulty. It would require an operator willing to sell. This option does not appear to be expressly prohibited by current legislation (however further legal review would be required). To date, there are no precedents of an Authority acquiring a private sector operator, although we understand that some authorities have considered it. Under this option, there is also potential for minority employee ownership.
	5. Establish a new public operator (either by CA or at the municipal level)	Establish a new bus operating company to operate bus services, owned by the Authority (would require primary legislation to be changed¹). The company would be held at arm's length and governed by a board of directors. Under this option, there is also potential for minority employee ownership.

¹ Section 22 of the Bus Services Act 2017 does not allow for the establishment of new Municipal Bus Companies including joint ventures however we consider it worth exploring given the potential for a new Government to open up this option in the future.

Category	Option	Description
		There is some historic precedent of this approach, including TfL establishing East Thames Buses to take over contracts from a failed operator and Kent County Council establishing Kent Top Travel to compete for tendered services. However, the Bus Services Act 2017 expressly prohibits authorities establishing a new municipal without a change in legislation.
	6. Direct operation (either by CA or at the municipal level)	The Authority operates the services directly, without establishing a new separate entity. Under this model, the Authority has control and delivery responsibility over all elements of the service, including the determination of routes, schedules, fares, and vehicle types. This approach is currently permitted under the small bus undertaking exemption (section 71 Transport Act 1985) for a small number of services only and is still subject to compliance with other requirements (i.e., where there is market failure). The decision to operate services directly could only be taken if services were not otherwise provided (section 9A Transport Act 1968/section 63 Transport Act 1985) and in those circumstances, there is a duty to tender services (section 89 Transport Act 1985).
		Durham County Council (DCC) are currently operating a small number of such services. There are also some examples of large-scale direct operation internationally (e.g., buses in Dubai operated by the Public Transport Agency), however most public ownership models, for example, in Europe operate via armslength subsidiaries.
	7. Joint venture with incumbent operators (share purchase)	Form a joint venture with an incumbent operator(s) to operate the bus services through purchase of shares in the existing businesses. This would likely be one of the three larger operators in the North East to ensure sufficient scale is acquired and would require a willing seller. This does not appear to be expressly prohibited by current legislation providing a new entity is not established.
	8. New joint venture with competitively selected operator	Form a new joint venture operator with a private sector partner(s) to operate the bus services in the deregulated market (would require primary legislation to be changed). This would include a competitive procurement process and may ultimately result in an incumbent operator being selected as a partner.
	9. Public ownership of assets	The Authority purchases the assets required to operate the services (fleet, depots etc.) in order to control strategic transport assets. This would require willing counterparties. The private sector would be responsible for operating the bus network. This option may be an enabler for other options (e.g. franchising or public ownership). This approach is generally seen in combination with tendering of operations.
Other	10. Significant injection of funding	The Authority obtains a significant amount of additional public funding to invest in the bus network.

Delivery options not taken forward

As noted above, a number of delivery options were considered at the long list stage however ultimately, these options did not proceed to the short list stage. As noted in Appendix A, for an option to proceed to the short list stage, it needs to be capable of addressing the Transport Plan objectives and BSIP KPIs. The delivery options included in the table below did not meet the objectives and KPIs and the rationale for this has been noted.

Category	Option	Description	Rationale for exclusion
Franchising Scheme	11. Service Permits	Issue Service Permits for specific services to allow operators to operate commercial services in the region despite a franchise scheme being implemented.	Issuing Service permits would only be suitable for specific routes and not the whole network, therefore does not facilitate the Transport Plan objective to overcome inequality. Furthermore, a Service Permit cannot be granted if it adversely affects franchise services and therefore this option could only work with franchise scheme that contains limited services.
Public ownership models	12. Public Service Obligation (PSO) funding	A Public Service Obligation or similar model may allow a municipal operator to operate the services without competition, through a Public Service Agreement.	Not suitable for the whole network, therefore, does not facilitate the Transport Plan objective to overcome inequality. A PSO does not work in a deregulated market other than on a small basis due to the application of section 89 of the Transport Act 1985 which requires tendering, with limited grounds for direct award under section 91.
Other	13. Advanced Quality Partnership Schemes	The Authority and operators agree to work together to improve services on a voluntary basis. The LTA(s) agree to introduce 'measures' to encourage bus use. This may include investing in improved facilities which are restricted to Operators who provide services of a particular standard (e.g. new buses, or driver training standards). May work alongside a VPA.	Would not deliver on the BSIP KPIs as an AQPS would result in less control and influence over the services than under the current EP. An AQPS would likely be a step backwards, although it could be used in combination with an EP. This has effectively been superseded as a standalone option by guidance in the National Bus Strategy.
	14. Voluntary Partnership Agreement	Similar to an AQPS however it is an agreement (and not a scheme), and the Authority cannot prevent bus operators who are not party to a VPA from using the facilities provided under the agreement. A VPA could be used in addition to an EP but wouldn't be used on its own.	Would not deliver on the BSIP KPIs as a VPA would result in less control and influence over the services than under the current EP. A VPA would likely be a step backward, although it could be used in combination with an EP. This has effectively been superseded as a standalone option by guidance in the National Bus Strategy.
	15. Co-operative/ community ownership model	The services are owned and operated by members of a local community or group, such as a co-operative society or social enterprise, with the services designed to meet the specific needs of the community.	Unlikely to facilitate improvement of operational performance BSIP KPIs as a community run operation is not likely to have the required scale or resilience to be commercially viable for a significant portion of the North East network. The model may therefore struggle to help

Category	Option	Description	Rationale for exclusion
			improve the operational performance BSIP KPIs. Legal challenges including the Authority lacking powers to deliver this approach. There does however remain a case for cooperative or community-owned operators within a transport network to serve particular areas of demand – e.g. weekly group travel/shopper services for those with limited mobility, or tendering for supported services – and therefore this model could exist in conjunction with another model or models which cater for a more material portion of the network.
	16. Advanced Ticketing Schemes	To make and implement arrangements to sell and accept multi operator tickets. We note that the EP has introduced these and could potentially introduce more under the EP/BSIP.	The current BSIP already includes plans to introduce multi- operator and multi-modal tickets. An Advanced Ticketing Schemes would be a step backward in isolation. This has effectively been superseded as a standalone option by guidance in the National Bus Strategy.
	17. Long term concession	Let a long-term concession to operate the bus services (net/gross cost, length of concession subject to legal review).	A long-term concession can limit the Authority's ability change/adapt services and other specifications, which would restrict the ability to meet the Transport Plan objectives and BSIP KPIs over time. The Authority does not have the power to do this however it is possible to do so under a franchising scheme.
	18. Remove current Enhanced Partnership	Remove the current Enhanced Partnership and return to a fully deregulated model. The Authority would forego Government funding under this option.	Would represent a significant decrement to the current position. Would not facilitate improvement of the operational performance and increase modal share of buses and patronage BSIP KPIs and the overcome inequality objective as a fully deregulated model would result in only commercially viable services being operated to the detriment of these KPIs and objectives.

Observations

This section sets out a number of observations and key issues for the Authority to take into account when considering potential delivery model options for bus reform. Given there are a number of similar themes across different options, these are set out in the following broad categories:

- Those relating to use of Enhanced Partnerships (Option 2)
- Different types of Franchising Scheme (Option 3)
- Options based on Public Ownership (Options 4-9)
- All Other options (Option 10)

Each category of option has been considered against the Critical Success Factors (see Appendix A for a description of each of the CSFs). Given the uncertainty around the availability of future funding, each option has been considered and assessed assuming equal funding is provided, irrespective of the delivery model option adopted.

Enhanced Partnership

An Enhanced Partnership is a plan and scheme (or schemes) that provides a framework for the Authority and operators to work together more closely and make certain commitments which would not otherwise be permitted in the deregulated market. Commitments to improvements must be agreed by operators, with any new operator commitments requiring a 28-day objection period (as required by 138L (2)I of the Transport Act 2000). Commitments to improvements can be vetoed by operators, subject to reaching certain thresholds.

The authorities in the North East have already agreed an Enhanced Partnership with operators. However, the option considered in this report is one involving further improvements that could be negotiated, either as part of an improved Enhanced Partnership, or by using, alongside the EP other legal pathways available under the deregulated market. For example, partnership options set out in the Bus Services Act 2017, such as Voluntary Partnership Agreements (VPA) and Advanced Quality Partnership Schemes (AQPS) may be used in combination with an Enhanced Partnership to drive further improvements.

In addition, qualifying agreements (as noted in the Transport Act 2000) could also be formed between operators to support an overall Enhanced Partnership if the qualifying agreement were to contribute to the achievement of bus improvement objectives. This may be an option where there is an opportunity to optimise bus corridors served by more than one operator (through timetable coordination and rationalisation) and would provide operators with an exemption to the Competition Act. This has approach has been utilised in Leicester and the West Midlands.

It should be noted that there is a degree of uncertainty as to the long-term potential of Enhanced Partnerships as delivery models. Unlike models such as Voluntary Partnership Agreement, Enhanced Partnership is a regulatory scheme therefore providing an opportunity for operators and Authority to agree more significant changes to the bus services in an area. As a regulatory scheme, an EPS applies to all services in an area. Both of these factors should provide protections to all parties that the commitments will remain in place Until the agreed end date of the scheme, compared, for example, to a VPA. Conversely the fact that an EPS embeds any commitments into a regulatory scheme might, in turn, make some operators reluctant to offer more than a baseline set of commitments.

However, it should be recognised that the model is relatively new, and any commitment could be reversed at the end of the agreed term.

CSF1: Improved Customer Outcomes

Under an Enhanced Partnership, the Authority and operators will work together to agree commitments for customer improvements, which can be formally embedded within the scheme to ensure operators comply. The Authority can make improvements for customer benefit (such as bus priority infrastructure or fare subsidies) however, any customer improvements requiring operator participation (such as integration of: timetables, products and payments across routes and modes and customer relations) remain largely in the hands of private sector operators, as the customer improvement commitments need to be agreed to and meet the required operator voting threshold to be included in the Enhanced Partnership. For example, a child fares proposal was previously not brought forward for formal inclusion in the EP scheme as following operator engagement it was judged that it may not be agreed to by all operators and there was a material risk that it would fail to exceed the objection threshold. This was despite trials of similar schemes showing little or no impact on revenue.

Therefore, the scope for improved customer outcomes to be delivered under an Enhanced Partnership is constrained by the need for support from operators. This may prove challenging in the North East given the presence of three large operators and a number of smaller operators, particularly in the event that a customer improvement resulted in a need for investment by the operator.

Incremental customer improvements could be delivered by individual operators through other means (e.g. VPA or QPS) in addition to the Enhanced Partnership, although these commitments would not apply consistently across the region.

CSF2: Affordability

Additional funding would likely be required to maximise the potential for improvements under the EP. Given there is no obligation for bus operators to provide additional contributions under the current EP, this funding could largely be reliant on obtaining additional public funding. The Authority currently receives BSIP funding in the short term however this doesn't provide longer term certainty. If additional funding was able to be secured, this would provide the Authority with increased cost certainty. This cost certainty would in turn allow the Authority to invest in the network, improving facilities and on-road infrastructure, which would also support the Improved Customer Outcomes CSF. Furthermore, this approach is potentially an efficient way of stabilising the network in a deregulated market.

With respect to secured services, the Authority would continue to be required to fund these, however additional funding would provide the Authority with greater cost certainty to fund these into the future. It will also provide greater ability for the Authority to fund additional secured services if they become uncommercial for operators and to reinstate deregistered services that the Authority may not have sufficient funding for currently. Local authorities already provide varying levels of funding and some of this has already been used to secure services that have become uncommercial.

CSF3: Deliverability

This option is highly deliverable as there is an EP currently in place and operators have agreed to it. This EP provides a good base from which to deliver improvements and as compared to other options, is easier to implement. It should be noted however that increasing what is embedded in the EP might be challenging as this would require the broad support of all operators (issues over funding etc). However, an EP could be viewed as offering a baseline set of commitments across the region. An alternative approach to building on these current EP commitments where consensus cannot be achieved would be making the use of other complimentary models (e.g. VPA) to enable willing operator(s) to provide more. This would, however, be more complex to manage and may lead to differing outcomes across the region (see Region-wide applicability).

Implementing changes to the current EP are unlikely to require a significant lead time, potentially achievable in 6 months. Negotiating and obtaining agreements from operators would be the most time intensive component of implementation. An EP "Plus" plan has been proposed by operators in West Yorkshire with a number of the interventions proposed deliverable within 3 months of selecting it as

the preferred bus reform model. Overall, the implementation timeframe of an EP Max option is shorter than alternative models (a Franchising Scheme or Public Ownership models).

Negotiations may be complicated by differing commercial views between the three main operators in the North East, as well as between operators' local and group management teams.

Furthermore, operators may be more likely to offer further benefits if they see franchising as a realistic alternative. For example, in Greater Manchester and West Yorkshire, operators worked together to propose partnership options as alternatives to a Franchising Scheme. In the case of West Yorkshire, the recent operator proposal offers incremental benefits to those agreed in the current EP.

CSF4: Risk allocation

The option is neutral in effectively allocating risks to the party best placed to manage them. Under the current Enhanced Partnership model in a deregulated market, operators take revenue/passenger demand risk however the risk of the service specification (timetable frequency, routes etc.) is unrestricted and therefore ultimately this risk falls to the Authority. Operators are currently responsible for a greater proportion of risks (as compared to the Authority) in a deregulated market. This includes greater financial risk from fluctuating operational costs or potential penalties from non-performance which could be shared with the Authority in a regulated market. Operational risks from disruptions in service due to maintenance issues, labour disputes, or other operational factors largely sit with operators however could be shared with the Authority in a regulated delivery model.

Initiatives delivering improvements to the EP are likely to have a small impact on risk allocation, depending on the initiative. For example, fares initiatives would increase the risk to operators by reducing their freedom to flex fares, whilst bus priority schemes would reduce operator performance risk but place capital project delivery risk on the Authority.

CSF5: Region-wide applicability

The option is effective in delivering strategic outcomes across the region, subject to the required operator voting thresholds being met for the improvement to be implemented. Additional funding as part of the Enhanced Partnership could allow for the reinstatement of deregistered services for example, which in turn is likely to support the increase in bus patronage and bus modal share in those areas of the North East that currently have fewer services. This has occurred previously under the current EP.

There is however, as set out earlier in this section complexity of obtaining agreement from operators to the incremental benefits to be pursued through the EP. Any measure needs to meet the required voting threshold to be implemented. If this is not achieved, it might be possible to implement through the use of VPAs with certain operators, however this may lead to inappropriately inconsistent outcomes across the region. Failure to meet any of the Authority's commitments would expose it to risk of breach.

Franchise scheme

Under a Franchising Scheme, services in the North East would be regulated, with the Authority running competitive tenders to deliver services against a set specification. They would be contractually obligated to meet these specifications and a performance regime would be implemented to incentivise delivery of outcomes by the operator, including penalties for poor performance. There is no single set model for franchising with a variety of differing models globally albeit all with a range of core components. In developing a franchise model that would be fit for purpose for the North East, it will be necessary to consider these components and develop a model that meets the commercial objectives and other factors such as market and geography. However, at this stage, it is worth drawing out three of the most important components that the Authority would need to consider when franchising:

 How revenue risk is allocated, and which party holds responsibility for the associated levers (e.g. control over fares and timetables): under a gross cost contract this sits with the Authority, and the operator is paid a fee to cover its expected costs; under a net cost contract this sits with operators, with the operator paid a fee to cover the difference between expected costs and revenues. In general, a gross cost model is far more common globally.

- How to package services: this can range from route level contracts (London), to a number of packages each covering a number of services (Greater Manchester), to a single package contract (Lyon). Clearly this might also drive the number of operators providing services under franchising.
- How assets (e.g. fleet and depots) are managed. For example, in London depots are largely owned by operators, whilst in Greater Manchester they are owned/controlled by Authority. In many North American cities, fleet is owned by the Authority.

Many different franchise models exist, but for the purposes of this work we have assumed a gross cost model with an associated performance regime and, from a packaging perspective, a number of franchise packages across the region each covering a number of services. This assumption is based on the approach adopted in Greater Manchester. In respect of the gross cost contract, by taking revenue risk the Authority can better control areas such as fares and ticketing, customer relations etc. It also reflects the fact that in a post Covid environment, the bidding market is unlikely to accept taking full revenue risk, e.g. in relation to assets. It is likely that the Authority would need to control depots in order to lower barriers to entry and hence create a competitive bidding environment. Notwithstanding this, it is important to note that the broad considerations of a franchising set out below are likely to be relevant regardless of the packaging approach adopted.

CSF1: Improved Customer Outcomes

A franchising scheme would provide the Authority with additional control to specify services (routes, frequency, integration of the timetable between routes and modes etc.) as compared to under a deregulated market where this is largely at the discretion of operators. In the deregulated market, where a service isn't commercially viable however socially necessary, the Authority would need to tender that service otherwise operators would have no incentive to operate it. The franchising scheme adopted is more likely to be a gross cost contract (given current market appetite for revenue risk) and therefore the operator's focus shifts away from operating only profitable to operating the services specified as this is where they make their margin. The operator's focus becomes operational quality, and this will ultimately lead to improved customer outcomes.

Furthermore, a franchising scheme may allow the Authority to simplify and improve the integration of timetables and products and payments between both routes and modes, implement unified brand identity and information (e.g. such as in London and Greater Manchester) and establish a single point for customer relations and complaints.

Under a franchising scheme, the Authority can specify the level of performance it desires from operators and incentivise achievement of this through a performance regime. Performance regimes can include incentives for the operator to exceed a base level of performance whilst also including penalties for performances that fails to achieve a specified standard. The performance specifications can be linked to things that are of importance to customers, such as operational performance (punctuality, frequency etc.), customer relations and complaints handling as well overall performance of the service. In an optimal environment, commercial incentives should drive good performance however this may not always be the case, particularly when there is limited on competition. This is in contrast to an Enhanced Partnership which can only go so far given it requires operators to agree to the terms of the Enhanced Partnership (as opposed to specifying the terms in a Franchise Scheme).

CSF2: Affordability

With a franchising scheme and regulated delivery option comes a change in financial risk, away from the private sector and to the public sector. This consideration is noted further in the risk allocation section below however from a financial perspective, although revenue risk could sit with operators, it is most likely (as we have assumed for the purpose of this report) that the Authority takes on revenue

risk with the operator largely taking cost risk. This risk transfer will need to be funded, albeit the Authority will benefit from the farebox revenue.

Under a franchise scheme, the Authority will be fully responsible for the overall provision of bus services. By bringing all services under the ultimate control of one party may provide benefits such as economies of scale but these would be dependent on the packaging approach adopted and the number of contracts, and will be influenced by market appetite. Conversely the cost (and hence affordability) of running the network will also depend on the specification set by the Authority. Affordability will therefore be a key consideration when considering the commercial structure and specification of any franchised network.

Under a franchising scheme, operators would be expected to provide a fee to run the service over the franchise term bid (e.g. 5-7 years). This service fee is likely to be adjusted for inflation, however, should provide the Authority with cost certainty. The bid stage should (assuming sufficient market appetite) be in a competitive environment, therefore promoting a competitive price for the franchise (in balance with the quality of bidder's solution). Recent experience in Greater Manchester suggests current strong interest in the opportunities provided by franchising and this competition should drive efficient pricing.

On top of the funding risk exposure of taking on revenue risk, there will be one off costs associated with a transition to franchising. These are likely to include capital expenditure required to establish the operations, either directly by the Authority or which would be incurred via bid pricing. This may include the Authority needing to purchase depots or other larger capital expenditures such as fleet and IT systems. In addition, there will be significant revenue and capital costs associated with the transition to franchising including costs associated with the procurement activity needed, organisational change/set up costs and risk pricing.

WYCA published its Bus Reform Assessment on 10 October which noted that implementing a Franchising Scheme could cost WYCA £358m. This includes £252m (real) associated with procuring 868 zero-emission buses (ZEBs) to be owned by WYCA (spread over 14 years) and £85.5m associated with acquiring 10 depots and the fit-out out of the ZEBs (though recent reports have suggested the implementation costs may be as high as £100m). The cost of implementing the Franchising Scheme in Greater Manchester was estimated to cost £135m (in 2019).

Ultimately whether or not a franchising scheme is affordable would need to be considered when undertaking a formal assessment of delivery options and bearing in mind the considerations above.

CSF3: Deliverability

There would be significant work involved in the establishment of a franchising scheme of which the most visible aspect will be the procurement of contracts and then the associated mobilisation of operators. However equally significant will be the work required to prepare the Authority to be ready to manage a bus network and this will focus on changes to skills and human resource, processes and required systems. Activity associated with depot, technology and fleet procurement (if any of these are required) can also be complex and time consuming. On the operator side, significant time and effort is involved in bidding for franchise contracts.

However, the Authority would benefit from the experience and lessons learnt from other areas that choose to implement franchising. For example, Greater Manchester is now operating approximately a quarter of the network under franchising, is mobilising another quarter due to go live in March 2024 and is close to finalising the procurement of contracts for the remaining services. It has therefore demonstrated that, despite many challenges, it is possible to transition from a de-regulated to regulated environment. Experience from such authorities that have previously established franchises should provide both the Authority and bidders with proven strategies for implementing a franchising scheme and insights that could be adopted to improve implementation.

As noted earlier when considering the packaging strategy, deliverability will be one factor required to be considered. The scaling of the contracts is important as larger contracts are likely to restrict market

participants to only the largest operators whereas with contracts that are too small, there is the potential for these to be unappealing to large portion of the market. The packaging approach will therefore need to strike the right balance.

Implementing a Franchising Scheme is likely to take around five years from commencing a Franchising Assessment to the first franchise beginning operations (assuming 2.5 years for an Assessment, audit, consultation and response ahead of a decision followed by 1.5 - 2 years for procurement and mobilisation). Depending on the number of packages and phasing of the implementation (which will need to balance speed of transition with market capacity and customer impact), transitioning the entire network to franchised operation could take a number of years.

CSF4: Risk allocation

A franchising scheme would allow the Authority to structure the contracts in order to allocate risks to the party that is best placed to manage them. Risk allocation will need to consider the risk appetite of the market because trying to transfer risk inappropriately could lead to poor value for money or fewer bidders.

However as noted above, the Authority is likely to take on additional financial risk as compared to under the current Enhanced Partnership. The Authority would need to consider whether absorbing revenue risk and potentially some cost risk is within its risk appetite.

A further consideration that needs to be borne in mind when packaging is the risk of operator concentration risk. The packaging solution needs to manage the risk of operator side risks being concentrated to a small number of operators which may be problematic if an operator underperforms or gets into distress.

CSF5: Region-wide applicability

A franchising scheme is likely to be applicable across different parts of the region as a franchise could be tailored to the region and its characteristics. Tailoring key components of a franchise contract such as the risk allocation or performance regime will for better alignment to the strategic outcomes of a particular region. These outcomes may differ across the North East and therefore a tailored and regulated approach may better cater to regional differences.

Public Ownership

Five different public ownership models were considered (grouped into three options with the full and part ownership models together), including:

- Acquisition of existing operators (both in full or in part) The Authority acquires (wholly) or forms a joint venture (through a share purchase) with one or more of the larger incumbent operator(s). The operator would then be either held directly as a wholly owned subsidiary or the Authority would have a proportionate interest in the operator (in the case of a JV). Any such approach would require an operator willing to sell. This option does not appear to be expressly prohibited by current legislation.
- Establishment of a new municipal operator (both wholly or part owned) The Authority establishes a new bus operating company to operate the bus services, owned wholly or in part by the Authority. In the case of a new municipal operator partly owned by the Authority, the private sector interest in the municipal operator would be competitively tendered (and therefore may ultimately involve an incumbent operator). This delivery option could be focused on areas where incumbents have withdrawn or compete directly with them. Although there are municipal bus companies in operation in England, these pre-date de-regulation in the 1980s. The Bus Services Act 2017 expressly prohibits authorities from establishing a new municipal operator. Changes to the Bus Services Act would be required for this option to be feasible.

• Direct operation either by the Authority or at the municipal level – The Authority operates the services directly, without establishing a new separate entity. Similar to the above option, the operations could be focused on areas where incumbents have withdrawn or alternatively compete with them. Whilst this approach is permissible at small scale where there is market failure, it is prohibited where there is a commercial or competitive tendered market, and we would not anticipate any change of legislation to allow new municipals to permit direct operation at scale. DCC are currently operating a small number of services.

For the purposes of the feasibility study, it has been assumed that any publicly ownership options are delivered in the deregulated market, i.e. there is not a concurrent move to regulate the bus network in the North East.

CSF1: Improved Customer Outcomes

A public ownership model (any of the five options) will provide the Authority with a degree of control, allowing it to have greater influence over the strategic direction of the operation of the services that are provided by the publicly owned operator. This ability to set the strategic direction could include the goal of improving customer outcomes, and setting reasonable and sustainable profitability targets (i.e. lower than a commercial operator might). The Authority could also influence the simplification and integration of both timetables and products and payments between routes as well as modes (e.g. the Tyne and Wear Metro).

Except in the case of direct operation (which is considered unlikely to be deliverable at scale even in the event of a change of legislation to allow new municipals), the operator would be expected to be an arms-length company, and therefore the Authority would not be able to directly intervene in the day-to-day management or operation of the operator.

The company's directors (either councillors/officers where the Authority has full ownership or a combination of councillors/officers and private sector directors where there is part ownership) would have a fiduciary duty to ensure the financial sustainability of the company, and therefore there would still be a profit motive (potentially lower than a private operator). These profits could then be reinvested to improve customer outcomes (e.g. through purchasing new, or upgrading existing, vehicles). However, in the case where the Authority only has part ownership of the company, there is likely to be more tension over potential competing priorities between the Authority and the private sector partner where objectives may not always align (e.g. whether to reinvest profits versus distribute to shareholders).

Whilst a number of municipal operators (such as Nottingham City Transport and Blackpool Transport) appear to deliver good customer outcomes (evidenced by high customer satisfaction scores), this success has been built up over many years of work and investment, and therefore it may take significant time to transform any operation to achieve any intended outcomes following a move to public ownership. It is noted that the remaining municipal operators all operate focused urban networks where they tend to dominate the market, which may make it easier for those operators to focus on improving customer outcomes.

In summary, public ownership of operators would be expected to have a broadly positive impact on customer outcomes, however the lack of direct control means the Authority's priorities for bus may not always align with those of the operator. Without other reform, there is no guarantee that the Authority would be providing material services e.g. unless replacing an incumbent operator (e.g. through purchase).

CSF2: Affordability

Public ownership options are likely to require significant upfront expenditure from the Authority to acquire or establish an operator, or to acquire fleet and depots. In addition, as shareholder, there could be continued requirements for investment during ownership (e.g. funding for new vehicles). It should be noted that the Authority would need to balance the requirement for investment and injection of additional funding with compliance with the Market Economy Operator Principle (MEOP), ensuring

the funding does not breach subsidy control rules. Calls for further investment could be minimised by reinvesting any profits into the business, rather than paying dividends. Furthermore, a public ownership model may require higher expenditure to attract customers if the Authority is competing directly with incumbents (i.e. other incumbents that continue to operate independently of the Authority).

If the Authority were to establish a new municipal operator (either on its own or with a JV partner), it is likely that a new municipal operator entering the deregulated market would be of sub-optimal operating scale, resulting in cost inefficiencies. A new entrant may additionally require further investment in order to compete with incumbent operators, which could raise subsidy control issues unless done on a MEOP basis.

It is noted that the three large incumbent operators, as part of large operator groups, benefit from national (and international) economies of scale and the ability to share overheads. At an operator level, this value would be lost under public ownership, although it could be mitigated in part by sharing overheads with the Authority or other partner bodies, subject to an appropriate contract being in place.

In the case of direct operation, it may not be possible to ring-fence the budget (capital and revenue) for bus operations, therefore there is a risk that funding for buses is diverted to other priority areas of spending. It should be noted that DCC are currently operating a small number of services.

CSF3: Deliverability

Establishing a new municipal operator would require a change in legislation, albeit this appears to be Labour party policy, and hence may be possible if there were to be a change in government at the next General Election. In contrast, there does not appear to be an express prohibition on the Authority acquiring an interest in an existing operator through share purchase. In the case of direct operation, current legislation only permits the Authority to operate a small number of services (e.g. where there is market failure and on de minimis basis). These services cannot compete against commercial services as this would represent a duplication of services and would be a breach of legislation (Transport Act 1985). In practice this operating model may involve targeting a specific geography/area or an operator that may be facing financial difficulty. In all cases, there are potential legal and regulatory risks under current legislation. Furthermore, the legislation on direct award to internal operators for Combined Authorities is complex and would require legal review to ensure compliance.

There are likely to be significant implementation challenges under all public ownership models. In the first instance, the Authority is unlikely to have the capability and capacity required in order to either acquire or establish from scratch, and then integrate, a bus operator. An acquisition would require specialist M&A and due diligence advice as well as work to develop strategy, business plans, governance etc. Establishing a new entity from scratch would be much more complicated as it would involve establishing a workforce, processes and systems to run a bus operation; appropriate assets (depot, fleet, systems), as well as implementing management and governance structures; strategy and business plan etc.

It is likely to take significant time to align an incumbent operator's existing culture and objectives to that of the Authority's – in comparison to existing municipals in other areas that have developed over many years. If establishing a new municipal, it would also take significant time for the operator to grow to a scale that would enable it to have a meaningful impact on the bus network as a whole.

In joint venture options, governance arrangements and shareholder relations will likely provide additional complexity. If the Authority selects a partner to jointly establish a new municipal, then there is an opportunity to test strategic and cultural fit, which could help shareholder relations, however the relationship will still be untested, which presents a risk. This risk may be mitigated by partnering with an incumbent operator with whom the Authority has established relationships, and a mutual understanding of strategic direction and organisational culture. This option would be dependent on finding an operator that was willing to sell. If an operator was facing financial difficulty, this may provide the Authority with an operator willing to negotiate a sale.

The impact on other incumbent operators should be considered in the context of partnering with some operators and not others. For example, there may be a perception amongst commercial operators that an Authority-owned operator is competing against them, and this may reduce the willingness of other operators to agree to partnership working and improvements in an Enhanced Partnership (or another supporting model).

Acquiring an existing operator could be achieved relatively quickly, with a typical acquisition process taking c.3-6 months, providing that there was a willing seller at the time. Delivering a transformation of the operator and improvements may take several years. Establishing a new municipal operator, or direct operation against commercial services, would require a change in law, which itself would require a change in government. It may also create a subsidy control issue on the upfront investment that may be required. Therefore, it is likely to be several years before it could be possible to establish a new municipal. Reaching a meaningful scale is likely to take significantly longer, unless space in the market is created by an incumbent operator withdrawing.

In summary, even with a change of law, public ownership options are likely to be challenging to implement, with ongoing challenges around governance and partnerships with other operators. A joint venture partnership with another operator is likely to be even more challenging.

CSF4: Risk allocation

Through ownership the Authority will effectively take on significant commercial and cost risk – including competing against other commercial operators – that is currently held by the private sector. These additional risks are not always straight forward to manage and can place additional pressures on the Authority. Whilst ownership of subsidiary businesses by authorities is commonplace, there are examples of authorities taking on financial risks they are unable to manage through acquisitions.

Whilst the Authority will not be able to directly manage the operator's risks (if held at arms' length), it will have greater visibility and hence could have greater comfort over the operator's management of the risks. Unlike franchising, the Authority cannot pass on cost risk to a third party.

With the associated change in risk allocation under a public ownership model will come greater responsibility for reputational risk. The Authority will take on significant reputational risk as owner of the operator, without having the levers to directly manage the risk. For example, the operator would still need to operate on a financially sustainable commercial footing, and therefore may withdraw some routes or services, leading to negative customer perception.

CSF5: Region-wide applicability

All public ownership models have the potential to be applied in any part of the region, however for regulatory reasons, they will not be able to apply region wide. Under the deregulated market, the Competition and Markets Authority (CMA) would not accept the reduction in competition that would be caused by the Authority acquiring all incumbent operators (even in the very unlikely event that all operators would be willing to sell). In the case of establishing a new municipal, this is likely to start off on a small scale, for example to fill a gap in the market, but would be unlikely to be able to have a meaningful impact across the region, without acquiring all other incumbents, which would not be permitted.

Under joint venture options, acquiring stakes in multiple operators across the region is likely to be extremely challenging, with governance issues multiplied, and potential outcomes ineffective in driving any real change.

Furthermore, it may not be possible to implement a public ownership model for areas or services that are run by small operators or operators who are based outside of the region. It would likely need to be combined with another delivery model.

In summary, it does not appear that public ownership models are deliverable across the region, at least under a deregulated model. However, some models may be used in distinct

areas/circumstances, bundled with other options for other areas. For example, there might be stronger rationale to acquire an operator looking to withdraw from a particular area where there are no other operators willing to provide commercial services or to bid to run tendered services or a franchise. There may also be the potential to expand the small scale operation currently delivered by DCC, however this would still need to comply with the Transport Act 1985 and not be against commercial services.

Other - significant injection of funding

A significant injection of funding under the current delivery model (i.e. through the EP) would allow the reinstatement of deregistered services through tendering, as well maintain or improve the operation of current services. It would provide the Authority with additional flexibility to increase service frequency, extend hours of operation, and provide better amenities in vehicles or at stops without needing to increase fares. The Authority may also have greater ability to introduce further fare subsidies for vulnerable passenger groups (potentially contributing to greater demand).

Whilst it would technically be possible to inject further funding outside of the EP (subject to ensuring that the current EP does not include any provisions in relation to injection of further revenue funding), it would be necessary to consider whether this would be the most effective use of any funding. The EP (compared to other non-franchise options) has the strongest levers to link any further public funding into the bus service with commercial operators meeting agreed outcomes. This is presumably one of the reasons that central government has required authorities to establish an EP or a franchise as a condition of receiving discretionary government BSIP funding.

CSF1: Improved Customer Outcomes

Providing additional funding for operators to reinstate deregistered services and maintain or improve the operation of current services will lead to improved customer outcomes in the North East. Additional funding could also be used for new buses that offer better comfort, are environmentally friendly, more reliable and are equipped with better facilities.

CSF2: Affordability

Providing additional funding through supported services is likely to be relatively inefficient (and hence provide poorer value for money or less benefit overall) in comparison with other delivery models.

The additional funding would likely have to be raised locally, either at the local authority level or through a Mayoral precept.

CSF3: Deliverability

The option is effective in meeting the deliverability CSF as providing additional funding to support the reinstatement of deregistered services or enhancements to current services is deliverable under the current operating framework (the EP). It should be noted however that the larger funding envelope may necessitate additional roles at the Authority in order to effectively allocate funds/tender services and manage spend. This option would also require consideration of any subsidy control issues.

CSF4: Risk allocation

The risk allocation of this option is broadly as it is under the current EP (hence the score is the same). Whilst the majority of the risk will sit with operators under the deregulated model, some of the funding may support a transfer of risk to the Authority. The option is therefore less effective in allocating risk than other options as with an additional funding will come greater responsibility on the Authority to allocate the funds to initiatives that will have the greatest impact on customers. In addition, there will be more scrutiny on the Authority regarding which initiatives are funded (and potentially the initiatives that are not).

Significant new funding can introduce larger, higher impact initiatives that hold new operational uncertainties. The Authority may need to take on more responsibility and oversight for ensuring projects are delivered as planned, and decision-making around changes in project implementation may rest more with the funding authority.

With more funding often comes more scrutiny. Here, the Authority may need to take on more responsibility for ensuring that projects comply with applicable laws, guidelines, or conditions that come attached with the fund.

CSF5: Region wide applicability

The services will continue to be operated under the deregulated model with the addition of further tendered services. As today, this may result in differing outcomes across the region depending on the operator.

Additional funding could be utilised across the region and therefore this approach is applicable across the North East, however whilst the additional funding could be targeted to parts of the region to support reinstatement of services, the outcomes across the region are likely to be the same as under the current EP however with the exception of additional funding. As such, this option is neutral in effectively delivering strategic outcomes across the region.

Assessment/scoring

Considering the above observations, the following table below summarises the results of the delivery options assessment (see Step 4: Assessment in Appendix A for further detailed of approach taken). The Franchising Scheme and Enhanced Partnership Max options were very effective in satisfying the CSFs and therefore scored very high overall scores. The Public Ownership Model delivery options (Options 4-9) were generally less effective, particularly from a deliverability and region wide applicability perspective.

	CSF1: Improved customer	CSF2:	CSF3: De	liverability	CSF4: Risk allocation	CSF5: Region wide applicability	Total (Pre change in law)	Total (Post change in law)
Delivery option	outcomes	Affordability	Pre	Post				
3. Franchising scheme	√√	-		-	✓	$\checkmark\checkmark$		5
2. Enhanced Partnership Max	✓	✓	١	/	-	✓		4
10. Significant injection of funding	✓	×	١	/	×	-		0
1. Retain current Enhanced Partnership	-	×	✓	\checkmark	×	-		0
9. Public ownership of assets	-	-	:	×	-	-		-1
4. Acquisition of existing operators (either by CA or at the municipal level)	✓	-	;	×	-	жж		-2
5. Establish a new public operator (either by CA or at the municipal level)	✓	-	34.35	×	-	жж	-3	-2
7. Joint venture with incumbent operators (share purchase)	✓	-	××	×	-	××	-3	-2
8. New joint venture with competitively selected operator	✓	-	жж	×	-	××	-3	-2
6. Direct operation (either by CA or at the municipal level)	✓	-	××	ж×	-	××	-3	-3

Rating	Description	
Very high	Delivery option is very effective in satisfying the Critical Success Factor	
High	Delivery option is effective in satisfying the Critical Success Factor	
Neutral	Delivery option has no impact on the Critical Success Factor	
Low	Delivery option is less effective in satisfying the Critical Success Factor	
Very low	Delivery option is likely to be ineffective in satisfying the Critical Success Factor	

4. Conclusions

The last few years have significantly changed the landscape in the bus market in England. The impact of Covid continues to be felt. Whilst levels of bus travel recovered sooner and to a fuller extent than other public transport modes, the commercial bus industry relied on significant levels of financial support from government to deliver services both during and then post Covid. Pressure on private sector operators to achieve acceptable levels of profit post Covid has led to limited investment and ongoing pressures on the commercial viability of some services. The issues have been felt within the North East, with a reduction in passenger journeys and commercial mileage operated.

In addition, the introduction of a National Bus Strategy and the associated Bus Service Improvement Plans requiring the introduction of Enhanced Partnerships or Franchising in order to access ongoing central Government support has inevitability placed an even greater emphasis on the role of local transport authorities in the running of bus services. The authorities in the North East have successfully negotiated an Enhanced Partnership with operators in the North East, and received BSIP funding from government, however to date operators have been unwilling to commit to private investment under the EP. This BSIP funding (of £163.5m) has been vital in maintaining the current network and helping to deliver some of the improvements set out in the BSIP although a number of improvements remain long term objectives dependent on future funding availability.

Within Combined Authorities in England there is a much greater interest in the possibility of reregulation of bus services through franchising being a suitable model to deliver bus services. The Mayor of Greater Manchester took the decision to introduce a Franchise Scheme in early 2021, and despite a lengthy but ultimately unsuccessful legal challenge to this decision by two bus operators, franchise services will be operational across the whole region by January 2025 with approximately half of services franchised by March 2024. The Mayor of the Liverpool City Region Combined Authority made a similar decision in October 2023 and a number of other combined authorities are well advanced in the process to assess whether to introduce a Franchising Scheme, including South Yorkshire, West Midlands and West Yorkshire. It appears that commercial operators are more pragmatic now over the potential opportunities as well as risks of franchising being introduced. However, operators are likely to continue to promote the use of partnerships in the first instance and, more generally, the risk of future legal challenges is likely to remain to some degree.

It is against this backdrop that the future North East Mayoral Combined Authority will have to assess whether to continue (and potentially develop) its Enhanced Partnership or consider other options that might have a greater chance of delivering its key objectives.

Our report has deliberately considered a wide range of options including a number that are not possible under current legislation or that are likely to prove complex, and potentially impossible, to implement, particularly at a regional level. The inclusion of these options is deliberate in that it enables the Authority to consider a wide range of models (including what legislative changes might need to be implemented and/or regulatory issues overcome to implement them), respond to questions that politicians and other interested stakeholders may have and, in turn, develop a robust set of options to consider in any future business case. This is particularly relevant in a region as large and diverse as the North East.

In summarising our findings we make the following observations:

1. The counterfactual for any future changes remains the Enhanced Partnership that is currently in place. Further customer improvements could be delivered through improvements to this Enhanced Partnership. This would require all qualifying operators agreeing to the measures and/or commitments to achieve such improvements. This might be challenging to agree, particularly if some of these measures and commitments require further investment from operators. We understand that this has already been the case with at least one proposal intended to form part of the current EP that was blocked by one of the large operators. However, the EP can be considered a base line set of agreed measures and commitments across the whole region. It would be possible for the Authority to build upon these with willing

operators but, without agreement within the EP this would require additional structures to be put in place such as other partnership models alongside an EP. For example, qualifying agreements, voluntary partnership agreements (VPA) and/or an advanced quality partnership scheme (AQPS) could be put in place to formalise commitments from specific operators) in addition to the Enhanced Partnership in order to deliver maximum improvements in a deregulated environment. This will necessitate a more complex combination of delivery models inevitably adding to the level of complexity in terms of delivery and oversight. It is possible to establish more local EP Schemes which implement elements of the EP Plan, and which may therefore not apply to all operators due to geographic scope. As such, this approach is likely to result in inappropriately inconsistent outcomes across the region. Additional funding for better outcomes could also be delivered under an improved EP approach. However, where this has been assessed elsewhere it has been concluded that such an approach to channelling extra funding is likely to be less efficient and deliver poorer value for money than under other options where the Authority has greater control (e.g. franchising). Additionally, an EP does not necessarily drive more on road competition (indeed it may discourage further competition or new entrants). Notwithstanding these points however, authorities and operators have invested significant time and effort in developing the current EP, and it is therefore in the best interest of all parties to make this a success as it will lay a foundation for any future improvements regardless of approach taken.

- 2. Obtaining control over the bus network through regulation bus franchising would give the Authority the greatest ability to specify customer outcomes and ensure that they are delivered. Under this model, private sector operators would continue to provide the services to meet the service and performance specifications set by the Authority. These would be governed by contractual obligations and performance regimes specified in a contract. The performance regime would provide incentives to achieve performance targets and penalties if they do not. Given that the Authority is setting the specifications, a Franchise Scheme also allows a consistent approach to bus services to be delivered across the region, even when split into a series of contracted packages of services. Overall, it provides the Authority a more direct route to achieving its objectives. Indeed, at a global level it is a very common approach (in one form or another) to delivering bus services. The counterbalance to these benefits, however, is that under a franchising scheme the Authority takes primary responsibility for the bus network and. with it, a number of potentially significant risks. In particular it will take on a significant level of financial risk, especially if it retains the patronage and farebox risk (which is common where bus franchising exists and is the model adopted in both London and Greater Manchester). The complexity, cost and time to transition to a franchised model should not be underestimated including the scale of change needed at the Authority level to have the systems, processes and skills to manage the network. Additionally, achieving value for money depends on having a competitive market to bid for contracts, requiring effort to build market interest from incumbents and new entrants both in initial rounds of franchising and into the future.
- 3. We have explored a number of public ownership model options, including ones that would require new legislation to enable them to be pursued. There are a number of well performing municipal bus companies in the UK. These have remained in public ownership since bus deregulation in the 1980s and are therefore well established, and typically operate in relatively small geographic areas (e.g. Warrington and associated cross border routes, Nottingham and associated cross border routes etc). Common to all the public ownership options considered is that, whilst on the face of it they might appear to provide a significant degree of public control, the reality is that on their own, they do not actually provide as much control as Franchising would as the model would still be operating in the deregulated market. They also expose the Authority, as shareholder, to market competition and may make delivery of different models in the future (particularly franchising) more challenging.
 - a. One scenario considered is that of the Authority acquiring an existing operator, assuming a willing seller. Such an option appears to be legally permissible, albeit would be complex. The acquired entity would continue to operate in a de-regulated market and be subject to competition. In addition, governance constraints would

require the operator to be managed as an arm's length entity, i.e. limiting the degree of day to day control that the Authority could have as shareholder. This could limit the ability of such an option to meet the primary objectives of the Authority. Additionally, the ability to adopt such a model across the region is not considered feasible as anticompetition constraints mean the Authority would not be permitted to acquire all of the operators in the region, even if the current owners were willing to sell. If regulation were to be introduced in the future through franchising, the operator owned by the Authority would need to compete to win future contracts.

- b. There are a number of variations on the acquisition model which primarily involve moving from a model where 100% of the shares of the acquired company are owned by the Authority to ones involving joint ventures with existing operators and/or shared ownership with employees. Whilst these models may provide some benefits compared to a wholly owned subsidiary model, such as expertise from a joint venture partner or incentives for employees, they also further complicate the governance arrangements and further reduce the Authority's ability to control the achievement of its own objectives.
- c. Another scenario considered is the creation of a new municipal operator. This is not currently permissible and would require a change in legislation. This is almost certain to require a change of government and could take a significant amount of time, requiring both political will and sufficient parliamentary time to pass legislation. Starting a new operator from scratch is likely to be more challenging than acquiring one given the need to acquire and/or construct assets (fleet and depots), employ and train staff etc. Once established, the same challenges around governance and competition law apply as they would if an incumbent were to be acquired. Similarly, were franchising to be subsequently introduced, the operator would need to compete to win future contracts.
- 4. Although we consider that public ownership models do not offer the overarching region-wide opportunities to reform bus services compared to a well performing EP or Franchise Scheme, and would be complex to implement, there might be specific future circumstances where such models could be adopted alongside an EP or Franchising Scheme. For example, there might be stronger rationale to acquire an operator looking to withdraw from a particular area where there are no other operators willing to provide commercial services or to bid to run tendered services. Similarly, a franchise model may not be deliverable in certain areas if there is a lack of operators to bid. Planning for such eventualities is inevitably complex and likely to be more reactive. Therefore, it is helpful to understand what might be possible even if such models are not a core part of the main region wide models considered in the future.
- The feasibility study represents an initial view of the potential delivery model options that could be available to the Authority for the purposes of its bus reform options report. If a decision is made to prepare an Assessment of Franchising, the Bus Services Act requires that there is a detailed long and shortlisting exercise undertaken that can build upon the work in this report. In our view the options shortlisted at that stage need to have a credible chance of delivering the Authority's primary objectives across the whole region. Options that might require a bundled approach involving a combination of delivery models are inevitably much more complex to assess and would need detailed definition, driven by the specific circumstances that make such an approach relevant and credible. Given the differences in geography, population density and socio-economic conditions (among others) across the North East however, different delivery models for different sub-regions or councils may be the most appropriate way forward. The Authority will therefore need to carefully consider whether there are circumstances that merit the inclusion of any such options in the shortlist to appraise. In addition, shortlisting options that require further legislation to be put in place could risk delaying the Assessment process. TNE will need to keep engaged with DfT and other stakeholders during any Assessment process to ensure that any legislative changes are understood.

Appendix A – Approach to the options assessment

We have undertaken the following approach to the feasibility study:

- Step 1: Identified TNE's objectives for bus and critical success factors for a delivery model for the bus network.
- Step 2: Identified a long-list of potential delivery models.
- Step 3: Short-listed potential delivery models that were considered capable of meeting TNE's objectives.
- Step 4: Assessed potential delivery models against critical success factors.
- Step 5: Prioritised potential delivery model options.

Step 1: Objectives and Critical Success Factors

The North East Transport Plan and Bus Service Improvement Plan (BSIP) set out key priorities for the broader transport system and bus network respectively, and ways to measure the achievement of these priorities.

The North East Transport Plan sets out the overall strategic vision for the North East. Any changes to the delivery model for the bus network would need to align to the vision and objectives. In addition, the future NEMCA is likely to have additional objectives which will need to be supported.

Specifically for the bus network, the North East has set out a vision for bus through its BSIP which includes a set of KPIs to align with this vision. Any intervention resulting in a change in delivery model would need to be capable of delivering against these.

As a starting point, we broadly mapped the objectives of the Transport Plan to an aggregated list of the BSIP KPIs. The ten C BSIP KPIs were grouped into four key theme areas. Not all Transport Plan objectives are fully addressed by the BSIP KPIs.

Transport Plan Objectives	BSIP KPIs (aggregated)
Carbon neutral North East	Improve environmental performance
Overcome inequality and grow our economy	Improve operational performance (punctuality, reliability and average speeds)
Healthier North East	Not explicitly addressed by the BSIP KPIs
Appealing sustainable transport choices	Increase modal share of buses and patronage
Safe, secure network	Increase bus passenger satisfaction

As noted above, all delivery models would need to be capable of delivering against the above objectives in order to be included in the short-list of potential delivery model options. As such, we developed an initial set of critical success factors that were informed by these objectives and KPIs, however were more relevant to structural and transition issues. These critical success factors were developed to differentiate between delivery model options.

We then tested and discussed these critical success factors with a stakeholder group comprising, Transport North East, Nexus, Durham County Council, Northumberland County Council, EY and DLA Piper (collectively the "Stakeholder Group") to identify and agree the set of Critical Success Factors

that each delivery model would be assessed against. This approach allowed for early engagement with key stakeholders to ensure relevant input throughout the process and that a broad and complete range of factors/priorities were considered.

These Critical Success Factors were mapped to the BSIP KPIs where relevant, to demonstrate alignment between the improvements targeted as part of the BSIP and the Critical Success Factors.

Critical Success Factor	Description	BSIP KPIs
CSF1: Improved customer outcomes	The extent to which the delivery model can deliver improved customer outcomes.	 Increase bus passenger satisfaction Improve operational performance (punctuality, reliability and average speeds)
CSF2: Affordability	The extent to which the delivery model is affordable and/or provides the Authority with certainty regarding costs.	Increase modal share of buses and patronage
CSF3: Deliverability	The extent to which the delivery model is deliverable given market capacity/capability, implementation, legal/regulatory and timing constraints.	Improve operational performance (punctuality, reliability and average speeds)
CSF4: Risk allocation	The extent to which the delivery model effectively and realistically allocates risks to the parties best placed to manage them.	Not explicitly covered by the BSIP KPIs
CSF5: Region wide applicability	The extent to which the delivery model is applicable across different parts of the region, and the extent to which the delivery model can deliver strategic outcomes across the region.	 Increase modal share of buses and patronage Improve environmental performance

Step 2: Long list

A range of 18 delivery model options were identified, including those not currently possible under existing regulations or legislation, but that may be possible in future, for example following a change in government. International benchmarks were considered, to the extent that they aligned with existing or contemplated UK legislation.

Broadly, the options fell into the following categories:

- Those relating to use of **Enhanced Partnerships**
- Different types of Franchising Scheme
- Options based on Public Ownership
- Other options, including those available under the Bus Services Act 2017, although in effect superseded by guidance under the National Bus Strategy.

Step 3: Short list

The long list of options was tested against TNE's objectives to test whether the options would be capable of meeting them. Eight options were excluded at this stage.

In addition, at this stage for simplicity and to provide perspective against alternative options, a single Enhanced Partnership and single Franchise Scheme option were chosen. This removed a further five options from the long list.

Step 4: Assessment

A workshop was held and attended by the Stakeholder Group to assess each of the short-listed delivery options against the Critical Success Factors.

The objective of the workshop was to provide an indication of delivery options that may best meet the Critical Success Factors and was not intended to provide a binding recommendation on which delivery option the future NEMCA or relevant local transport authority should pursue.

The short-listed options were assessed against the five Critical Success Factors. Each option was be scored on a stand-alone basis (i.e. independent of other options with which it could be bundled), based on the following criteria:

Rating	Number	Description	Legend
Very high	2	Delivery option is very effective in satisfying the Critical Success Factor	√ √
High	1	Delivery option is effective in satisfying the Critical Success Factor	✓
Neutral	0	Delivery option has no impact on the Critical Success Factor	-
Low	-1	Delivery option is less effective in satisfying the Critical Success Factor	×
Very low	-2	Delivery option is likely to be ineffective in satisfying the Critical Success Factor	××

Recognising that some of the options would require a change in legislation or regulation to be deliverable, those options were scored for CSF3 Deliverability both pre and post change in legislation or regulation. This ensured that the score for CSF3 was not skewed by this issue, and enabled options to be ranked under each legislative scenario.

Step 5: Prioritisation

The short-listed delivery model options were then prioritised based on the total score, with all Critical Success Factors weighted equally.

North East Combined Authority

Notice of Intention to Prepare an Assessment of a Proposed Franchising Scheme

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The Bus Services Act 2017 amended the Transport Act 2000 (the "Act") to provide the North East Combined Authority (the "Authority") with powers to reform the bus market and these provisions provide for new types of partnership schemes and the option to franchise bus services.

In accordance with section 123B and section 123C(4) of the Act, the Authority has authorised the publication of this notice at its meeting on [2024], stating its intention to prepare an assessment of a proposed bus franchising scheme ("Proposed Scheme").

Pursuant to section 123C(2)(a) of the Act, the Secretary of State's permission to carry out the assessment of the Proposed Scheme is not required because the scheme relates to the area of a Mayoral Combined Authority.

The Authority will, as the franchising authority for the North East Region, prepare an assessment of the Proposed Scheme.

You can find out more on the North East Combined Authority's website. For further information, please contact [name], [title] at [email address].



North East Bus Service Improvement Plan

Working Together for Better Transport





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Foreword

I am delighted to present my Bus Service Improvement Plan as the first step towards improving public transport across the North East and as part of my future ambitions for a bus network back under public control.

Bus services in the North East are vitally important and this bold plan sets out how we will make buses travel faster, more affordable and more attractive for passengers.

Buses are the most used form of public transport in our region, they carry millions of passengers every year, and the network therefore needs to work for everyone. My bus plan sets out steps for stabilising and enhancing our bus services, attracting new passengers and putting buses at the heart of our integrated transport network.

The region has been awarded £163.5 million in funding, one the largest settlements in the country, to deliver this plan in partnership with bus operators, and great work is already underway. In the long term, to truly transform our network, I want to bring buses back into public control so that buses work for people not for profit.

Successes to date include the £1 single fare for people aged 21 and the £3 day ticket giving young people unlimited travel on buses, Metro and Ferry across the whole region. This is a great step to helping lift young people in our region out of poverty by providing cheaper access to education and training. We are also investing significantly in bus priority measures through the region to speed up bus journeys, we are improving passenger information, and we have used funding to launch new bus services to sustain many parts of the bus network in the face of the industry's ongoing troubles following the pandemic.

My bus plan shows we can deliver better value for the people of the region, and I am looking forward to seeing more initiatives delivered to support us in creating an integrated, green transport network for the people of the North East.



Section 1: Our bus vision

Area covered

This Bus Service Improvement Plan (BSIP) covers seven local authority areas in the North East; Durham County Council, Gateshead Council, Newcastle City Council, North Tyneside Council, Northumberland County Council, South Tyneside Council, and Sunderland City Council, collectively making up the North East Combined Authority (North East CA).

As of 7 May 2024, the North East CA reports to the North East Mayor and Cabinet. Prior to that, the Local Transport Authorities discharged their transport functions jointly through the North East Joint Transport Committee (NEJTC); a statutory body that was responsible for transport policy and delivery across the region.

Nexus is the trading name of the Tyne and Wear Passenger Transport Executive, responsible for delivering passenger transport in the Tyne and Wear area, which is a largely urban sub-section of our region covering the local authority areas of Gateshead Council, Newcastle City Council, North Tyneside Council, South Tyneside Council, and Sunderland City Council.

Durham County Council and Northumberland County Council are responsible for providing passenger transport services in their own areas, including supporting bus services which may not be commercially viable, school services, and other vital services.

NEbus is the name of the local bus operators' association encompassing the providers of services across the North East.



Figure 1.1 North East Combined Authority area

Enhanced Partnership Plan and Scheme(s)

On 21 March 2023, the North East's Enhance Partnership (EP) Plan and Scheme was made; the full documents can be found on the North East CA's website, including the formal notice of making the EP Plan and Scheme. As a result of the EP, this BSIP was created to showcase our ambitions to make buses more attractive by making them an affordable and practical alternative to people using private cars and helping existing bus users to travel more frequently.

Our region

Our region is distinct and diverse. Our three vibrant city centres of Durham, Newcastle and Sunderland are surrounded by lively towns and villages, set in some of the most beautiful and least populated countryside in the UK. Our wide range of leisure, cultural, sporting, and historical attractions includes UNESCO World Heritage sites Hadrian's Wall and Durham Cathedral and Castle, alongside miles of unspoilt coastline, and the Northumberland National Park and the North Pennines Area of Outstanding Natural Beauty (AONB).

Our manufacturing base includes five national catapult centres, three national innovation centres, and growing tech and fintech industries. These industries attract significant inward investment to the region.

Duration

The BSIP covers a three-year period starting 1 April 2022 and ending in March 2025, and includes longer term aspirations for 2025 to 2030.

BSIP annual review

In line with requirements, the BSIP will be reviewed every year.

Alignment

The North East Transport Plan adopted in March 2021 provides the strategic framework to support delivery of an improved, more seamless, coordinated and integrated transport system across the region. The Transport Plan is currently being updated following the formation of the North East CA, and will incorporate our BSIP when it is published in due course.

This BSIP is closely aligned with the North East Transport Plan, as well as all relevant policies and plans of North East CA, the seven local authorities and Nexus. In the remainder of this section, we explain the overarching links between this BSIP and our region's Transport Plan, including:

- An introduction to the Transport Plan's vision and five objectives.
- Our 'Making the Right Travel Choice' strategy target which encourages car users to switch one journey a week to public transport, walking, wheeling, or cycling.
- Our region's document 'Your Vision for Buses' which sets out the highlevel interventions and solutions required from our bus network to deliver our Transport Plan's vision and objectives.

Introduction to the North East Transport Plan's vision and objectives

The North East Transport Plan's vision is "Moving to a green, healthy, dynamic and thriving North East".

This vision is supported by five strategic objectives for transport in our region. They are reflective of the critical strategic issues, such as the Climate Emergency declared by each of our local authorities, our ambition for a clean and green recovery from the pandemic, and the need to address the health of our region. Within the Transport Plan we explain why these objectives have been selected.

The delivery of the BSIP and the development of the Enhanced Partnership (EP) is a crucial step in the delivery of our Transport Plan. Every investment we make within the BSIP and EP will support progress towards these objectives.

Our Transport Plan contains a live programme of planned interventions and is reviewed and updated regularly.



Carbon-neutral

We will initiate actions to make travel in the North East net carbon zero, addressing our air quality challenges and helping to tackle the climate emergency.



Overcome inequality and grow our economy

We will return the region to pre COVID-19 levels of employment and Gross Domestic Product (GDP), then move forward in pursuit of the ambitions set out in the Strategic Economic Plan (SEP).



Healthier North East

We will encourage active and sustainable travel to help our region attain health levels that are at least equal to other parts of the UK.



Appealing, sustainable transport choices

We will introduce measures that make sustainable modes of transport more attractive and an easy alternative for getting around the North Fast.



Safe, secure network

We will ensure that people are confident about their safety and security when travelling around the North East.

Figure 1.2 North East Local Transport Plan objectives

Making the right travel choice

To achieve the objectives, we need people to 'make the right travel choice'

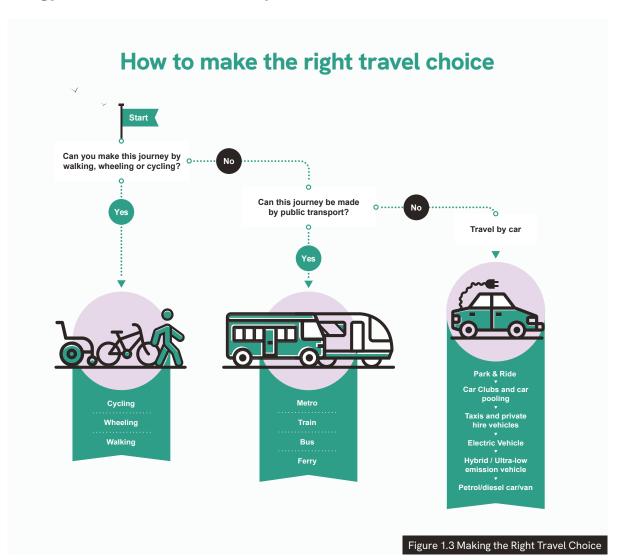


'Your Vision for Buses' sets out ten solutions, which have been adopted by our BSIP

Making the Right Travel Choice - the strategy at the heart of our Transport Plan

Central to our Transport Plan is our "Making the Right Travel Choice" strategy. This strategy leaves no doubt that our region is committed to positioning public transport as an appealing and sustainable transport choice, which people should choose ahead of a car whenever possible. It asks car users to switch one car journey a week to walking, wheeling, cycling, or public transport. To support this, the BSIP provides investment towards better fares and through the introduction of priority measures makes bus a more attractive option to help people to make the right travel choice.

We understand the importance of providing a sustainable transport network which is attractive and makes people want to use it.



'Your Vision for Buses': How we have aligned our BSIP with the North East Transport Plan'

In June 2021, we published a high-level strategic vision document called 'Your Vision for Buses'. This document was developed in partnership with our region's bus operators and considers the role that buses can play in delivering our Transport Plan. In doing so, it sets out ten solutions for the bus network and asks the region to consider and test these solutions. These ten solutions are aligned with the Government's 'National Bus Strategy' and form the basis of the interventions we have set out in this BSIP document.



Our vision: Ten solutions



An enhanced network that is simple and easy to understand



Clear and consistent information that is easy to access



Faster and more reliable journey times



Improved safety and security



A simple and flexible fares structure



Cleaner and greener vehicles



Better integration between modes



Improved connectivity beyond our boundaries



More early morning and evening services



A first-class customer experience

Figure 1.4 Your Vision for Bus ten solutions

Transport Plan Our region's five objectives

Making the right travel choice To achieve the objectives, we need people to 'make the right travel choice'

the right travel choice
Our Bus Vision
Your Vision for Bus

'Your Vision for Buses' sets out ten solutions, which have been adopted by our BSIP

Figure 1.5 Public	engagement events. Further information is available in Appendix A, Table 1.
Big Bus Conversation 2021	In summer 2021 we talked to people and businesses across the North East to understand what people think we need to do to encourage bus use. This included asking them to allocate £10 across our ten solutions to help us understand their priorities and therefore inform the creation of the BSIP.
Big Bus Conversation 2023	In summer 2023, we repeated the campaign to see if attitudes towards bus had changed at all. Around 2,200 people confirmed that they thought the ten solutions we had already set out were the right ones to make buses appealing and that we were on the right track.
Stakeholder forum	A stakeholder forum was established for stakeholders, such as health and education, advocates for equalities groups, and passenger and community representatives. Contributions were made by email and through attendance at four different events. The Department for Transport (DfT) presented and took part in the discussion with stakeholders along with NEbus. These forums have taken place annually to ensure views are aligned and re-confirm buy in for our wider stakeholders.
Moving Buses Forward 2024	In spring 2024 we ran our Moving Buses Forward engagement campaign across the region to gain further insight into attitudes towards the bus service. Refer to Appendix A, Figure 8 for the top priorities.
North East Travel Survey	Every year Nexus undertake the North East Travel Survey collecting views on all transport modes across the region. Data is available between 2022 and 2024 and feeds into the final BSIP.
Bluegrass market research	Bluegrass carried out independent market research of North East residents, visitors, and underserved audiences such as those living in rural areas, the elderly, and those from a minority background. As this research was weighted to be representative of the North East population, it has been used to benchmark the results we obtained through our non-targeted public engagement.

Engaging with the passengers and stakeholders through the events and surveys outlined in Figure 1.5 has confirmed that our regional bus vision is the right solution. The North East needs a network that is integrated, fast and reliable with simple fares, and takes people where they need to go safely, in clean green vehicles.

Section 2: Current bus offer to passengers

This section sets out the current North East bus offer, examining the factors that combine to influence bus provision in the North East. Bus operators tailor services to geography, demographics, and demand. They offer more frequent services in the metropolitan and urban areas, and more targeted services in rural areas, connecting to many other key locations.

"Secured services", are bus services that are contracted by Durham, Nexus, and Northumberland to respond to a social need where commercially operated services are not viable, often in rural or remote areas, places that are hard to serve as part of an existing bus route, or are at the extremities of the day, such as late at night.



Analysis of existing local bus services compared to BSIP outcomes

In this section we provide analysis and data to show how the current network measures up against our BSIP targets as set out in Section 5: Targets, performance monitoring and reporting. We also explain the factors that affect the use of local bus services. Examples of our sources are outlined in Figure 2.1.

We present data and information at a strategic level, with further detail provided at a more granular level for each of the proposed interventions within section 4.

We have set 11 Key Performance Indicators (KPIs) to measure the success of this BSIP, with the aim of increasing the proportion of people choosing to travel by bus (modal share), particularly for journeys to work and education, and in rural areas.

We know that increased modal share of bus will only happen when people see tangible improvements made to bus services, which we will measure through improved customer satisfaction. If we want passengers to be satisfied, buses must be punctual and reliable, as well as faster and not caught in congestion.

Although uptake of bus travel will itself improve our environmental performance, we also want to target a continuous improvement in the emission standards of our bus fleet.



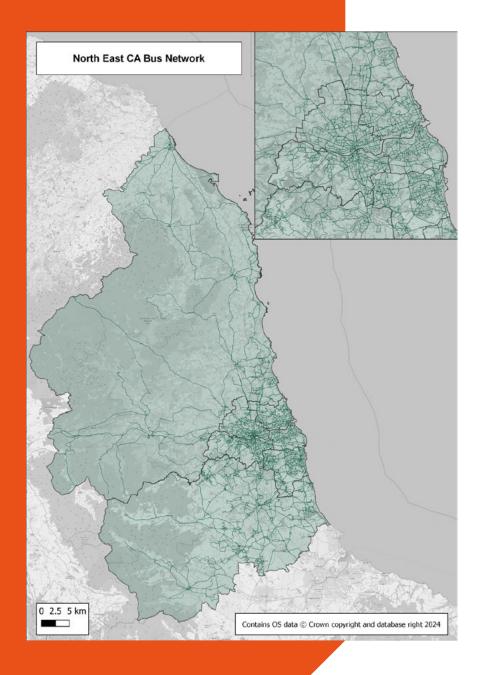
Figure 2.1 Data and information sources informing our BSIP

Our current bus network

The bus market has changed significantly in recent years with the pandemic, resulting in lots of changes to people's travel patterns. As a result, there is increased number in people working from home, which means changes to the commuter market.

Against the backdrop of long-term bus patronage decline, this has resulted in significant commercial cuts by operators where services are increasingly no longer economically viable. In turn, to ensure network coverage is maintained Durham, Nexus, and Northumberland are supporting an increased proportion of the network.

In Section 4: The network, we provide more detail around how the reduction in commercial viability of a number of routes in the region has affected our BSIP service spend.











1 in 4 people would be open to using the bus

million bus vehicle miles in the North East in 2022/23 - the same as 2020/21 106.6 million bus passenger journeys in 2022/23 - compared to 51.1 million in 2021

At the time of the 2021 census,

28% of households did not have a car

86%

of bus services were commercially operated in 2022/23 compared to 88% in 2020/21 11%

of bus journeys were travelling to work in 2022, compared to 9% on average in 2015-19 8%

of bus journeys were travelling for leisure in 2022, compared to 10% on average in 2015-19

Bus punctuality and reliability

Bus punctuality is the percentage of buses which arrive on time, defined as no more than five minutes late or one minute early. Bus reliability is the percentage of scheduled bus miles which are operated, the actual journeys that buses make.

We found that bus punctuality and reliability were concerns for many during our engagement events; Big Bus Conversation and Moving Buses Forward. The sentiments expressed demonstrate just how crucial it is that buses can be relied upon and the impact they have on passengers when they are let down.

I find that after COVID-19,
the reliability of buses has
decreased. Over the past year
there have been numerous
occasions where I've been stuck
at Newcastle Haymarket or
Cramlington waiting up to an
hour for a bus (they run every
couple of minutes)."

Big Bus Conversation 2023

Between April 2023 and March 2024, bus punctuality in the North East has averaged 79.1% which indicates punctuality has got worse than in previous years of the BSIP. Similarly, reliability factors in the North East have averaged 97.4% compared to our target of 99.5%. A variety of factors have caused this decline including bus driver shortages, challenges with the bus fleet caused by age related deterioration, and an uplift in major roadworks including the recent Tyne Bridge repairs.

Buses are my preferred transport but their reliability, and the believability of information about them is key to improving confidence."

Big Bus Conversation 2023

During the pandemic lockdown, bus performance on the traditionally least reliable services reached 96%, which demonstrates how well bus services can perform when there are fewer cars on the road.

More information about our punctuality and reliability targets can be found in section 5.

Opinions on punctuality and reliability from Moving Buses Forward (2024):

- "I use the bus all the time, I think reliability is the most important thing."
- "Would be a big help if they turned up, on time, or at all. I often wait well over 1 hour for a service that should run every 20 mins minimum."
- "Big issue is reliability (turning up on time, turning up at all). That they aren't does stop me using them more."
- "A reliable service, I have an hourly service where I live, in a semi-rural area. Frequently, services are withdrawn at short notice, leaving many people unable to travel."
- "It's really tricky to travel between neighbourhoods around the city centre - buses are not very frequent, they are often late, and the routes are really long which means it takes a long time to get from A to B. It would also be great if bikes could be taken on a bus.

Average bus speeds

As well as punctuality and reliability, the speed of a bus journey can be an important factor when making a travel choice. We therefore need bus services to be as quick and efficient as possible. During the Big Bus Conversation, 160 respondents listed 'slow' as a top three word that springs to mind when they think about buses.

Alongside giving priority to buses in congested areas, maintaining and enhancing bus services can also make bus travel quicker. Implementing direct routes ensures that more journeys can be made without the need to interchange, and higher service frequencies reduces wait times.

Buses are not very frequent, they are often late, and the routes are really long which means it takes a long time to get from A to B."

Moving Buses Forward, 2024

Bus modal share

Car and van use, either as a driver or passenger, accounts for 59% of journeys made in the North East, in comparison to local buses which account for 6.8%. Modal share of bus has returned to pre-COVID-19 levels of 6.4% in 2019, however, compared to 5 years ago modal share continues to decrease. Bus made up 8.8% of all transport in 2017, which is where it peaked. Further information is provided in Appendix A.

6.8% of journeys in the North East are taken by bus.

In our independent market research carried out by Bluegrass in 2023, 93% of people told us they live within a five to ten minute walk of a bus stop and 51% indicated that they would be open to using buses more often. There is clearly strong potential for significant growth in bus modal share from the current position.

By delivering our ambitions for bus we hope to encourage more people to try their local services and enable current passengers to rely on buses for more trips.

I would like to use car less given the current climate but bus services need investment and improvements."

Big Bus Conversation, 2023



Patronage

In the longer term, patronage has been declining for many decades. There are numerous reasons for this, including increasing costs and higher car ownership. This challenging background is reflected in the 54% of residents (Bluegrass market research), who told us they don't see the bus as practical for their daily routines.

As is indicated in Figure 2.3, bus ridership has not yet recovered to 2018/19 levels, with many reporting that their travel habits have changed in recent years. However, we have seen a slight increase on 2022 figures.

Despite this, our research also showed that North East residents recognise the advantages of bus travel with 49% and 69% respectively agreeing or strongly agreeing that increased bus use helps them to save money and benefits the environment.

Similarly, hundreds of positive testimonials through our public engagement campaigns have been collected regarding local services, with many reporting increased bus use in response to the national £2 fare cap and the local 21 and under £1 single. This is reinforced by increases in patronage, showing that positive investments can have a real impact on bus patronage.

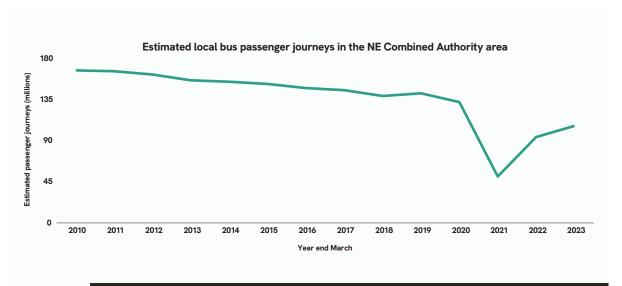


Figure 2.3 Passenger journeys on local bus services originating in the North East by financial year (DfT, 2023)

Figure 2.4 shows that the patronage of people under the age of 22 increased by around 11% in 2023/24 from 2022/23, surpassing our KPI to grow young person patronage by 10% in 2023/24.

Figure 2.4 Young person patronage between 2018/19, 2022/23 and 2023/24 utilising data from the 3 largest operators within the region.

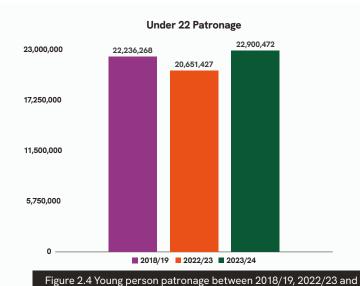


Figure 2.4 Young person patronage between 2018/19, 2022/23 and 2023/24 utilising data from the 3 largest operators within the region.

Customer satisfaction

By utilising BSIP funding we commissioned Transport Focus, the independent watchdog for transport users, to undertake passenger satisfactions surveys across the region called 'Your Bus Journey'. In total, 34 locations nationally were surveyed, and they found that satisfaction varies across areas ranging from as high as 90% in some places, to 75% in others. In 2023, customer satisfaction in the North East CA region was found to be 81%.

Overall, customer satisfaction in the North East CA region was 81% in 2023.

Improving customer satisfaction will be key to maintaining existing customers whilst also encouraging more people to switch to bus.

I like the electric buses. The reduced noise and cleaner buses make it much more pleasant."

Big Bus Conversation, 2023

While everyone will benefit from more attractive bus services, we know that this will have a larger impact on certain groups. Census data tells us that ethnic minorities in the North East are more than twice as likely to travel to work by bus than white respondents. During the Big Bus Conversation, we also heard directly from residents who are more likely to rely on bus services, such as those with certain disabilities, those with lower incomes, and young people.

Environmental performance

During our engagement events, many residents expressed concern about bus emissions. In addition to this, many others celebrated the introduction of new zero emission buses in the region.

Euro 6 is currently the engine classification with the lowest emissions. In 2021, 54% of the region's bus fleet were not at the engine emissions standard of Euro 6 or higher. Recently, 18 new high specification electric buses have entered the fleet, and the region has been successfully awarded funding for 52 new zero emission buses through the governments' Levelling Up Fund. An additional 43 buses have also been allocated funding by the governments' Zero Emission Bus Regional Areas (ZEBRA 2) scheme, totalling to 113 zero emission vehicles in our fleet by December 2025.

By December 2025:

1 in 10

of the region's buses will be zero emission buses

19 routes will operate with zero emission buses

Each of the ZEBRA 2 funded buses will incorporate enhanced accessibility features, including an additional space which can be used by a second wheelchair or parent with buggy and audio-visual next-stop passenger information, all of which were highlighted as issues during our Moving Buses Forward campaign.

New zero emission vehicles will also allow some of our older and more polluting vehicles to be withdrawn from service. However, there are still changes to be made, otherwise we will continue to trail behind other regions in bringing about positive environmental change.

I really care about accessibility.
I'm invisibly disabled and often
travel with a family member who
uses a wheelchair, but it can be
difficult and inconvenient to use
buses so sometimes we avoid
leaving the house at all."
Moving Buses Forward, 2024



Financial support for bus services

Due to the importance of bus travel for our communities, millions of pounds of public funding are used to support the bus network.

Local authority spending on bus services is undergoing reprofiling following the end of the Bus Recovery Grant (BRG) funding and Local Transport Fund (LTF). In replacement, BSIP funding is required to sustain secured services.

Since the publication of our first BSIP in 2021, a large number of routes have since been operated by supported services due to operator cuts in 2022 and 2023.

As BSIP investments are delivered it is hoped that the number of supported services will be reduced. Three routes which were supported through LTF and BSIP funding and have now returned to operate commercially, these are the 67 and 69 in Gateshead, and the 84 in Washington.



A breakdown of our subsidised services can be seen in Figures 2.6 and 2.7.

	Durham £000	Northumberland £000	Tyne and Wear £000	Total £000
Subsidised Bus Services	3,375	1,380	11,206	15,961
ENCTS	10,993	4,650	33,222	48,865
Bus Stations/Infrastructure	196	26	1,955	2,177
Public Transport Information	88	25	982	1,095
				68,098

Figure 2.6 Public funding of the bus network in 2021/22 (Source: Durham County Council, Northumberland County Council, Nexus)

In terms of subsidy of routes and mileage, the breakdown is as follows:

	Durham	Northumberland	Tyne and Wear	Total
Routes fully secured by public subsidy	44	45	69	159
Routes partly secured by public subsidy (e.g. evening and weekend services)	57	7	95	159
Other operations funded publicly (e.g. home to school)	219	774	247	1,240
Number of route miles supported	2,429,500	3,826,003	129,783.28	6,385,286.28
% of bus network supported (Note: subject to refinement)				10.31%

Figure 2.7 Subsidy of routes by LTA/PTE area (Source: Durham County Council, Northumberland County Council, Nexus)

Other factors that affect the use of local bus services

In this section we set out factors which affect local bus service usage across the region:

- Identified barriers to bus use.
- Perceptions and attitudes toward buses.
- Car parking: the pricing of parking provisions in towns and cities, and the split between local authority and private sector provisions, including the amount spent by each local authority in our region on parking enforcement.
- Other competing and complementary factors to the bus network in the North East.

As part of our Bluegrass research, quantitative methodology was undertaken, involving online and in person surveys, 1,220 interviews spanning the region, and an online research panel with both residents and tourists. Quotas and weighting were applied to deliver a representative sample of the region in terms of age, gender, ethnicity, and geography.

Some of these factors can be seen in Figure 2.8, which sets out what makes people choose the bus.

It can be intimidating travelling alone especially when rowdy abusive groups get on, so something to make you feel safer [would encourage me to use the bus more]."

Moving Buses Forward, 2024

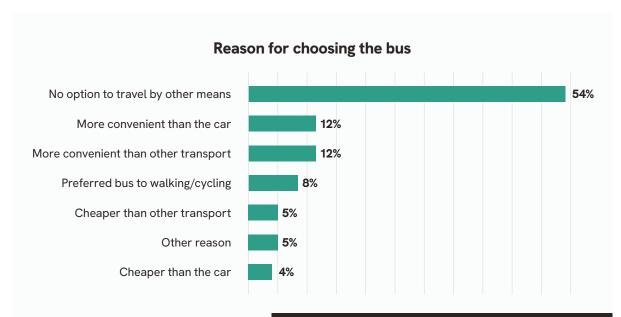


Figure 2.8 Reason for choosing the bus (Source: Transport Focus 2019)

58% use the bus already

41% agree that the places they travel to are not easy to reach by bus 3 in 10 feel they aren't the kind of person to use the bus

1 in 4 would be open to using a bus

46% of non-bus users prefer to travel by car

35% agree they had a lack of knowledge about service provisions and fares, rising to 51% for people who consider themselves infrequent users We ran our Big Bus Conversation campaign in 2021 and 2023 with the aim of involving local people in discussions about buses. In both years we asked residents to tell us, "What three words spring to mind when you think about buses?" Results can be seen in Figure 2.9. 'Unreliable', 'late', and 'slow' remain common words used by respondents to the survey.

The impact of new fare offer introductions can clearly be seen in the reduction of respondents who used the word 'Expensive.' Positive feedback about the governments' £2 fare cap and BSIP funded £1 single for those 21 and under was also repeatedly brought up at our stakeholder events.

Respondents to the Big Bus Conversation in 2023 were asked to rank, from very unlikely to very likely, how our ten solutions would "help them use the bus more". The highest scoring solutions with 92% positive scoring was "faster and more reliable journey times".

Another high scoring solution was "simple and flexible fares structures" with 81% positive scoring. This has been reflected in our Moving Buses Forward engagement event, as displayed by the direct quote to the right.

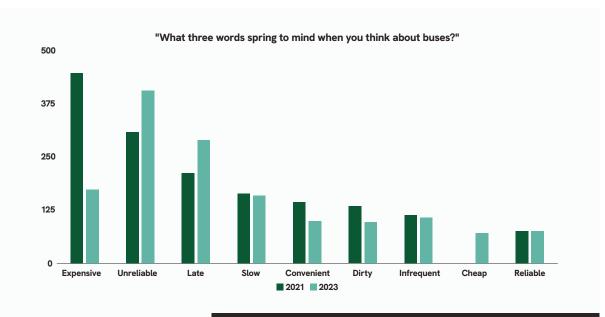


Figure 2.9 Most popular three words associated with bus. 2021 and 2023 received a comparable number of responses. (Big Bus Conversation, 2023/2021)

The all day anywhere tickets have been a game changer for me as my commute takes me across all the bus companies' boundary lines so I'm not able to buy discounted zone tickets from them. Being able to buy one ticket that I know I can use on any bus company & the Metro is so unbelievably helpful and gives so much flexibility getting around."





Car parking

The cost of car parking, especially in relation to getting the bus, often influences travel choices. The following table offers a summary of parking provision in each of the seven local authority areas which make up the North East CA region.

Local authorities in the North East, spend the following amounts on parking enforcement annually:

Local authority	Budget allocated to parking enforcement		
Durham	£650,000		
Gateshead	£799,000		
Newcastle	£2.2m		
North Tyneside	Part of a contract		
Northumberland	£2m		
South Tyneside	£1.1m		
Sunderland	£950,000		

Figure 2:16 Parking enforcement spending (annual)

In our previous BSIP, reviewing of car parking and the relationship with bus travel was explored in our Network chapter. This has been removed from this iteration as it now features as a wider-scale review about car parking in general in our regional Transport Plan which will be published in due course.

Parking provision charges by local authority (Local Authorities, 2023)

	Estimated number of LA operated spaces	Average hourly rate to park	Estimated number of private sector operated spaces*	Average hourly rate
Durham	3,500	43p	2000	69p
Gateshead	2,123	£1.04	756	92p
Newcastle	6,004	£1.44	3743	£3.20
North Tyneside	2,544	95p	Unknown	N/A
Northumberland**	11,821	0	0	N/A
South Tyneside	2,477	75p	270	Varies
Sunderland	2,958	£1.15	941	£1.47

^{*}Defined by operators of car parks, excluding parking sites operated by employers, entertainment venues etc.

Figure 2.15

^{**} Northumberland's charges are targeted towards reducing tourist traffic pressures and discouraging long stay parking. For most residents and regular visitors, a disc can be bought which allows regular parking.

Integration between bus and other sustainable modes

Here we consider the overall transport market in which the bus operates in the North East. As our region's Transport Plan promotes "appealing sustainable transport choices", we must also consider sustainable transport modes such as rail, our Metro system, and active travel, and how these can be complementary to our bus network.

Through the BSIP we propose to grow the levels of public transport integration significantly to enhance connectivity across the region, offering an attractive journey time at an affordable price, and encouraging more people to choose public transport over private car journeys.

For further information where we compare journey lengths, please refer to Appendix A.

Metro

The Tyne and Wear Metro system, which opened in 1980, was designed and constructed as the central feature of a fully integrated public transport system. The system includes the Shields Ferry which operates between North and South Shields. Three major interchange locations with bus and national rail were built at the core of its infrastructure to make transition from Metro to other modes simple. There are also 13 bus and Metro interchanges on the rest of the network, further simplifying the transition between modes. These include new bus specific interchanges at South Shields and North Shields Interchange which were opened in 2019 and 2023 respectively.

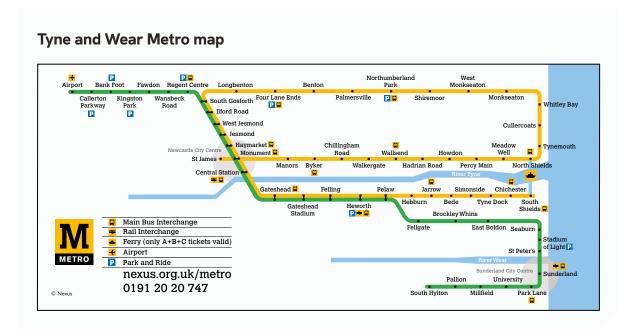
The Metro and bus networks complement each other, and interchange is generally accessible and well signposted.

The Metro however appears as a competitor to bus for some journeys, but it also brings people to the bus for the first leg of a journey they might otherwise make by car.

A sample of journeys that can be completed by either bus or Metro were compared and showed that the bus usually takes longer than Metro. This can be found within Appendix A. Exceptions to this typically include when Metro journeys require an interchange, but the bus service is direct, for example between Regent Centre and Haymarket. Bus fares tend to be lower, and due to the number of bus routes, there are also many 'door to door' journeys which are quicker by bus than Metro.

Metro Gold Cards

Tyne and Wear residents with an entitlement to English National Concessionary Travel Scheme (ENCTS) 'bus passes' can upgrade their ENCTS card by loading a Metro Gold Card product on to it for a payment of £12 each year, and residents of Northumberland and County Durham can do this for £24. 164,000 Tyne and Wear residents have taken this opportunity, affording them access to both bus and Metro.



National rail

The geographic size of our region means that key centres are linked by national rail, including 'intercity' long distance trains. These services coexist alongside well used bus services because buses serve more local places along the way, and more 'first and last mile' origins and destinations.

I would use the bus more if buses were on time and punctual, and integrated into the rail network, so changes between buses, or bus and train, doesn't mean hanging about for ages".

Moving Buses Forward, 2024

An example comparing competing journey times between rail and bus would be between Newcastle upon Tyne and Durham, taking approximately 12 minutes by train, and 55 minutes by bus. For all the journeys we are aware of, it is slower to travel by bus, however it is almost always cheaper, even more so with the national £2 fare in place at the time of writing. There will therefore be a significant number of people who travel by bus instead of rail even though it takes longer.

As a result, this is a key driver behind some of the initiatives outlined within the fares and ticketing section of this BSIP.

Active Travel

Active travel (walking, wheeling, and cycling) is wholly complementary to the bus network, especially as every bus journey generally starts and ends with an element of active travel. Already, early measures are in place to promote the opportunity for multi-modal trips, including walking, wheeling, cycling, and bus.

For example, six Go North East routes have capacity to carry two unfolded bikes. Interchanges and stations across the Tyne and Wear Metro system are fitted out with approximately 750 places for cycles, with bikes allowed on sections of the network in line with Nexus restrictions.



Section 3: Improvements programme 2024/25

In this section we set out our delivery plans for the next year of our BSIP to help us achieve our ambitions for bus in each of our main delivery areas, customer experience, fares and ticketing, network and highways, and infrastructure.

1 in 3

residents reported that they are unfamiliar with the logistics of the local bus service (Bluegrass Research, 2023)



Customer experience

Journey planner website and app

Current offer

Bus operators, Nexus and Durham County Council all have their own journey planning tools which provide varying levels of information, they are either specific to one mode or don't cover the whole region. Websites such as Google or CityMapper can provide journey planning for the whole region however they don't always contain real time information.



Headline targets to 2025

We will introduce a single dedicated website and journey planner by March 2025. Based on feedback received this tool will provide a minimum of the following:

- A public transport journey planning tool including active travel options, highlighting time, cost, and convenience advantages.
- Real time public transport information, including planned and unplanned disruption.
- Retailing for bus and multi-modal ticket products.

Since our BSIP award we have been developing the technical specification and have appointed Nexus as the lead delivery partner.

For residents who cannot access journey information digitally, we remain committed to maintaining and improving printed information at bus stops across our network, ensuring we are providing accessible and convenient information for everyone.



On journey passenger information

Current offer

All stops in our cities, towns, and villages have printed information which is updated when timetables change.

400 stops have digital information screens showing timetable data, however the availability of real time information is limited because updates in technology have created a mismatch between the data feed from operators and the region's back-office systems. Stops with minimal use or in very rural areas of Northumberland do not have any information available, though their timetable can be downloaded from operator websites.



Headline targets to 2025

Schemes which are to be delivered on Investment in the back-office software system feeding at-stop screens will restore real time information to 400 locations. Investment in Intelligent Transport Systems (ITS) will improve the accuracy and quality of this information and the screens will be upgraded to ensure this real time data can be displayed.

Provision of printed timetable information at bus stops and stations will continue, including an increase in the number of rural stops covered in Northumberland.

All interchanges and rail stations will be supported with multi-modal passenger information, showing real time information about connecting journeys.



Enhanced customer service training for customer facing staff

Current offer

The Certificate of Professional Competence (CPC) training for drivers is carried out by operators to maintain professional skills, but it is not coordinated between organisations.

Headline targets to 2025

A consistent training module will be developed by the partnership and delivered as part of CPC training. This will take advantage of existing structures and ensure a coordinated high standard of staff training throughout the region, including smaller operators.



Bus passenger charter

Current offer

The regional bus passenger charter is now in place which sets a consistent standard for customer experience across the region. This includes a taxi guarantee for wheelchair users. The Charter can be found in appendix X.

The bus passenger charter applies on all bus services in our region to build customer confidence and improve consistency and transparency. A taxi guarantee also gives disabled passengers the peace of mind that if there isn't room for their wheelchair on board, a taxi replacement will be provided for them at no extra cost, where the taxi will arrive before the next bus service.

Turnaround cleaners will be employed at bus stations throughout our network to quickly remove litter from any operators' buses to ensure a clean and pleasant journey for passengers.

All vehicles will be fitted with enhanced next stop audio-visual equipment and charging points.



Headline targets to 2025

We will benchmark passenger awareness of the charter and work to more widely display the charter at stations and on buses to increase that awareness.

Ten cleaners will be deployed as interchanges and bus stations across Tyne and Wear, Blyth bus station and Durham bus station.



Transport ambassadors

Current offer

Most major interchanges are staffed by customer service team members who already help thousands of passengers complete journeys in the region. Smaller bus stations generally do not have a customer service staff presence.

Headline targets to 2025

Transport ambassadors will be provided at additional stations which don't currently have a dedicated customer service staff presence, such as Durham Bus Station and North Shields Transport Hub, along with additional ambassadors who can be deployed flexibly at other stations and on the network according to need.

Due to operational and logistical issues the scale of provision will not meet what was originally anticipated in the 2021 BSIP. Following reviews, the resources for roles originally framed as "ambassadors" will be re-deployed to other new roles which it is now considered to be more impactful in enhancing passenger experience of the bus network.





Community bus partnerships

Current offer

A Community Bus Engagement Lead is in post to manage the rollout of the community bus partnerships across the region, and three further 'Bus Champion' roles have been funded to manage local engagement.

Nexus seconded an existing employee into a new champion role for Tyne and Wear in autumn 2023. The champion has focused on working with businesses, employers, and community groups to promote the use of bus, particularly in preparation for the Tyne Bridge works which started in April 2024 and were expected to increase congestion on an already busy and key transport corridor. The champion has also engaged with communities in East Newcastle and Wallsend to create sustainable local transport solutions.

Following initial delays to the recruitment of champions for Northumberland and Durham, approval was sought to extend the funding to permit the advertisement of a longer contract, with the aim of making the role more appealing and attracting a better quality of applicant. This permission was received on 20 March 2024 and the recruitment process for these posts is since underway.

Headline targets to 2025

We will continue to engage with communities, businesses, educational establishments, and employers to build a sense of community ownership of the bus network and reduce negative perceptions of using the bus by creating community bus partnerships.

Engagement has shown that while people have an opinion on issues which affect them personally, being part of a community group charged with improving bus services more widely has limited appeal. Therefore, the community bus partnerships are not being set up as specific groups. Instead, the engagement activities conducted by the champion will generate feedback, ideas for specific improvements, and potential new local initiatives.



The champion will raise these matters through the appropriate channels, where possible leading to improvements being implemented or initiatives being developed further with BSIP funding. As the 'single point of contact' the champion will be responsible for tracking and feeding back progress to the individuals and groups who initially raised the matter to make them feel confident they are being listened to and having an impact.

Where relevant, these local initiatives may be rolled out more widely across the region.

Those who are interested in getting involved in improving their local services more widely will be signposted to independent local transport user groups. Support has been provided to allow these groups to expand their reach across the region, and the aim is to have at least one group within each local authority area to champion the needs of passengers...

A simple unified identity for public transport.

Current Offer

The North East bus network continues to be branded according to individual operators, along with that of Nexus, the seven local authorities, Traveline and Network One.

Although these brands are strong with good customer recognition, the lack of a unified identity adds complexity from a bus passenger perspective.

Headline targets to 2025

The unified public transport identity will be determined by the new North East Combined Authority following its establishment in May 2024.





Fares and ticketing

Multi-modal fares

Current Offer

Our BSIP set out ambitious proposals to introduce multi-operator, multi-modal capped tickets which would increase customer flexibility to travel around the network. Through a simplified fare structure at a reduced price point we aspired to attract new customers to use the bus network. This is a significant measure to attract new customers to use the bus, with 81% of respondents to our Big Bus Conversation (2023) identifying this as a big factor in encouraging them to use the bus more. The below is a summary of the BSIP funded ticket range introduced in 2023 and its performance to date:

Product name	Scope	Price	Launch date	Approximate weekly journeys
21 and under Single Single ticket anywhere in the region for those aged 21 and under		£1	7 May 2023	246,912
21 and under Day	21 and under regionwide day ticket (multi-modal)	£3	3 September 2023	30,975
Durham Day Rover	County Durham adult day ticket (multi-operator)	£4		10,889
Northumberland Day Rover	Northumberland County adult day ticket (multi-operator)	£5	5 November 2023	2,509
Tyne and Wear Day Rover	Tyne and Wear adult day ticket (multi-modal)	£6		25,690
TNE Day Saver	Regionwide adult (multi-modal)	£6.80		14,906

The implementation of these products boosts connectivity and travel opportunity for people, where previously there were barriers to multioperator and multi-modal travel. In addition, it represents a significant saving to customers, for example the TNE Day Saver saves customers £5.90 (46%) compared to its nearest equivalent, allowing more accessible regionwide travel than prior to the BSIP.

A year on from the introduction of our first capped ticket, over 15.8 million journeys have taken place on newly funded BSIP products, including over 14.45 million made by customers aged 21 and under. It is anticipated through this intervention alone, customers have saved over £10.6 million, and these journeys have generated a social and economic benefit estimated to be valued at £25.65 million. Bus operators receive reimbursement for the reduced ticket prices which are also accepted on Metro and the Shields Ferry services, with revenue risk accepted in existing budgets to allow greater connectivity and help to create a simple travel environment.

The extension of the DfT funded Bus Recovery Grant £2 fare cap, and changing travel patterns post the COVID-19 pandemic has had a significant impact in reducing demand for longer period bus products, and in turn the initial demand of our adult day product range, as in most scenarios customers now only realise the benefit when undertaking three or more journeys. Despite this, significant growth has been experienced in this product range with a 394% increase in journeys undertaken between month one (November 2023) and month five (March 2024). This demonstrates the success of the "All Day, Anywhere" marketing campaign which in the first few months generated over 23 million impressions on social media.

The Enhanced Partnership conducted a review of the historic zone boundaries which applied to the day products we have introduced. The county boundaries provide a simple structure which makes the cost easy to understand. Where a service crosses multiple boundaries during a journey, the lowest fares is applied which ensures the customer gets the best value.





Over
15.6m
journeys



£11.4m BSIP funding



£25.65m social/economic benefit to 21&U



2.8m day ticket journeys



Over 25m social media impressions of marketing campaigns

Headline targets to 2025

All fares have been delivered, these will continue to be offered during 2024 and we will undertake specific evaluation of the scheme to understand which elements have had the most impact for passengers and travel behaviour.









Smart capping

Current offer

Our BSIP has set out plans to put in place the back-office system and fund upgrades of existing ticketing equipment that would automatically "cap" customers when using contactless, mobile phone, and Pay As You Go smart cards. The calculation of the best valued fare for the number of journeys taken will allow customers to benefit from the BSIP capped fares initiatives and remove the complexity of knowing your best value ticket pre-travel, which introduces a level of flexibility to how people travel regionwide.

Pop, is the brand name for the existing smart card system that can be used as a payment method for bus, Metro and ferry predominantly in Tyne and Wear buts is accepted by our large bus operators region wide, Pop cards currently allow daily capping when used on the Metro only.



Headline targets to 2025

The first phase of this plan is to introduce an 'Account Based Ticketing' model which allows customers to tap their Pop card on different modes of transport and be capped at the best value price. Currently the region is undertaking a procurement process to appoint a supplier for the back office, and the launch of Pop 2.0 is now aiming for Spring/Summer 2025. In the subsequent years this scheme will be developed further, enabling the introduction of weekly price caps, a mobile solution across a range of wallets, and, subject to the establishment of an acceptable Business Case, acceptance of Bank Cards (cEMV) for the purposes of "tapping on and tapping off".







Kids go free

Current offer

In our initial BSIP proposals we set out to extend the Metro 'Kids Go Free' offer onto bus services which enables up to three children aged 11 and under free travel when accompanied by an adult. All operators have participated in this offer in school holidays since 2022 and feedback has largely indicated the small uplift in journeys has had a revenue neutral impact. One operator has since withdrawn from the scheme as they experienced a negative commercial impact however others still offer Kids Go Free during school holidays.

Headline targets to 2025

To ensure there is alignment in the offer between the various operators, the Enhanced Partnership will work in collaboration to refine the terms of acceptance. Additionally, we will continue to closely monitor the scheme to gain a better understanding of commercial impact, with the aspiration of full participation by all operators.







English National Concessionary Travel Scheme (ENCTS) standardisation

Current offer

Owing to the change to travel patterns following the pandemic, English National Concessionary Travel Scheme (ENCTS) passenger numbers remain below the pre-pandemic baseline and have recovered at a slower rate than fare paying passengers. Efforts are being made across the region to encourage growth for these passengers, and one of the potential obstacles relates to variations in the offer between the different concessionary travel areas. There are some differences across the local authorities in relation to travel, particularly regarding slightly distinctive arrangements for travel before 09:30. The table below sets out the varying offers from Durham, Northumberland, and Nexus in relation to ENCTS eligibility.

Headline targets to 2025

Uncertainties generated by the changes in the new national guidance on reimbursement to operators, the continued challenging environments of council funding, and operator commercial viability have meant progress has not yet been possible on the project to align the ENCTS offer across the North East. However, this still remains an aspiration. Our initial BSIP committed to a study being undertaken to explore the viability and associated costs with standardising approaches across the North East CA travel area.







Concessionary Travel area	Free travel times	Other travel times	Other benefits
Durham County Council	After 09:30 Monday-Friday, all day on weekends and bank holidays.	50p for trips within boundary of Durham before 09:30 Monday-Friday.	Free travel on Durham City Park and Ride. Half price travel on some local train services.
Northumberland County Council	After 09:00 Monday-Friday, all day on weekends and bank holidays.	Free before 09:00 Monday-Friday for a hospital appointment.	Free travel on some cross border routes from Northumberland to Scotland.
Nexus (Tyne & Wear)	After 09:30 Monday-Friday, all day on weekends and bank holidays.	Free before 09:00 Monday-Friday for a hospital appointment.	60p for Shields Ferry of peak, 50p for Northern services between Newcastle and Metrocentre/Blaydon of peak, unlimited of- peak travel on Metro for £12 per year

Care experienced passes

Current offer

To give care leavers aged 18-25 the potential of a better start to adult life we aspired in our BSIP to introduce the provision of free travel on bus, Metro, and the Shields Ferry to those eligible, allowing increased access to work opportunities, social connectivity, and ability to better travel around the region.

An initial trial indicated 75% of those issued a pass were using it six to seven days a week, which demonstrates the demand for this type of offer. In 2023, 1,500 passes were issued to 18–25 years olds across the region, with 21,600 trips undertaken. This offer has an estimated social value of £7.03 per trip.



Passes have been provided in all seven local authority areas and will be renewed on a cyclical basis throughout the year.







Network

Maintain the existing network

Current offer

For a long time the story in relation to the bus network nationally and regionally has been the decline in bus patronage and increasing financial pressures leading to cuts to service frequencies, as well as withdrawals of some services all together. Flexible working patterns mean the region is not experiencing the usual volume of commuting, this combined with changes to how people shop and travel for leisure results in persisting financial pressures on commercial bus services. The commercial network has declined from 64.82 million annual vehicles miles in 2010, to 45.02 million miles in 2023. Over 7 million vehicle miles on the existing network are supported by local funding and BSIP funding has been utilised to assist in maintaining the existing network with an increasing number of routes being assessed as no longer commercially viable by bus operators.

The variety of initiatives we are delivering with our funding including fares, services, and infrastructure improvements aim to attract more people to travel via bus, which in turn will improve long term financial viability, allowing operators to increase rather than reduce service provision. Around £X million has been spent to date on maintaining existing services in 2023/2024. The period of time in which BSIP funding can be used to support the existing network has been extended until March 2026.

Other interventions delivered by the EP include a new code of conduct in relation to network changes, operators now provide us with greater notice of planned network changes we aspire to utilise this time for increased collaboration on mitigations for network changes as well as improve communication to the public where changes are necessary. The creation of local bus boards in each local authority areas provides opportunity for input from all relevant partners, and discussion regarding local network changes, whilst also identifying ways of moderating changes to reduce disruption.

Headline targets to 2025

Maintaining the scale of the established bus services will continue to be a core foundation for our ambitions for a growing network. Some of the BSIP funding has therefore been used to secure continuation of key links as they remain the appropriate way to provide communities with the opportunity to travel by bus.

Continued funding will continue to be necessary after the expiry of BSIP funds in March 2026 in order to sustain this action, pending achievement of increased revenue from increases in patronage.







Enhanced network with improved connectivity

Current offer

Our initial BSIP set out aspirations of an integrated transport system with enhanced connectivity and interchange capability under the following categories:

		Frequency				
Category	Description	Core hours			Early mornings/	
		Monday - Friday (07:30-18:30)	Saturday (07:30-18:30)	Sunday (08:30-18:30)	Evenings	Nights
Superbus (Red Routes)	High frequency services in urban areas providing customers	7 minutes		7-8 minutes	15 minutes	Yes
Superbus (Green Routes)	with turn up and go' style service			15 minutes	30 minutes	Yes
Interurban Express	Services connecting cities and major towns from surrounding towns and villages on a limited stop basis	15 mi	nutes	30 minutes		-
Connect	Facilitating interchanges with Metro, National Rail and Interurban Express	30 minutes		1 hour		-
Rural communities	Tailored to specific requirements of each community	Up to every 2 hours				-

The region was awarded £163.5 million of our £804 million bid and therefore was significantly short of being able to fund the regions ambitious truly connected network outlined above. However, some new initiatives have been implemented in 2023/2024 including the following:

- A new 777 service which provides improved connectivity between parts of Northumberland and Newcastle Airport.
- The 787 service which is a 6 month trial of a new night bus service connecting Newcastle city centre and Newcastle Airport.
- A new 434 service which provides increased connectivity to the newly opening Northumberland Line.
- Enhanced service frequencies to a number of Northumberland services including X16, 43, 57, 57A, X74 and 418.
- An enhanced X2 service providing faster links between Langley Park, Durham and Sunderland.

Headline targets to 2025

Limited progress has been possible towards delivering enhanced frequencies as per the above table, however as issues associated with bus driver shortages reduces, the region now has improved capacity for these types of network initiatives, and we will be looking at exploring these opportunities further in 2024/2025.









Demand responsive transport

Current offer

Our initial BSIP proposals set out aspirations to launch pilots of Demand Responsive Transport (DRT) schemes which enables areas without good public transport connectivity an opportunity to have mobility beyond private vehicle usage. 21% of the North East population live in rural towns or villages, and a significant proportion do not have a frequent bus service due to low passengers numbers, bus operators do not deem them as commercially viable, therefore many buses in rural areas operate as secured services.

County Durham's Link2 scheme has recently been expanded with 'Link2work', creating improved access to workplaces where previously a public transport option did not exist. This enhanced DRT scheme allows customers the opportunity to book a service with extended early morning and late evening operating hours, connecting some rural towns in Durham to employers in areas such as Newton Aycliffe Business Park and Team Valley.

Headline targets to 2025

The region is keen to explore improving connectivity for those who live in areas without a public transport option and has been examining the market through engaging with suppliers and attempting to learn lessons from DRT schemes across the country that have proven not to be sustainable. Therefore, where a pilot was initially proposed in Northumberland, a transport needs assessment is instead being undertaken to establish how best to enhance connectivity is a way that offers the best chance for sustainable success.







Cleaner and greener vehicles

Current offer

We will support the introduction of cleaner and greener vehicles through accelerating operators' bus replacement programmes and reviewing ways in which zero-emission vehicles can be utilised. The average age of the bus fleet in the North East is approximately ten years old in comparison to the UK average of eight years. 54% of the region's bus fleet is not at the engine emissions standard of Euro 6 or higher. Operators in the region have invested in upgrading their fleets, for example Go North East have invested £3.7 million in new fully electric zero emission buses operating in Newcastle and Gateshead, known as Voltra, which are powered by renewable energy sources.



Headline targets to 2025

The North East Transport Plan aims for all buses to meet Euro 6 emission standards by 2025, and all buses to be zero emission by 2035. This will require considerable investment at an increased rate to what has been experienced so far. The North East has secured £7.4 million grant from the DfT Zero Emission Bus Regional Areas round 2 scheme (ZEBRA 2) which will support the delivery of 43 brand new zero emissions buses in the region from December 2025. The regions Levelling Up Fund (LUF) bid was also successful in receiving £16.28 million in funding to support the introduction of 53 electric buses. This will take the total number of zero emissions buses in the region to 113.

We will continue to work with operators to finalise the region zero emission bus roadmap to set out our plans for meeting our Transport Plan target.



Highways and infrastructure

Bus priority infrastructure

Our region continues to be committed to investment in highways infrastructure, which could include road space reallocation, junction redesign, traffic signal re-prioritisation, bus gates, and other measures designed to improve bus services.

Current offer

Since the publication of the refreshed BSIP in 2023, traffic levels have continued to rise in the region which has impacted bus performance. Significant progress has been made to advance schemes which were outlined in the 2023 refresh and are appended to this document.

This suite of bus priority infrastructure works are focused on speeding up buses and make them more punctual and reliable. This has largely followed plans set out in the 2021 BSIP, although there are deliverability concerns including a shortfall in funding and the shortened BSIP timeframe, which has resulted in some plans being reprofiled or removed from the programme.

Following approval at the NEJTC in July 2023, funds were released for the programme level full business case associated with the tranche one bus priority infrastructure programme. We will continue to progress business cases to deliver the priority schemes across our busiest 17 bus corridors once rigorous public consultation has taken place and design work is complete. The vast majority of bus routes in our network use these 17 corridors for all or part of their journey.

The second tranche of bus priority infrastructure schemes are currently being developed through the advancement of a programme business case which will unlock scheme funding. These schemes will complement the deliverables of tranche one.

For all schemes which will be delivered through the BSIP, we will work with key partners including network managers and the Urban Traffic Management Centre (UTMC), to mitigate disruption on the existing network whilst schemes are under construction.

Headline targets to 2025

Schemes which are to be delivered on the bus priority corridors outlined in the appendices and in the map above are focused on assisting in the following headline targets:



Stops and stations

Ensuring stops and shelters have appropriate, modern, and safe facilities, including lighting, real time information, and high-quality pedestrian access to increase safety is vital to increase bus patronage. Upgraded bus stations will be delivered at Alnwick, Consett, and Stanley, plus a super hub at Durham Millburngate.

A replacement programme aimed at ensuring our bus stops and shelters are safe, offer modern waiting facilities, and are accessible to users will be rolled out to prevent patronage decline.

Current offer

In collaboration with local authority partners and Nexus, work is underway to progress the delivery of the upgrading of those bus stations, and the bus stop replacement programme identified in the section above to provide better waiting facilities. A programme business case is nearing completion to finalise scheme details which will trigger the release of funding.

The EP is working in partnership to create a programme that will set out to deliver improvements to safety and accessibility at stops and shelters across the region.

Headline targets to 2025

Schemes which are to be delivered at bus stations, bus stops, and shelters are focused on the assisting in the following headline targets:





Intelligent transport system

We will contribute to the already planned investment through the Transforming Cities Fund in the region's highways via the Intelligent Transport Systems (ITS) project to ensure the potential for bus priority is maximised.

Current offer

BSIP funding provides the opportunity to complete the programme of signal upgrades on a further seven bus corridors, bringing maximum benefits to more bus routes throughout the region, and extending the benefits of ITS into Northumberland. The funding will allow for communication upgrades between the urban traffic control centre and the signals, providing the ability to improve traffic signal control for buses, improving service reliability. The July 2023 meeting of the NEJTC released funding for this work, which has been subject to a full business case and exhibits strong value for money. 18% of the BSIP corridor signals have been installed to date with the rest in the delivery pipeline.

Park and ride

We will continue to work with partners and interested parties to introduce new major 'Park and Ride' sites in the region, served by high-specification vehicles running a dedicated service for customers.

Current offer

An Options Assessment Report (OAR) which was commissioned by Transport North East (now part of the North East CA) identified five potential sites that could be locations which had clear merits, although potential limitations were flagged regarding land ownership and deliverability. These were:

- Eighton lodge, Gateshead
- Moor Farm, Northumberland
- Dunston Hill, Gateshead
- Follingsby Business Park
- Slatyford Depot

Headline targets to 2025

We continue to work with partners to determine if any of the sites are deliverable within the BSIP funding period, this will be agreed early in 2024, if these cannot be delivered with the BSIP timescales but partners still want to progress we will support them in seeking alternative funding sources.

Pocket park and ride

We will establish formal 'Pocket Park and Ride' locations around the network. Pocket Park and Ride sites have a small number of car parking spaces and will be located along existing bus routes, supported by high-quality information and waiting facilities.

Current offer

The EP continues to progress work following preliminary discussions with local authorities in relation Pocket Park and Ride sites. These are intended to reduce congestion and boost bus ridership, without affecting the existing bus network. Successful delivery of these sites will help to make more services viable in settings where a commercial route is difficult to sustain.

Funded through BSIP, the recent introduction of the Metrocentre Pocket Park and Ride aims to divert traffic travelling into Newcastle City Centre and encourage car users to park and use the existing bus services.

Headline targets to 2025

KPI 2: Modal share of bus use for journeys to work and education to grow by 1 percentage point in 2023/24 and a further 1 percentage point in 2024/25



Section 4: Delivery Post 2025

The Transport Plan and this BSIP outline are ambitions for a fully integrated public transport network that works seamlessly and simply for passengers across the North East. While the BSIP funding and EP have made great strides to delivering that goal, challenges are still faced under the de-regulated bus market. The North East Devolution Deal gives the Mayor access to bus franchising powers under the Transport Act 2000 which along with other devolved powers and funding streams available to the North East CA offers the potential to radically change the operating environment for buses in the region. The North East CA will look to review the options around bus franchising as the long term solution over the next five year period.

While these options are being explored, we will still look for opportunities and funding to deliver our ambitions for bus as set out in the rest of this section.



Customer experience

The 10 cleaners delivered through BSIP will inform whether a wider rollout of turnaround cleaners will be practical and achieve value for money. If successful ongoing funding will be sought to maintain these cleaners. If not, other options to improve cleanliness will be considered.

The Public Service Vehicles (Accessible Information) Regulations 2023 now mandate partial or full compliance by 1 October 2026.

This will give passengers the reassurance that audio-visual next stop announcements are available on every bus.

It is expected that as older buses are replaced most buses will have charging points as a minimum by the end of the decade. The provision of Wi-Fi is a decision for each operator, however it will be an expectation on routes where a passenger's journey is likely to be longer than 30 minutes, and still remains the regions aim.



Transport Ambassadors

The funding for additional roles has been extended to 31 March 2026. We intend to retain the customer service presence that is funded by BSIP beyond this and, as the North East Combined Authority, we would like to provide an additional staffing presence at a larger scale across the network which fulfils a variety of functions, including customer service and tackling anti-social behaviour.

Bus champions

The bus champion funding will continue until 31 March 2026. Beyond this, it is expected that the role of the bus champion will continue to be required and potentially expand, both in terms of their remit, the initiatives introduced, and the number of champions required. Future funding will be required after 2026.

Fares and ticketing

The Enhanced Partnership continue to collaborate on our fares schemes by refining and enhancing the offer where possible. This will be done through marketing and working with smaller operators to ensure they realise the full benefits of participation in the schemes. Currently the full cost of these initiatives will be paid for with BSIP funding until March 2025. In this year the products will be reviewed and may be revoked unless an alternative source of funding can be identified. However, the success of our 21 and Under product demonstrates there is an appetite to continue to incentivise young people to travel by bus by reducing the price point, and we would be keen to explore how this can be continued through 2025-2030.

The EP recognises the benefits the national £2 fare cap has delivered in attracting new customers to bus services through a simplified and cheaper fare structure, but we are concerned patronage may suffer when the scheme ends later this year. In the absence of the scheme being continued, we aspire to utilise BSIP funding, if possible, to continue the offer for as long as sustainable. Although we recognise there may need to be an increase of the cap for some of the longer journeys in the region, the aspiration to keep these as low as possible would still represent a significant saving for people compared to the pre fare cap environment.

Smart ticketing

Launch of the account based ticketing system is now scheduled for Spring/Summer 2025. This will bring significant benefit for bus passengers as currently there is no multi-modal, multi-operator smart card product which calculates their best valued fare. To fully deliver the benefit of this offer we would look to utilise future funding to enable installation of 'tap off' readers on all buses in the region.

Long term aspirations for the region around smart-capping include exploring the viability of integration with other modes such as heavy rail. Pop 'Pay As You Go' on mobile phones and smart cards will be usable on local Northern Rail services between Sunderland and Newcastle, and on the new Northumberland line between Newcastle and Ashington when the latter opens in 2024. Fares will also be integrated with Metro, and there may be further aspirations to roll this out onto other regional rail routes in future.

Kids go free

No BSIP funding is allocated to the offer due to the revenue neutral impact of the scheme. Our aspiration is to continue to monitor the viability of the scheme and look to standardise approaches to ensure messaging is clear and simple in relation to validities associated with the offer.

English National Concessionary Travel Scheme (ENCTS)

We are yet to deliver on our ambition from our previous BSIP to undertake a study to examine standardisation of the English National Concessionary Travel Scheme throughout the region. We still aspire to deliver this ambition and will be working to undertake this work in 2024/2025. Depending on the outcome of the study, we would then need to establish feasibility of standardisation and implement those measures which is likely to go beyond March 2025.

Care experienced travel

The scheme is currently funded to cover those eligible until 2026. A study of the scheme indicated for every £1 spent on delivery, £7 of social benefit is realised, and coupled with the positive impact this offer has had to date, we would continue to aspire to use future funding to cover the cost of implementation up to 2030.

Network

Maintain existing network

Following significant cuts by commercial operators in 2022 and 2023 in response to the changing post pandemic travel patterns, increasing proportions of the network are being supported by local authorities. BSIP funding has been required to ensure there are no further cuts to the network and to allow time for this network to grow and build patronage. Early indications the network is returning to commerciality are demonstrated through the 67, 69 and 84 routes Nexus took over operation in 2022 now mostly returning to commercial operation.

Enhanced services

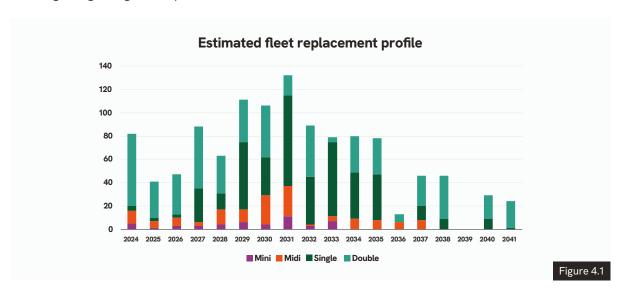
Where there is demand and capacity, service enhancements including increased frequencies and new services will be delivered through BSIP funding up until March 2026. There are a host of proposals across the region for network improvements in the coming months.

DRT

We will continue to explore ways in which demand responsive transport may be able to be adopted further in the region. It is proposed a significant proportion of the initial funding allocation we were awarded in our BSIP for DRT be reallocated to other service initiatives.

Cleaner greener vehicles

There are 1,150 buses in the baseline fleet, of which only 18 (2%) are Zero Emission Buses (ZEBs). Funding is confirmed for a further 95 ZEBs (expected in 2025). The rate of vehicle upgrade required to meet our 2035 target would need to be ramped up significantly in comparison to progress made to date. We remain committed to this goal and will continue working with delivery partners to explore opportunities to upgrade more of the fleet to Zero Emissions Vehicles and exploring funding opportunities as they become available. We are looking to develop a roadmap that sets out how we can meet our 2035 target, however the graph below demonstrates the significant challenges regarding fleet replacement.



Highways and infrastructure

Following completion of the current programme, any schemes which are unable to be delivered through the BSIP timeframe, will need alternative funding sources investigated, including whether they align and are able to form part of the City Region Sustainable Transport Settlement (CRSTS) pipeline.

Bus priority

Bus priority infrastructure will continue to be a key component of our BSIP. Regional integration is crucial to transformational modal shift, and we will continue to ensure that bus priority is embedded into the wider network. Schemes may come forward in which bus priority is only one element, therefore funding will be allocated to those interventions in which bus gains the most benefits.

Bus stops and stations

Through partnership working, we will continue to ensure that waiting facilities across the region meet safe and accessibility standards, including next generation stations and that they are reflective of the overall standard of the network.



Intelligent transport system

The installation of the smart traffic signals provides the UTMC with a greater level of control and insight over the network, this capability will need to be expanded to cover more of the region in the future to support any potential bus reform options. A review of the current workings of the UTMC and how to transition this into a regional transport control room to better support the North East CA will be undertaken.

Park and Ride

If a bus based park and ride site is not able to be progressed during the BSIP funding window, we will continue to seek other funding opportunities to deliver these as a solution, especially for those who live in rural areas. These funding streams could include working with commercial partners to look at making the parking site a mini destination in its own right.

Section 5: Targets, Performance Monitoring and reporting

This section shows our ambition to improve the North East bus offer and explains the Key Performance Indicators ('KPIs') by which we will measure progress.

The KPIs have been developed jointly through the partnership and link to our Transport Plan objectives. We will also cover the governance of our BSIP and EP and how we will report on our performance against our KPI's.



Modal share

KPI 1: Modal share of buses to grow by 1 percentage point in 2023/24 and a further 1 percentage point in 2024/25.

Through the interventions that we plan in this BSIP we intend not only to make buses faster, cheaper, more widely available and more reliable, but also, to make them seen to be easier to use and access.

As we described in Section 1, our Transport Plan's key strategy is for people to make the right travel choice. Where people can travel by bus, they should do so rather than driving. We are therefore targeting a switch in mode share from private car use to buses.

The increase in traffic on our road network during peak hours causes congestion, leading to slower journey times and traffic queues where there is restricted road space and on the approach to busy junctions.

This road traffic itself impacts on bus services, creating slow and unpredictable journey times and bunching. We therefore want to specifically target an increase in modal share of buses for journeys to work and education, to tackle these problems.

All members of the partnership have an important role to play in delivering modal share targets. Highway authorities and bus operators are equally accountable for delivering it and for revising the Plan and Scheme to have greater effect if the target is not being met.

KPI 2: Modal share of bus use for journeys to work and education to grow by 1 percentage point in 2023/24, and a further 1 percentage point in 2024/25.

Methodology for modal share: We will use the annually reported figure from DfT National Travel Survey – North East region (dft.gov.uk), supplemented by local validation on our main corridors where counters are available.



Patronage

KPI 3: Bus patronage to grow by 10% in 2024/25, and then by a further 10% in 2025/26.

In 2022/23, bus patronage in our region was 103.8 million trips. This is a 17% increase on 2021/22 where the Covid-19 pandemic was still heavily affecting patronage levels. We will use the 2022/23 figure as our baseline.

Clearly, we need bus patronage to start to grow strongly and on a sustained basis in order to have a financially sustainable bus network that meets the objectives of our Transport Plan.

We want the major investments that are outlined in this BSIP to grow bus ridership significantly. This goes hand-in-hand with the shift in modal share from private car use that is set out in previous paragraphs.

KPI 4: Bus patronage from people under the age of 22 to grow by 10% in 2023/24 and then by a further 10% in 2024/25.

Although we want to target growth in the use of buses from all travellers – and of course many new trips will arise from the modal shift of people travelling to work and education – we want to specifically target growth in two sections of the North East community: young people and people who live in rural areas.

Young people need to travel frequently – they travel to school, college, apprenticeships and jobs, and for social, sporting and retail purposes. They also tend to have relatively low incomes, whether being supported by their families, educational loans or by having low-paid jobs.

In this BSIP, we are looking to improve outcomes for young people, for example through the introduction of an affordable fare for those 21 and under across the region, better information provision embracing new technology, better integration between buses and the Metro and later evening services on many routes.

KPI 5: Bus boarding at rural bus stops to grow by 10% in 2023/24, and then by a further 10% in 2024/25.

In this BSIP we are planning a number of improvements for rural communities in order to grow bus use. There are improvements to some bus routes, an increased use of DRT, cheaper fares in many cases and seasonal tourist bus pilots. We will also be working with town and village councils to help instill a sense of community ownership of rural bus services.

Methodology for patronage: Patronage is measured by the bus operators and reported to us confidentially. Our systems provide a blended figure to avoid risk of breaching commercial confidentiality. We will publish the blended figure in our six monthly Monitoring report.

Customer satisfaction

KPI 6: Overall bus passenger satisfaction to grow from a baseline of 81% to 85% in 2024 and to 90% in 2025.

Where people do not already use buses often, we want them to see buses as a viable choice for travel. We also want people who already use buses, to use them more often. This is the only way that we can meet our targets for modal share and patronage growth.

Customer satisfaction scores are the responsibility of the partnership, not the bus operators alone. Accountability for the component parts of 'satisfaction' will be discussed at The Partnership Board – for example, if walking and waiting scores bring down the overall score, the responsibility lies with the highway authority; if on-bus journey experience, the responsibility lies with the operator.

Due to the change in Transport Focus survey methodology we will use the 2023 "Your Bus Journey" result as our new baseline, this was 81%.

Methodology for customer satisfaction: The Customer Satisfaction score will be that measured by Transport Focus. This gives an objective measure of overall Customer Satisfaction, and also a degree of granularity into the elements of the whole journey experience about which customers feel most and least satisfied. This leads into our action plan for annual revision of the BSIP.

Bus performance

KPI 7: Average speed of buses to grow, relative to the average speed of general traffic, each year starting in 2024/25.

This BSIP contains extensive proposals to give buses priority at key points on the road network, particularly on the approaches to town and city centres, which are set out in Chapter 4.

By putting these measures in place we want bus journey times to become faster and more consistent, no matter what is happening to overall traffic levels. Whilst we would like to see the modal share of buses grow as well as the number of people using them, external economic factors may lead to road traffic ebbing and flowing out of our control.

Whatever happens to road traffic levels, we want buses to be getting faster.

Methodology for bus average speed relative to general traffic speed: Before and after scheme measurements of point-to-point journey times for buses and cars on the same corridor/stretch of route. Highway authorities to provide Automatic Number Plate Recognition (ANPR) or other measurement of point-to-point run times for car and bus.

KPI 8: Bus reliability to be 99.5% throughout the period of the BSIP.

Punctuality and reliability play a critical role in attracting passengers to the bus network. If a service is perceived as unreliable it will deter people from using it. Although private cars also have unreliable journey times because they too get caught in congestion, people are generally more forgiving.

Bus operators themselves have an important role to play in how buses are perceived by travellers. Buses need to be reliable, in that when people are waiting at a bus stop at the appointed time, they need to have confidence that the bus will arrive in the first place.

Methodology for bus reliability: This is a standard report, which operators produce for the Traffic Commissioner based on the percentage of scheduled mileage that is actually operated.

KPI 9: Bus punctuality at point of origin to be 95% in 2023/24, 96% in 2024/25 and 97% in 2025/26.

Punctuality is a key challenge because of road traffic. However, bus operators have far more control over the punctuality of the bus as it leaves its origin point. As the bus progresses through its route the responsibility is shared between highways authorities and the bus operator.

The major scale of interventions and investments proposed by the BSIP will contribute to far more reliable bus journey times, and far better punctuality. We are therefore proposing to target an improvement that goes beyond the statutory requirement set out in the Traffic Commissioners' targets for the origin point of buses.

As the partnership develops, we will implement geographic specific monitoring to identify where on the network improvements are most needed.

KPI 10: Bus punctuality at all timing points to be 90% in 2023/24, 95% in 2024/25 and 95% in 2025/26.

Although the Traffic Commissioners' targets require buses to be on time at least 95% of the time at all timing points, in practice road traffic congestion prevents this from being the case. We also expect a degree of disruption to our highways in the early years of this BSIP because of the installation of new highways infrastructure along a significant number of key bus routes.

We therefore propose to start by getting punctuality across all timing points up to the statutory target and then to maintain it.

Methodology for bus punctuality: This is a standard report, which operators produce for the Traffic Commissioner based on the percentage of scheduled mileage that is actually operated. This uses the standard definition of 'Not more than 5 minutes late, not more than 1 minute early'.



Environmental performance

KPI 11: Bus fleet emission standard to Euro 6 or better to be 63.2% in 2022/23, 80.8% in 2023/24 and 91.1% in 2024/25 and to be 100% at the start of 2025/26.

The Transport Plan commits to a Carbon Neutral North East. All seven North East local authorities have declared a climate emergency and the city of Newcastle has introduced a Clean Air Zone. We therefore need buses to play their part by having the lowest possible emissions, both for climate change and air quality purposes.

Our region already has a fleet of 18 fully electric buses in Gateshead and Newcastle, a fleet of natural gas-powered buses in Sunderland and numerous hybrid buses. The region was successful in securing funding for an additional 52 zero-emission buses through the Levelling Up Fund bid.

Methodology for bus environmental performance: The age and type of every vehicle in the North East bus fleet of the three main operators and most of the independent smaller operators has been recorded and analysed. A transition plan will be agreed for retrofitting some Euro 5 vehicles to become Euro 6, and for the retirement of older vehicles and replacement with Euro 6 or Zero-Emission vehicles.



Our Governance

The North East Combined Authority is ultimately responsible for the delivery of the BSIP through decisions made by the Mayor and Cabinet. The Mayor and Cabinet meet formally 7 times a year and are responsible for approving any BSIP funding spend, this will be guided by the Combined Authorities Assurance Framework.

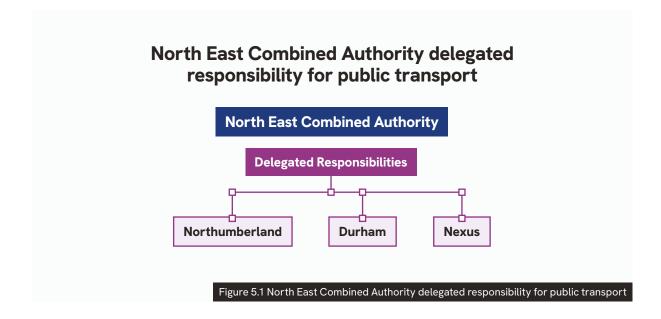
The political and bus operating geography of the North East make it particularly complex to coordinate strategic actions across the bus network given the large number of operators, seven local authorities, the combined authority and Nexus. To address this, we have formed a North East Bus Partnership Board (the partnership) which provides effective and strategic governance to drive sound performance against our KPIs set out above. Programme delivery updates are provided to the quarterly meetings, with risks and issues reported by exception.

A North East Bus Partnerships team has been created, including programme management capacity. This team is in place to deliver the plan, monitor performance of the management of the partnership agreement, and oversee marketing and stakeholder activities designed to drive growth in bus patronage. We have set up a Bus Advisory Board, which is attended by representatives from the Local Enterprise Partnership (LEP) and North East Chamber of Commerce. Our assessment is that we can put these strategic relationships to greater use by using them to pave the way to collaboration with businesses to drive buses modal share. The diagram below outlines the decision- making hierarchy for the BSIP.

Reporting

We report against our KPI's on a six-monthly basis to our Bus Partnership Board, and onward to the Department for Transport (DfT) and other key stakeholders. We also publish the information on our website, and it is available in a non-digital format.

We have built on our reporting capability by investing in data software that has enabled us to analyse bus data more efficiently and provide bespoke reports. This allows us to interrogate the data to determine the impact of our interventions, enabling us to adapt our approach to ensure the best outcomes for the region.



Appendix A

1.1 Stakeholder and engagement events

Table 1 displays the engagement events held with stakeholders in order to gain invaluable insights into bus provision across the region.

Table 1: Stakeholder and engagement events

Stakeholder and engagement events	
Big Bus Conversation 2021	In summer 2021, we talked to the people and businesses in the North East through an informal engagement campaign called 'the Big Bus Conversation'. We wanted to understand what people think we need to do to encourage bus use in circumstances where it is "the right travel choice". In summer 2023, we re-ran this informal engagement campaign to see if attitudes towards bus had changed at all. Participants were asked to say how likely, or unlikely, a solution was to help them use the bus more.
Big Bus Conversation 2023	Through 'the Big Bus Conversation' 2023, around 2,200 people confirmed that they thought the Ten Solutions we had already set out were the right ones to make buses an appealing and sustainable transport alternative and attract more people towards using the bus. Our BSIP therefore proposes initiatives covering all ten of these solutions.
Stakeholder forum	We established a Stakeholder Forum for businesses, services such as health and education, advocates for equalities groups and passenger and community representatives. Stakeholders contributed by email and through attendance at four multi-media events, which were well attended, both online and in person. The most rural parish councillors welcomed the ability to participate virtually, since 'more buses to more places' is their primary need. The DfT presented to the Stakeholders and took part in discussion, as did NEbus.
Moving Buses Forward 2024	In spring 2024, we ran our Moving Buses Forward campaign across the region to build upon our existing research as part of the Big Bus Conversation (in 2021 and 2023). An informal engagement campaign enabled us to gain further insight into attitudes towards the bus service, with particular focus on bus user priorities. Focus groups were also undertaken to ensure we accessed a variety of bus users, this included understanding the concerns of vulnerable groups.
North East Travel Survey	Every year Nexus undertake the North East Travel Survey collecting views on all transport modes across the region. Data is available between 2022 and 2024.
Bluegrass market research	Bluegrass carried out independent market research of North East residents, visitors, and underserved audiences such as those living in rural areas, the elderly, and those from a minority background. As this research was weighted to be representative of the North East population, it has been used to benchmark the results we obtained through our non-targeted public engagement.

The events confirmed the Ten Solutions as the right priorities and gave insights into the planning and delivery of Demand Responsive Transport (DRT), customer service for people with extra needs and ways to support businesses and services to increase the use of bus by their staff and customers.

1.2 Bus modal share

Figure 1 shows the modal share within the North East region (DfT, 2022). 6.8% of journeys in the North East are taken by bus, whilst 39.9% of journeys are undertaken by car or van drivers.

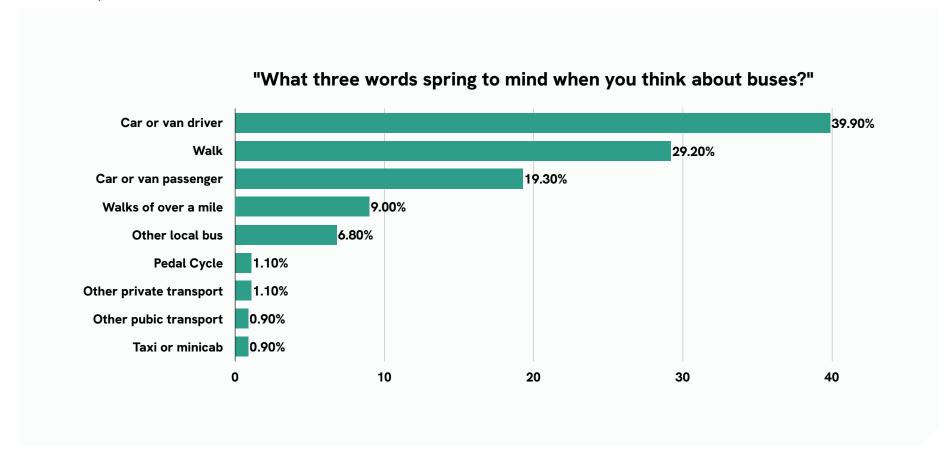


Figure 1: Modal share in the North East Region

Figure 2 shows the trend for modal share of bus between 2003 and 2022. While modal share of bus has returned to 2019 levels, it continues to be decrease since it peaked in 2017 with 8.8%.

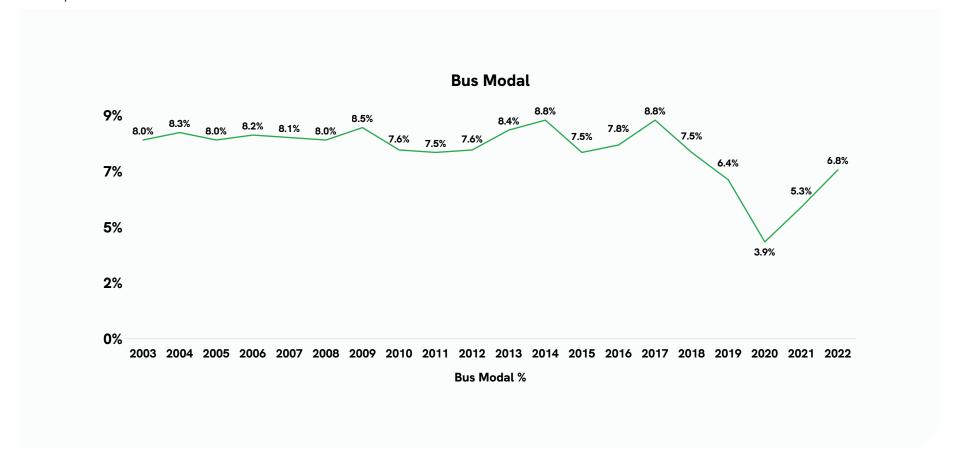


Figure 2: Bus modal share in the North East region (National Travel Survey NTS9903, 2022).

1.3 Attitudes towards bus (Bluegrass research)

In summer 2023, we commissioned Bluegrass to undertake independent market research to offer insight into the perceptions and attitudes toward buses in our region. Results from the research can be viewed within Figure 3 to Figure 5.

Figure 3: Attitudes towards frequency of using the bus (Bluegrass, 2023)

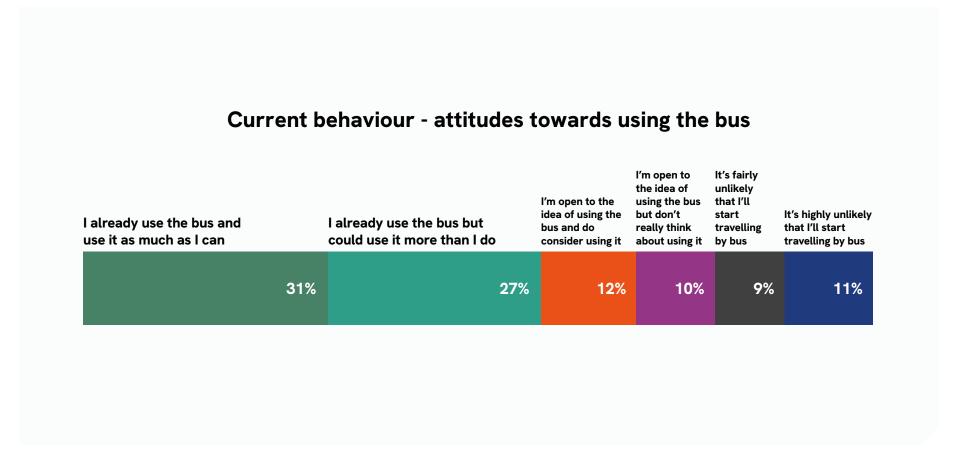


Figure 3 highlights that 58% of respondents use the bus already, whilst a further 22% are open to using the bus more than they do.

Figure 4: Attitudes towards using the bus, broken down by characteristic (Bluegrass, 2023)

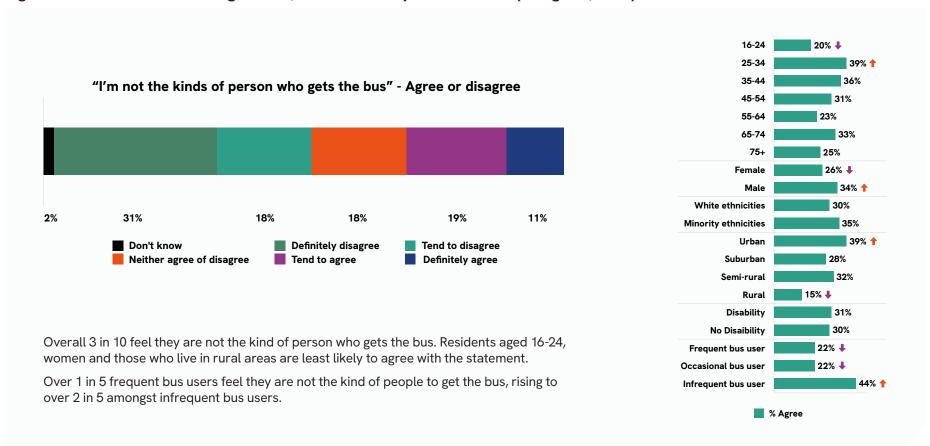
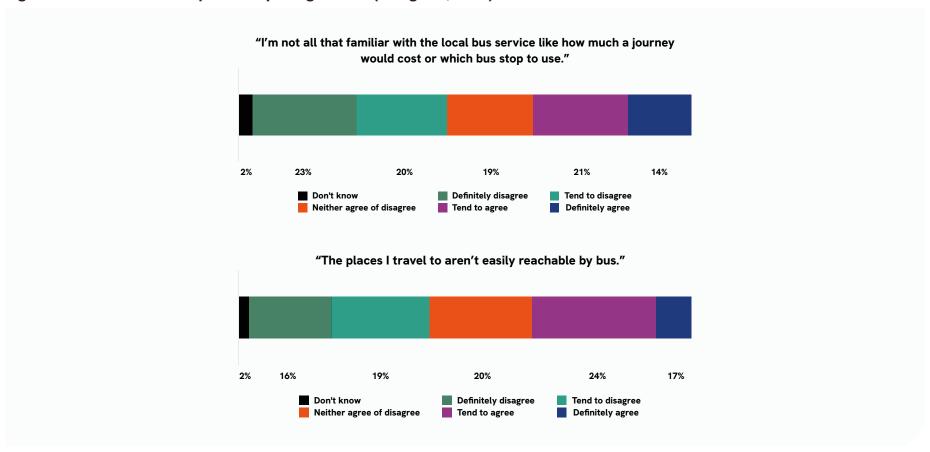


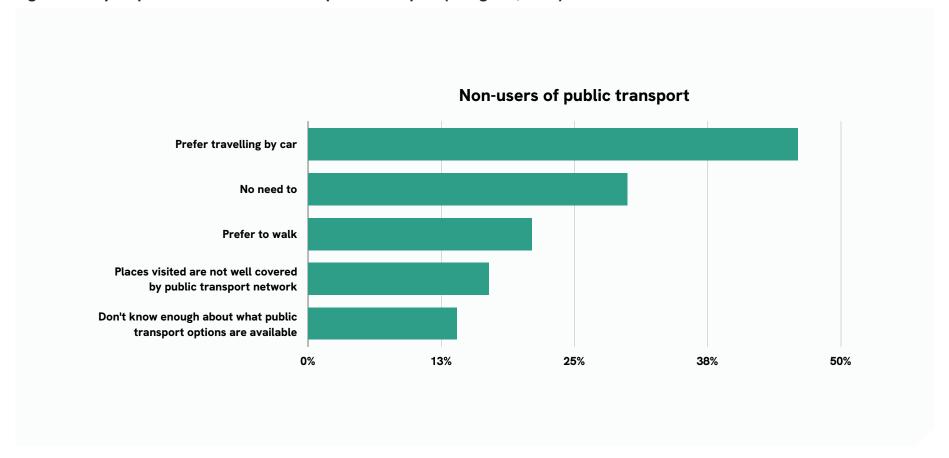
Figure 4 displays respondent's views into whether they consider themselves to be the 'kind of person who get the bus'. It shows that 30% agree they are the kind of person who uses the bus, whilst 49% disagree.

Figure 5: Attitudes towards practically using the bus (Bluegrass, 2023)



41% suggest that the places they want to travel to aren't easily reachable via bus, as shown in figure 5. Similarly, only 43% said they were familiar with their local bus service.

Figure 6: Why respondents are non-users of public transport (Bluegrass, 2023)



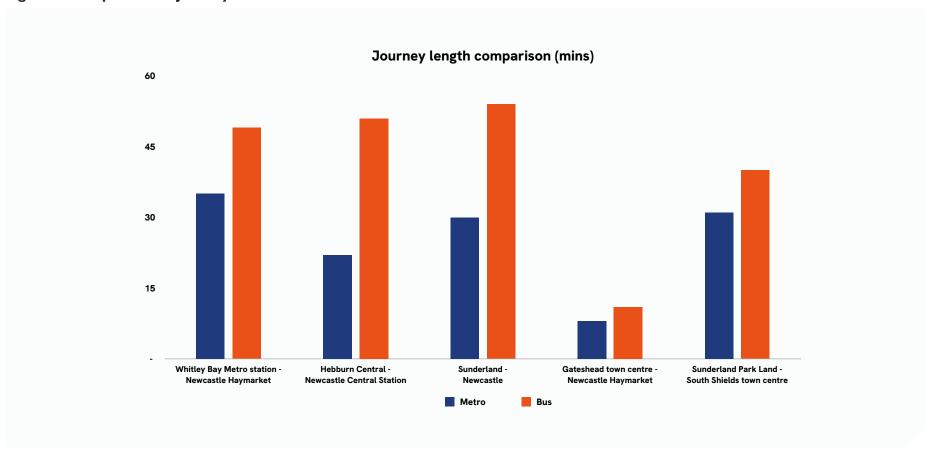
Of the people who choose not to travel via public transport, over 45% suggest this is because they prefer the car, whilst 30% said they have no need to use public transport.

However, in response to the question 'overall, how would you rate local bus services', the respondents who identified as current bus users voted 5 of out 10, while the non-bus user respondents voted 4 out of 10. This suggests that current bus users have a more positive perception of their local bus services than non-bus users.

1.4 Bus and other modes

Figure 7 and 8 show the comparison between the journey times of bus and Metro, and bus and national rail respectively.

Figure 7: Comparison of journey times between the bus and the Metro.



Five journeys which can be completed using the local bus services, and the Tyne and Wear Metro were studied, and the journey times noted. Figure 6 highlights that the Metro was faster in every instance.

Figure 8: Comparison in journey times between the bus and national rail



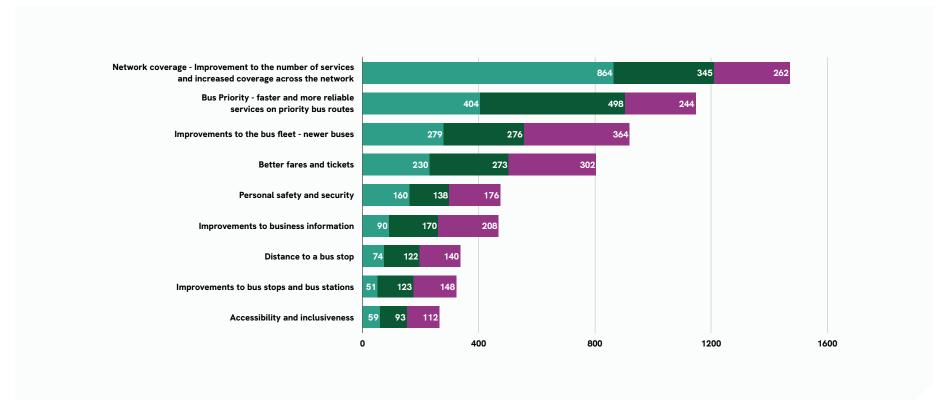
Moreover, a comparison between bus and national rail had the same outcomes, with rail being faster in all three cases. However, local bus services often provide accessible door-to-door services, due to a higher number of bus routes, and bus fares tend to be lower than the Metro and national rail services.

1.5 Moving Buses Forward

In Spring 2024 we held our Moving Buses Forward campaign, enabling us to gather further information into the priorities that our bus users want us to focus on in terms of service provision. A survey question asked the respondents to list the top three priorities from a list.

Figure 9 details what were perceived to be the highest priorities of our respondents (ranked 1-3 as indicated by colour).

Figure 9: Views on the top 3 priorities for our bus service (Moving Buses Forward, 2024)



The top three priorities for our bus users (across Durham, Tyne and Wear, and Northumberland) are: network coverage, bus priority and improvements to bus fleet.

It should be noted that at the time of data collection, the national £2 fares were in effect, alongside TNE £1 single and £3 day tickets for those under 22, which may have impacted the responses in regards to 'better fares and tickets'.

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