THE PATHWAY TO A BRIGHTER TRANSPORT FUTURE

The fiscal imperative

URBAN TRANSPORT GROUP

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About Urban Transport Group
The Urban Transport Group is the UK's network of transport authorities. Our vision is for city-regions, their towns and surrounding areas to be green, fair, healthy and prosperous places, with public transport and active travel options that provide access and opportunity for all.

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INTRODUCTION

The new Government has recognised the role that transport, and city regions, will play in fulfilling their central mission: to kickstart economic growth. Indeed, transport presents a real opportunity to support the government across all of its missions; accelerating the transition to net zero, breaking down barriers to opportunity, and keeping people safe and healthy. Transport is a fundamental enabler to achieving these goals.

Investment in public transport, walking and cycling, delivers considerable economic benefits. A typical package of public investment to improve infrastructure for buses and support better services can generate returns of £4.55 for every £1 invested[1], whilst for every £1 spent on active travel infrastructure, there is an average return on investment of £5.62[2]. More broadly, transport is key to improving the UK's wider economic competitiveness, with many other direct social and environmental benefits.

Funding for public transport, walking and cycling should be viewed, not as a cost, but as a vital investment in growth and opportunity, and ultimately a brighter future for our people and places. **Public transport matters - economically, socially and environmentally.**

We recognise the challenging fiscal environment the government faces. The upcoming Budget will require difficult decisions to be made. However, **there is an urgent fiscal imperative for the Budget to confirm core transport funding.** Without confirmation of this funding, there is a risk of undermining the opportunity for our city regions to play their full part in the delivery of the Government's wider missions.

This paper explores the opportunity transport investment presents for the achievement of policy goals across government and the immediate funding priorities that must be addressed ahead of the Spending Review to enable this opportunity to be realised.

THE OPPORTUNITY

Kickstarting economic growth

City regions are the key to improving the UK's wider economic competitiveness. Integrated public transport, walking and cycling networks enable people, places and businesses to reach their full potential.

In our city regions, there simply is not the space to continue to expand road capacity to accommodate growth in traffic. Without a high-quality public transport network, even a small increase in development, housing or economic activity will lead to a more than proportional increase in congestion, which can quickly escalate, capping economic growth and agglomeration potential.

Peak time congestion in the UK is more severe than in any other European country, largely due to an under-provision of public transport[3]. Just 40% of residents surrounding Britain's largest cities are able to travel into city centres using public transport in 30 minutes. This compares to almost 70% of residents surrounding similar-sized European cities. This lack of connectivity costs the UK economy more than £23.1bn per year[4].

The National Infrastructure Commission warns that economic growth in some of England's largest cities is likely to be constrained over the next 20 to 30 years unless they can increase capacity on their public transport networks and reduce car journeys into city centres[5].

Investment in public transport, walking and cycling delivers considerable economic returns:

- a typical package of public investment to improve infrastructure for buses and support better services can generate **returns of £4.55 for every £1 invested[6].**
- for every £1 spent on active travel infrastructure, there is an average **return on investment of £5.62[7].**
- public transport, walking and cycling can move large volumes of people using less space, helping to decouple economic growth and congestion – a typical double decker bus, for example, can **remove up to 75 cars from the road[8].**
- if each car user switched just one journey per month from car to bus by 2030, rising to two journeys per month by 2050, **the benefits would be roughly £30bn**[9] based on the economic value of reduced congestion alone.
- the public transport and active travel sector is a **direct job generator**. Investment in sustainable transport infrastructure generates 30% more jobs than road building[10].

There is a strong consensus that city regions are key to improving the UK's wider economic competitiveness, with transport a key enabler of such growth. To deliver on their potential, city regions need efficient local transport networks, which are resilient, integrated and responsive to current and future challenges and passenger needs.

Accelerating the transition to net zero

At 26% of greenhouse gas emissions, transport remains the largest emitting sector in the UK. Out of the total transport emissions, cars and taxis are the largest contributor to domestic emissions, at 57%[11].

Net zero cannot be achieved without the urgent decarbonisation of transport and ensuring that travel by public transport, walking, cycling and wheeling is the desirable first choice for most everyday journeys.

Our recent report *'A Smoother Ride: Unlocking a green bus revolution'*[12] shows that around 15,000 buses operating in England's major cities will need to shift to zero emission operation by 2036 if city regions are to hit their ambitious net zero targets. Investment is needed urgently to secure the benefits that zero emission buses can deliver.

Meanwhile, some 71% of all trips are under five miles and 46% of trips are under two miles[13]. And 69% of such short trips (between 1 and 5 miles) are currently taken by a car or van. People should have attractive options to complete these short, everyday journeys using the greenest, most efficient modes.

Green benefits can be multiplied still further by ensuring the energy supply powering public transport is clean and renewable. For example, the tram networks in Greater Manchester and Nottingham both run on 100% green, renewable energy. Commitment such as this from public sector large-scale consumers of electricity helps support the further growth of renewable energy, which in turn has a wider benefit as the nation seeks to position itself as a green energy superpower.

Breaking down barriers to opportunity

Transport has a vital role to play in connecting people to opportunities and improving quality of life. The transport choices that people are enabled to make have a significant impact on their ability to fully participate in society.

Some 22% of households in England do not have access to a car, rising to 40% of households in the lowest income quintile[14]. For those without car access, walking is the main mode of travel, followed by bus[15].

A 10% improvement in access to bus services would mean 50,000 more people in work[16]. In the 10% most deprived communities in England alone, research by the University of Leeds finds that a 10% increase in local bus service would[17]:

- **Reduce income deprivation by 2.8%**, increasing the income of 22,647 people
- **Reduce employment deprivation by 2.7%**, meaning 9,909 more people in work
- **Increase adult skills by 1.4%**, or 7,313 more people with adult skills
- **Reduce life years lost by 2,596 years**

Investing in the future of bus services, together with measures to make it easier, safer and more attractive to walk, cycle and wheel, is an investment in social equity and helps to bring down the cost of living.

Keeping people safe and healthy

People's transport choices have a direct impact on health. The ability to choose to walk, cycle or use public transport is an easy way to ensure everyone can be more active every day. Some **34% of public transport users achieve their recommended 30 minutes of daily exercise in the course of their journeys**[18]. In addition, more walking, cycling and public transport use means cleaner air and safer, more liveable streets.

Research on behalf of DfT found that each £1 invested in walking and cycling delivers an average of £5.60 of benefits, mostly from the health benefits and associated lower costs to the NHS[19]. If each car user switched just one journey per month from car to bus by 2030, rising to two journeys per month by 2050, **the health benefits (primarily from reduced traffic collisions and increased physical activity) would be in the region of £15bn**[20]. If zero emission buses were used, health benefits would be multiplied still further as communities would benefit from cleaner air.

Investment in public transport can also support the Government's mission for safer streets and neighbourhoods. To be able to choose to use public transport, or to walk, cycle or wheel, people must feel that these are safe for them. The work of the Transport Champions for Tackling Violence Against Women and Girls, for example, highlighted personal safety concerns as a significant barrier preventing women and girls from choosing these modes for more of their journeys.

The effective working of the West Midlands' Safer Travel Partnership and Merseytravel's Travel Safe Partnership are great examples of how local police forces, the British Transport Police and transport operators are working together to reduce crime, provide a visible support and lead behaviour change campaigns across all transport networks including rail, bus, tram and walking and cycling.

Our members' work is a clear illustration of how effective partnerships can deliver results, but such work can only continue with the certainty of long-term investment in transport. Investment in transport supports work to keep our streets, vehicles and infrastructure safe, ensuring everyone feels welcome, protected and respected.

Credit: Transport for West Midlands

THE ASK

We recognise that all governments must carefully balance competing demands. However, there is an **urgent fiscal imperative for the Budget to confirm core transport funding.** Without it, the **opportunity for our city regions to deliver economic growth and support the government's wider missions will be put at risk.** It will also **significantly damage our local transport networks across the country.**

Our immediate funding priorities and recommendations focus on three priority areas:

1. **a commitment to revenue support for bus services;**
2. **a commitment to long-term capital and revenue funding for urban transport provision;**
3. **continuing support for devolution and a commitment to explore further local investment levers.**

These measures will serve as a bridge to the forthcoming multi-year Spending Review, a critical moment to secure the future of public transport, walking, cycling and wheeling, moving us along the pathway to a brighter transport future.

Priority 1: Extend vital bus revenue funding support

- **Extension of vital revenue support for bus for the period up to the start of the Spending Review period (April 2026). This should include:**
  - **Extension of Bus Service Improvement Plan (BSIP) funding;**
  - **Extension of Bus Service Operators Grant Plus (BSOG+) support;**
  - **Retention of the £2 fare cap, with sustainable revenue arrangements.**

Bus is a unique and effective tool of social policy. **Investment in bus services, including making those services more affordable, is an investment in social equity and helps to bring down the cost of living.** This is particularly true for people on the lowest incomes who are more likely to rely on the bus to get around and have few, if any, alternative transport options.

Increased government revenue support during and post pandemic has been vital in sustaining essential bus networks. However, key sources of bus revenue funding are set to end in April 2025 or remain unconfirmed - namely, BSIP, BSOG+ and the national fare cap, placing bus services at severe risk.

To safeguard, sustain and ideally enhance bus networks, our members need clarity and long-term financial commitments, particularly at a time when so many areas are looking to specify and control their local bus networks through franchising.

It is imperative that bus revenue funding levels are protected in the Budget. This will provide a bridge to the Spending Review, which should establish a sustainable long-term funding settlement for bus. **This approach will ensure that the Government's wider ambitions on protecting and enhancing bus services, including through the upcoming Better Buses Bill, can be realised.**

The specific bus revenue funding streams requiring urgent confirmation are described below.

Extension of BSIP

Our Ask:

We urge the Government to provide immediate clarity and extend BSIP funding to at least April 2026 to enable transport authorities to safeguard local bus networks.

We acknowledge that the various BSIP allocations saw different levels of funding extended to our members, therefore, we would urge the immediate extension to be made in the most financially sustainable manner that would act as a crucial bridge ahead of any decisions on the longer-term revenue settlement for bus.

What is Bus Service Improvement Plan (BSIP) funding?

- BSIP funding allocations were intended to help local transport authorities (LTAs) in England (outside London) to provide bus service improvements, in support of the goals of the National Bus Strategy, published in 2021.
- LTAs, bus operators and local stakeholders worked together to produce Bus Service Improvement Plans outlining their vision for bus services.
- The BSIP funding was awarded competitively. 34 of the 79 authorities who submitted a bid were successful in securing funding. However, none of these authorities received the full amount of money that they bid for.
- £1.08 billion of BSIP funding was allocated out of the £3 billion originally pledged.
- There have been three rounds of BSIP allocations since its introduction in 2022.

During and post pandemic, a considerable amount of BSIP allocations had to be repurposed to save vital bus services and ensure passengers had a bus network to return to rather than invest in transformational improvements as originally intended. Patronage, and therefore revenue, has still yet to recover to pre-COVID levels whilst operating and contract costs have risen significantly due to high inflation. LTAs have been increasingly called upon to support socially necessary bus services as commercial operators focus on their most profitable routes. At the same time, pressures on local authority budgets have made it difficult to preserve and maintain routes.

The continuation of BSIP funding is crucial to safeguard bus networks. Without it, many bus services will be lost, curtailing economic growth and leaving communities cut off from opportunities.

- BSIP funding directly funds a significant level of bus networks across our member areas, **as high as 24% in some cases.** Whilst for other areas the BSIP directly funds a lower share of the network - around 12% - this still constitutes a significant number of routes and services.
- If this crucial lifeline funding was to cease, **these services would be lost,** impacting socially necessary (tendered) services most significantly – with potential service reductions **in excess of 60% in service milage in some areas.**
- Loss of BSIP could compound private operator losses and **lead to further cuts to bus mileage across commercially run services.** As budgets for tendered services are already over-committed (hence the need for BSIP to support these) there would be no ability to mitigate further cuts to commercial services.

Some members also used their **BSIP allocation to fund a local fare cap scheme prior to the national fare cap being announced, as well as other schemes to support residents to manage the cost of living crisis and facilitate a return to bus travel following the pandemic.**

In the North East, BSIP revenue funding was used to subsidise a £1 fare for young people age 21 and under. As a result the market for young people's travel has grown by 25%, and the average fare paid by young people has reduced by 86p, a 49% saving on average. In Liverpool City Region, the £2 fare cap, funded through BSIP, meant bus users saved around 13% compared to the previous cost of a single journey. To complement this (and with additional support from tolls) the cost of bus travel through the Mersey Tunnel was reduced from £3.30 to £2, meaning bus changed from being the most, to the least expensive way to cross the Mersey.

BSIP funds are also crucial to our members' franchising plans, with key financial assessments relying on the continuation of a long-term revenue funding package. If BSIP funding was to cease, franchised bus networks would need to be built on a baseline without BSIP funding - with potentially higher fares and limited prospects for expansion.

Extension of BSOG+

Our Ask:

We urge government to extend BSOG+ support to ensure transport authorities can safeguard bus networks and avert the considerable impact that could come about if the enhanced funds and the uplift were to be reduced or withdrawn.

What is Bus Service Operators Grant (BSOG)?

- Bus Service Operators Grant (BSOG) is a discretionary grant paid to operators of eligible local bus services to help them recover some of their fuel costs.
- BSOG allows operators of registered local bus services to receive a rebate of around 70 to 80 per cent of the fuel duty they pay.
- BSOG is payable for most local bus services. For commercial services, BSOG is a grant paid directly to bus operators by the Department for Transport. Additional repayments are made for services meeting certain standards, such as using smartcard enabled ticket machines.
- For tendered services, BSOG is paid to the tendering authority.
- Since July 2023, operators have also received a top up to their BSOG allocation, known as BSOG+. This fund is worth £140 million split over two years and replaced the previous Bus Recovery Grant which was introduced to support operators to manage the impacts of COVID.

BSOG received by authorities protects service miles through sustaining the core bus network and tendered services. It also supports patronage growth through the introduction of service enhancements.

According to our research, without BSOG, it is estimated that bus **fares could rise by 10% and commercial bus services could decline by 10%**[21]. A reduction in BSOG+ will impact local networks, reducing coverage and access to opportunities as commercial operators seek to make cuts to less profitable services.

Evidence from operators in one of our member areas, for example, suggests that withdrawal of BSOG+ funding from March 2025 would lead to a **significant funding deficit that will need to be plugged from funding elsewhere**, likely by **withdrawing services to cut costs.**

Authorities anticipate that an end to BSOG+ would see deregistration of commercial mileage. Tender contract prices would be likely to increase in line with any reduction in BSOG.

Retention of the national fare cap

Our Ask:

We urge the government to retain the national fare cap, which is currently £2, until at least April 2026. This would give time for a new longer-term funding system to be developed and provide local authorities and bus operators with certainty over their funding for the next year, ensuring that the recovery efforts across networks are not undermined.

It is essential that there are sustainable revenue arrangements in place to support local bus networks and to build patronage. We commit to working with Government to deliver the optimum outcome for passengers.

A national £2 fare cap was introduced in 2022. However, Greater Manchester, Liverpool City Region and West Yorkshire introduced separate fare cap schemes for their areas, funded through their BSIP allocations, prior to this.

The **additional passengers generated by the fare cap have increased farebox revenue for local bus services.** This revenue has been vital in maintaining and enhancing our bus networks. If the cap were to end, many customers could face significant fare increases, patronage gains could be lost and the government could face challenges in promoting the bus.

Research undertaken by **Transport for Greater Manchester** found that in 2022, its £2 fare cap (funded through BSIP and other local sources) resulted in **a patronage increase of around 5%,** half of all patronage growth that year[22]. The research showed that the fare cap has supported modal shift and helped passengers manage the cost of living crisis.

In **West Yorkshire**, 1,028 people responded to a survey in October 2023 about the 'Mayor's Fares' £2 single and £4.50 fare cap (introduced in September 2022 before the national scheme):

- a quarter of people surveyed said they were **travelling by bus more since the introduction of the fares** – with two-thirds of those people saying this was because of the price cap.
- Half who said they used the bus more often had **switched from private motorised vehicles.**
- 40% said it had helped them **manage the cost of living crisis**

Latest **evidence collected from our members suggests that in the absence of a fare cap, some ticket prices could increase by up to 40%.**

The absence of the £2 fare could also increase the reimbursement rate for other discounted tickets, such as youth products, due to the average fare increasing. This could force wider price increases or mean that a higher level of funding would be required to keep the current products.

A loss of patronage would reduce farebox revenue, potentially leading to mileage cuts and a further loss of bus passengers. This could significantly impede wider bus network recovery, particularly at such short notice, potentially undoing the positive impacts of the scheme overnight.

Our members are committed to working with Government to ensure a national scheme continues to support the bus network and those who rely on it, exploring targeting where it makes the biggest impact locally.

Priority 2: Long term capital and revenue funding for city regions and London

- **Confirmation of the City Region Sustainable Transport Settlements (CRSTS) 2 indicative baseline and uplift (from Network North) funding allocations for 2027/28 – 2031/32.**
- **Confirmation of capital and revenue split parameters as part of CRSTS allocations.**
- **Funding certainty for Transport for London with a commitment to working towards a settlement to maintain and renew London's transport assets.**
- **A commitment to providing a longer-term funding stream for the delivery of Zero Emission Buses (ZEBs) and associated infrastructure as part of the Spending Review.**

Long term capital and revenue funding certainty, alongside continuing devolution of decision making is central to the successful delivery of our members' plans for their transport networks. The combination of simple, long-term funding models underpinned by local decision making enables transport authorities to deliver services and schemes that unlock economic growth and deliver related social, environmental and health benefits, delivering best value for public money.

Credit: West Yorkshire Combined Authority

Confirmation of CRSTS

Our Ask:

We urge the Government to fully commit to the long-term funding of CRSTS, including the Network North uplifts, treating the scheme as a single long-term funding stream rather than separate funding allocations.

What is CRSTS?

- The City Region Sustainable Transport Settlement (CRSTS) is a five-year funding allocation for Mayoral Combined Authorities (MCAs), introduced in 2022.
- It aims to simplify the funding landscape and enable transformational change through investments in public and other sustainable transport infrastructure.
- As well as funding for new capital investment, each CRSTS also includes funds that were previously allocated to Combined Authorities as part of the Integrated Transport Block and Highways Maintenance Block.
- As part of the £5.7 billion investment across seven MCAs, CRSTS recipients were expected to raise at least 15-20% in local contributions for capital enhancements over and above the money granted by government.
- The £8.8 billion second round of CRSTS was announced at Spring Budget 2023 for 2027/28 to 2031/32.
- In October 2023, the government announced an additional £8.55 billion of funding available for CRSTS 2, as part of its Network North Plans.

The scale of opportunity of CRSTS to support economic growth is significant. **Our members have ambitious plans to transform their networks through infrastructure investment afforded by CRSTS, driving growth, supporting net zero ambitions and creating great places for people to live, work and invest in.**

It is too early in the programme to measure the impacts of CRSTS, particularly as large, transformational projects take time to plan and deliver, however, the examples below provide an indication of the kinds of schemes that are in progress. Evidence from our members on what the Transforming Cities Fund (TCF) – another longer-term, large scale transport settlement (which pre-dated the CRSTS allocation) - delivered, provides an indication of what CRSTS could be expected to achieve.

Credit: Liverpool City Region Combined Authority

- Liverpool City Region's TCF programme supported 538 jobs, the building of 4,075 houses, improved services along 120km of rail, and provided bus improvements across 66 junctions.
- In Greater Manchester, across TCF and CRSTS funded active travel programmes, at least 62 schemes have been built, are in construction or are about to go to contract.
    - Currently this represents at least 120km of safe, segregated walking and cycling routes, over 20 protected junctions and numerous crossings to tackle local severance as part of the Bee Network.
    - It has also enabled (or will enable) 1,200 hire bikes, numerous speed camera installations, more than 30 school streets, over 2,500 cycle parking spaces, engagement on over 20 active neighbourhoods and engagement with thousands of members of the community.
- In the West Midlands, early analysis in the development of the CRSTS programme suggests that the investment proposed could deliver an 11-25% improvement in residents' access to employment by public transport over the next 15 years.

Credit: Transport for Greater Manchester

Inflationary pressures began in a significant way in the period between agreeing the CRSTS programme allocations and programmes and moving through to delivery. This has had an impact on individual project budgets and the overall programme. Larger schemes will need to carry over from CRSTS 1 into CRSTS 2 timescales, because of inflation and recognising that the development of a large programme takes time. Overprogramming levels have already been agreed with Government in some areas to manage inflationary pressures.

Without CRSTS 2, transformational projects which began in, or moved from, CRSTS 1 will not be delivered. Maintenance and renewal of the existing network would also not be achievable as this also benefits from CRSTS funding.

CRSTS 2 enhanced allocations must be protected to safeguard the achievement of expected outcomes and transformational projects.

- In Greater Manchester, for example, 11 CRSTS 1 projects will cross over into CRSTS 2. Within the programme there are ongoing projects such as delivery of zero emission buses, bus depot electrification and Metrolink renewals that will need to continue into CRSTS 2. Alongside this, schemes are under development using CRSTS 1 funding but with delivery proposed to commence beyond April 2027 using CRSTS 2 funding.
- **Without CRSTS 2 funding, members who, for example, are progressing with bus reform, could face additional barriers to their ambitions.** Furthermore, necessary tram renewals could be delayed as could development sites that rely on tram renewals being in place.
- Our members will also be **unable to deliver extensions to the transport network or fulfil substantial maintenance tasks** to maintain structures and critical infrastructure that are essential for network resilience, wider economic function and growth.

There is no other capital funding programme on this scale that could be generated locally to fund the projects planned through CRSTS.

It is important to note that CRSTS also includes crucial revenue allocation. This is key to developing the capacity to deliver major capital projects and maintain them, and looking ahead CRSTS2 holds the potential to be used to help deliver services. Without adequate revenue split, the delivery of long-term improvements as part of CRSTS will be made unsustainable. **Early clarity over capital and revenue profiles are crucial in enabling transport authorities to plan and deliver their programmes.**

Following the unveiling of the Network North plan by the previous government in October 2023, our members **also require urgent clarity over the status and allocations of the boost in settlements.** Ongoing planning of CRSTS programme delivery continues to include this uplift, therefore, it is crucial to provide clarity over this allocation as soon as possible, recognising that its withdrawal will constrain the level of scheme delivery.

Alongside a long-term settlement for transport authorities, government must also provide a sustainable long-term solution to funding local councils. This is particularly crucial given Local Government Association analysis estimates that English councils face a £2.3 billion funding gap in 2025/26, rising to £3.9 billion in 2026/27. Financial challenges for local government are detrimental to all tiers of government. A sustainable financial future for local government is key for the delivery of our members' ambitions.

Supporting our capital city

Our Ask:

Funding certainty for Transport for London is needed to enable it to properly maintain and renew transport assets and to honour existing contracts to deliver upgrades to the network. These include new DLR, Piccadilly and Bakerloo line trains; trams; upgrades to the signalling systems across the sub-surface Tube network; and critical renewals on the road network.

When delivered, these projects combined will deliver tens of thousands of new homes and jobs, boost accessibility, help to rebuild public transport ridership and support economic growth.

The recognition of the positive impact of long-term funding deals, such as CRSTS, should also see Transport for London (TfL) receive similar certainty. TfL do not have access to longer-term funding settlements and the various bus funding pots described above.

London, in common with other urban areas, will be key to achieving the Government's missions. Independent research has shown the direct positive economic impact that investment in London's public transport system has across the country.

Credit: Transport for London

TfL's investment in the UK supply chain in 2022/23 was worth **£5.9 billion in Gross Value Added to the UK economy, supporting more than 100,000 high quality jobs across the country.**

London's annual net contribution to the national exchequer is at a record £43.6bn. Protecting and supporting productivity and growth in London will be critical to delivering the national economic growth mission.

Over the past decade, government investment in London's transport network has been highly constrained and short-term. Without long-term certainty, it has been impossible to maintain and renew TfL's infrastructure as effectively and efficiently as envisaged, leading to higher costs, diminished value for money from investment and increasing impacts on reliability and performance. As well as significantly impacting day-to-day operations, failure to secure long-term funding would force TfL to consider options that would reduce investment flowing through its supply chain, impacting jobs and businesses across the UK.

TfL can also play a significant role in decarbonisation. Government support would allow TfL to accelerate the pace of decarbonisation to electrify its entire bus fleet – the largest in Europe - by 2030. Work is already ongoing with other transport authorities around the country to achieve economies of scale.

Funding certainty to deliver green buses

Our Ask:

We urge the Government to introduce a long-term and sustained funding stream to support the ongoing procurement of zero emission buses.

The task of decarbonising the UK's bus fleets is still significant, with only 4.3% of buses in England being zero emission[23]. Whilst progress has been made over the last decade, in order to achieve the bus fleet decarbonisation targets set by city regions, the delivery of zero emission buses (ZEBs) must be accelerated at pace.

As explored in our recent *A Smoother Ride* report[24], **over 15,000 buses across our member areas still need to switch to zero emission operations – equal to, on average, 1,200 per year to meet fleet decarbonisation targets.**

ZEBs provide good growth potential and, combined with other policy measures to encourage mode shift, present an attractive business case. Government investment has been proven to leverage private sector investment, with the recent **Zero Emission Bus Regional Area (ZEBRA) funding scheme attracting around £1.20 of private investment for every £1 of central government investment**, according to Confederation of Passenger Transport[25].

Currently no further ZEBRA funding rounds or other funding has been announced to support the purchase of ZEBs post-Spring 2025. Given the high upfront capital costs of a ZEB compared to their diesel equivalents, our members require longer-term funding support to decarbonise their fleets. Whilst operators have expressed confidence that they would continue to invest in decarbonising their fleets, without commitment to longer-term funding, the pace of the transition would slow down significantly.

Long-term certainty of funding streams is key to ensuring ZEB delivery can be continued and accelerated. Piecemeal funding opportunities are not going to deliver the wholesale change committed to by transport authorities and central government.

Priority 3: Continuing support for devolution and a commitment to explore further local investment levers

- **Development of consolidated, devolved, long-term transport funding settlements to all transport authorities, starting with a long-term revenue settlement for bus.**
- **A commitment to providing city regions with greater local investment levers as part of the Spending Review.**

Whilst it is crucial for the Budget to address the immediate funding priorities outlined above, ultimately **we wish to see the development of consolidated, devolved, long-term funding settlements to transport authorities, starting with a long-term revenue settlement for bus. There should also be a commitment to providing city regions with greater fiscal devolution as part of the Spending Review.**

As a starting point, there should be a multi-year revenue funding settlement for bus that provides the certainty required to grow our networks. The consolidated package should be at least equal to the sum of its parts and be of a scale to enable ambitions to protect and enhance the network.

We would anticipate that the following funding streams be included in a single revenue funding pot for bus:

- BSIP
- BSOG
- £2 fare cap funding

Much of the funding above is already provided to enable similar goals, with BSOG, BSIP and the £2 fare cap intended to protect and increase service miles, and to help keep fares low. There is logic in combining these sources into a single pot to enable local authorities to specify the exact outcomes that they wish to see for their local areas.

We would also like to see a review of English National Concessionary Travel Scheme (ENCTS) funding. The current funding and reimbursement system for ENCTS is opaque, with little clarity over the level of funding that authorities receive and whether this covers the cost of the scheme.

A single funding settlement for bus should be seen as a part of the journey towards a single settlement for transport and a departmental style single settlement, as is currently being explored with Greater Manchester and West Midlands. Our members are keen to work with the Government to explore the best ways of delivering this, as part of the Government's ambitions for devolution across the country.

Our Ask:

As part of the upcoming Spending Review, we would urge the Government to embark on a wider review of public transport funding to explore how the range of current funds can be best combined to create a single funding allocation. The Government should also commit to enabling further devolution by providing city-regions with greater local investment levers.

To make the most of the available funding, Combined Authorities need to be given **more discretion and autonomy on how funding is spent, with long term certainty and trust to deliver.** Longer-term reform should strive for a funding system that delivers certainty, simplicity and enables local decision making and revenue raising.

There needs to be increased use and reform of local investment levers, including opportunities to raise revenues from those who would benefit from better transport services or seek to provide those services. This could include for example:

- new land value capture mechanisms
- business rate retention
- visitor levies

Such powers and **opportunities to dial up alternative funding mechanisms could gradually reduce local government's reliance on central government, as transformational investment in local transport networks increasingly returns dividends that extend far beyond journey time savings.**

A key alternative funding mechanism, which ought to be explored, is land value capture, sourced from residential property uplift, commercial property uplift and social housing income.

Elements of a mixed-funding approach have already been put into practice, for example, in the Northern Line extension to Battersea and London's Crossrail. This ringfenced portions of the net increase in business rates that was attributable directly to the project to repay upfront financing to support the capital works.

Our Ask:

We welcome the Government's commitment to further devolution across the country and urge that transport is put at the heart of these plans. Decisions on urban transport networks are best made at the appropriate tier of devolved governance so connections can be made between transport and wider plans and priorities for decarbonisation, housing, local economic development, public health and placemaking.

CONCLUSION

Transport is a fundamental enabler to economic growth and essential in delivering the government's missions.

As the UK's network of urban transport authorities serving over 30 million people across England, Wales, Scotland and Northern Ireland, our members are working to create transport networks that support the delivery of these missions, transport networks which are sustainably funded and affordable; deliver social value; are green and resilient; and are trusted by the people they serve.

The forthcoming Budget, whilst requiring difficult decisions, must safeguard core local transport funding to save the bus services on which so many people rely and to ensure transformational infrastructure projects can proceed. By addressing the immediate funding requirements set out in this report, our members can be enabled to meet the level of ambition set out by the government.

This represents a crucial bridge ahead of the multi-year Spending Review, a critical moment and an exciting opportunity to invest in the future of local transport and to empower devolved authorities to ensure it meets the needs and ambitions of the people and places served.

We and our member transport authorities stand ready to play a key role in enabling the new government to fulfil its missions and to set us on a pathway to a brighter transport future.

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