Institute for Public Policy Research North

EN ROUTE TO RENEWAL

DELIVERING BETTER, GREENER BUSES

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ABOUT THIS REPORT

This paper's purpose is to present the conclusions of our better, greener buses research and proposed governance and funding reforms to revive England's bus networks and accelerate decarbonisation.

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1. INTRODUCTION

The public care about having good local buses. They are a vital public service and key economic development tool, underpinning economic growth, access to opportunity, expansive lives, and building a healthy environment.

With promising reforms such as the Bus Services Bill (2025) being advanced by the government, now is the moment to set in motion the right governance and funding foundations to build better local bus networks in every community: a visible and tangible change for everyone.

This is our final report, drawing on a literature review, interviews with local transport authorities (LTAs) from a cross section of urban/rural and different political control, extensive stakeholder engagement ranging from operators, passenger organisations and civil servants, alongside participatory work with the public through focus groups and workshops, and our interim report (Johns and Gerritsen 2025).

Here, we describe the case for better, greener buses, given their wide-ranging value despite long-term decline. We then propose eight principles for better buses arising from our research, setting the standard for what governance and funding reforms should seek to achieve. What follow are our proposals for the governance and funding reforms necessary to rise to the ambition of these principles, and in doing so to deliver thriving local bus networks and accelerate decarbonisation across England. Overall, we conclude that the government's current direction is well founded, and propose clear policy stretches as the next steps, with delivery recommendations to create a strong foundation for better buses.

BUSES HAVE A STRONG CASE FOR INVESTMENT AND POLICY ATTENTION

Local buses drive the economy and are a wise investment, contributing around £25.1 billion to the UK economy annually. They are a low-capital way to improve connectivity rapidly. Many bus improvements, such as bus priority, can be implemented quickly. As shown in Greater Manchester, once the right governance foundations are in place, change for the better can be fast (Johns and Gerritsen 2025).

Assessments of their value for money are compelling. Every £1 invested in buses is estimated to yield £4-£4.55 of economic benefits (DfT 2016, KPMG 2024), while every £1 invested in bus priority measures (ie bus lanes and bus gates) yields an estimated £3.62 (Allen et al 2024), and investment in targeted interventions yields £5 for each £1 spent (KPMG 2024). Across England's metropolitan areas, bus networks have been estimated to generate over £2.5 billion of economic benefits against £0.5 billion of public funding (UTG 2019).

Buses are vital to social inclusion, used more by young people, women, disabled people, jobseekers, those on the lowest incomes, and those without access to a car. Meanwhile, car dependency pushes people below the poverty line; the average car trip costs 2.5 times more than a single bus ticket, all costs considered (Salutin 2023). Areas with higher levels of deprivation have seen larger falls in bus provision (measured in bus miles) than less deprived areas – ten times higher in areas with the highest levels of deprivation compared to those with the least. Meanwhile

taxi use has increased for those without a car, in line with declining bus provision (Johns and Gerritsen 2025, Frost et al 2023), meaning car trips have replaced bus trips.

We estimate that had bus provision stayed steady, rather than declining 28 per cent since 2011, and the bus network been fully decarbonised in that period, national emissions would be 292 million kg CO2e lower than they are today (Johns and Gerritsen 2025). Previous IPPR analysis found that scaling up buses in England's metropolitan areas to London levels could take 900,000 cars off the road, reducing emissions by 18 per cent by 2030 versus the Department for Transport's (DfT) core projections (Frost et al 2023). Shifting car to bus trips – however they are powered – reduces emissions. Electrifying the bus fleet reduces emissions further (Frost et al 2023).

Buses have a significantly higher carrying capacity per metre width of infrastructure than private cars (Rowney & Straw 2014). If each car user switched one journey to bus every month by 2030 and two every month by 2050, the congestion savings would amount to cumulative benefits worth nearly £30 billion by 2050 (Oakley et al 2022).

Improving buses is popular and politically wise. Recent polling found investing in bus services more popular than road building (Allen et al 2024). The public are practical rather than ideological about transport, and support for increasing investment in public transport crosses political preferences (Frost and Singer Hobbs 2024). IPPR has consistently found, through polling and deliberation, that the public see improving public transport as integral to a fair transition to net zero, to addressing regional inequalities, and to improving quality of life (Frost et al 2023). Revived local bus networks with clean, maintained electric buses could be a palpable, popular output of this Parliament, with support from the public across the political spectrum.

There is an opportunity for elected mayors to be associated with visible publicly-controlled improving services. For example, visible action on affordable fares, such as hopper fares and the first iteration of the national fare cap, was driven by mayors (Johns and Gerritsen 2025).

> ***"People expect more and want more from this public service."***
> Focus group attendee

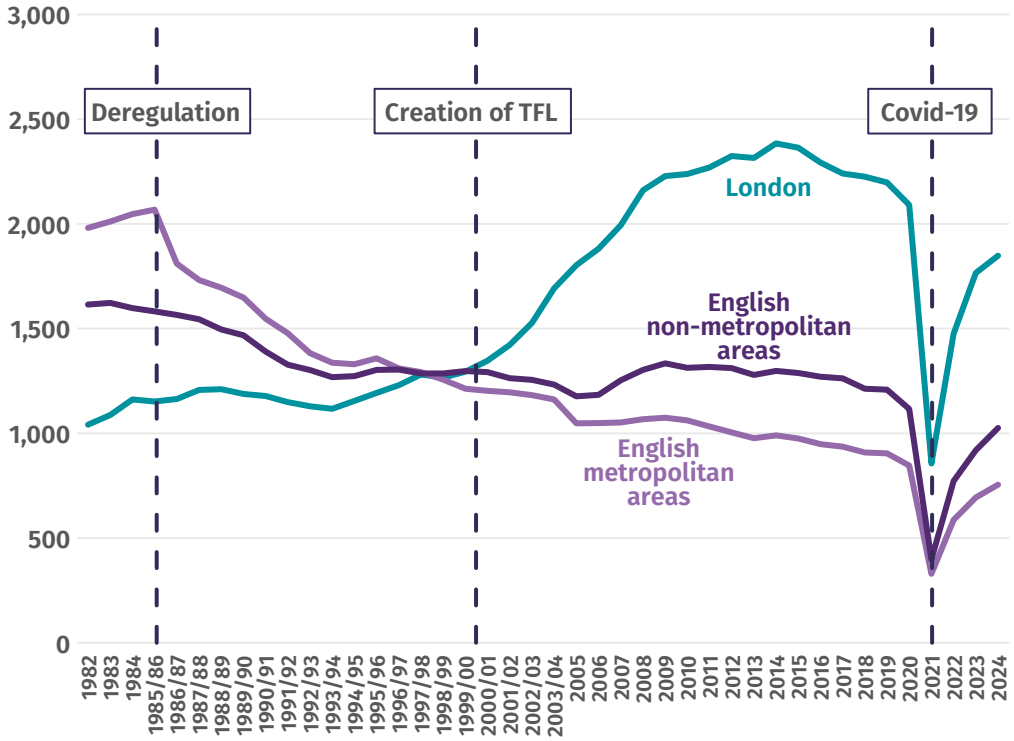
Buses are a vital public service for our economy, people's lives and the environment, with strong public support. This value should re-orientate us from seeing buses as a purchased service to understanding them as a public service that provides a critical public good: connectivity for all.

BUSES HAVE DECLINED FOR TOO LONG

Despite the powerful case for buses, service decline is historic in England. Until the late 1980s, most bus services in England were under public control, either through municipal bus operators or the then National Bus Company, created by Barbara Castle. Bus operators reinvested revenues raised from fares back into bus services. Privatisation ended this and created a paradigm shift away from buses being a public service. This was compounded by reduced public funding for socially necessary but not profitable services, especially after 2009/10. The stark impact of this is clear in the difference in bus patronage between London, which operated a franchised model, and the rest of the country post re-regulation in 1985.

FIGURE 1.1: WHILE BUS PATRONAGE ELSEWHERE IN THE COUNTRY FELL, IT GREW IN LONDON, PARTICULARLY AFTER THE CREATION OF TFL

Passenger journeys on local bus services since 1982 in London, metropolitan and non-metropolitan areas



Source: Authors' analysis of DfT2024a

Deregulation meant a loss of public control. At the same time, many bus routes became increasingly reliant on public subsidy. Austerity and cuts to bus provision since 2011 resulted in falling patronage, with over 1 billion fewer trips made by bus in 2023 than 2011, undermining local economies and driving up emissions (Johns and Gerritsen 2025).

The roles of buses and the drivers of their decline vary across the country. In urban areas, buses drive growth by enhancing agglomeration and connecting people to jobs in growth centres, while shifting drivers to the bus can reduce congestion and deliver economic benefits. In rural areas, buses are a lifeline for connectivity, providing access to essential services and countering social exclusion, especially for those without a car. Away from major cities, bus services face viability challenges due to lower population density and patronage and smaller LTAs with less policy resource. Austerity has had a particularly significant impact on rural bus services since 2010 (CBT 2018).

Areas of transport-related social exclusion are particularly found in manufacturing and mining legacy areas, rural-urban fringes, smaller cities and towns, and coastal communities (TfN 2022). Poor transport connectivity exacerbates rural disadvantage: the lack of rural transport options leaves rural communities car-dependent and "strikes at the heart of rural disadvantage, impacting people's access to employment, education and training, health, shops, and a host of other activities. It is a key driver of rural isolation and loneliness" (Rural Services Network 2021). Meanwhile, transport costs are a significant contributor to poverty in rural areas, especially in the North

East, where a lack of public transport options forces households into paying higher costs to use cars (Salutin 2023).

RENEWING BUSES REQUIRES FIXING ROOT CAUSES – AND THIS CHANGE IS HAPPENING

Change is happening. Central government is advancing one of the most ambitious packages of reforms for buses in a generation (Johns and Gerritsen 2025), and city regions are using devolved powers to pursue franchising to re-regulate and revive their local bus networks.

Our interim report (Johns and Gerritsen 2024) highlighted the power of local control to improve service design, integration and delivery, and underscored the importance of empowering LTAs. This is part of the Bus Services [No. 2] Bill, introduced to the House of Lords by government in December 2024 to make better, greener buses more possible across the country.

GREATER MANCHESTER

Learnings from Greater Manchester's franchising process, the first place to re-regulate buses by creating the multi-modal Bee Network, illustrate bus reform's ability to kickstart a strong renewal of England's local buses.

Despite having one of the UK's fastest growing economies, Greater Manchester's bus services had declined by 59 per cent since deregulation in 1986.

Re-regulation is now a key tool being used to rebuild the bus network and achieve regional strategic objectives. Greater Manchester is now fully franchised and better bus services are on the ground in the city region's communities today. For this, Greater Manchester navigated a costly and risky franchising process, including legal challenges. It took eight years from start to full coverage and an estimated £145 million in transition costs, not including £80 million of depot acquisition and refurbishment costs.

Now, franchising is delivering considerable control to Transport for Greater Manchester, enabling faster decarbonisation. Both financial and user benefits have materialised, including improved reliability and stronger than expected revenues.

Bus reform in Greater Manchester is helping raise public transport ambitions further, including support for Greater Manchester Combined Authority's 2038 net-zero target with an all-electric bus fleet planned by 2030, alongside an ambition for a strong modal shift to buses and other sustainable modes.

PRINCIPLES FOR BUSES

Here, we set out principles for 21st-century local bus networks around which interventions can be designed.

Accessible and inclusive – can everyone get the bus?

> ***"It's not just about moving; it's about people feeling they're equal and welcome."***
>
> Focus group attendee

This ensures everyone can use public transport as easily as others, and feels safe and welcome doing so. It considers people's diverse needs and ensures the disabled can use buses as easily as others. It demands strong national accessibility

standards, like audio-visual stop announcements on board and well-lit and information-rich bus stops, and a focus on ending anti-social behaviour on buses.

Connected – can you get where you need by bus?

> ***"We were shocked that every time I wanted to just go to the hospital, I needed two buses."***
>
> Focus group attendee

This ensures that all communities can use public transport to live their lives well, with well-designed bus networks that connect people. It calls for whole-network approaches, considering the full extent of people's lives, including economic opportunity, social lives, cultural enrichment, and public services. It requires network safeguards to protect minimum services.

The government's Bus Services Bill is welcome in improving protections for existing routes. This can be strengthened to safeguard urban and rural minimum service standards, considering factors like population, geography, public service provision and local needs. Robust statutory guidance should set out how LTAs should define socially necessary local services and minimum expected service levels that align with a multi-modal, whole-network approach to local public transport.

LTAs, especially rural ones, will need access to appropriate funding to sustain, protect and grow these defined routes, which should be delivered via our suggested funding formula approach below.

Reliable and prioritised – can you depend on the bus for your needs?

> ***"The buses are so unreliable, sometimes you can wait for 45 minutes, and they don't turn up."***
>
> Focus group attendee

Reliability and timeliness are critical factors for overall passenger satisfaction. People require punctual and frequent services with efficient journey times to rival private vehicles. This means investing in bus priority measures (eg bus lanes and gates) and reorienting road investment towards buses to reduce congestion and accelerate journey times.

Affordable and simple fares – can you afford to use the bus for your everyday journeys?

> ***"I cannot afford to go into town two or three days in a week."***
>
> Focus group attendee

This means ensuring that public transport costs are not a barrier to accessing opportunity, and that public transport is better value for money than private vehicles.

It looks like affordable fares that people can understand and concessionary fares that expand access to opportunity. The national £3 fare cap is a strong example of this, and it has been maintained at £2 by some mayors. The fare cap was a local innovation which has had a positive national impact on cost of living and making buses more attractive. In the long run, well-funded LTAs are best placed to design the fares and services that work for their communities and their needs. Empowered LTAs should be able to build on the national fare cap with the freedom to innovate, like the hopper fares in London and Greater Manchester, or caps on bus passes beyond single journeys.

For example, well-funded LTAs could expand concessions to target policy priorities, such as concessionary fares or passes for under-18s or learners up to age 22 to build public transport habits, or jobseeker concessions to support people to access the labour market.

Attractive – do you feel comfortable using the bus?

> ***"They're run down, and it feels dangerous because they're so full!"***
> Focus group attendee

This looks like well-maintained, clean and welcoming buses and associated infrastructure, such as bus stops and stations. It also includes perceptions of safety and reducing anti-social behaviour at all times of day, especially for women and racialised communities. This ensures everyone feels buses are pleasant to use, which is critical in providing an alternative to car use.

Integrated – are buses integrated with other forms of transport and local priorities?

> ***"Journeys do not 'join up' when using different modes of transport."***
> Focus group attendee

This means integrated bus networks operationally and strategically, providing seamless multi-modal transport integrated across routes, timetables and fares. This would allow people to travel from door to door across multiple modes of sustainable transport, including public transport and active travel. It also includes strategic integration across policy themes that are not directly transport policies, such as land-use planning, air quality, health and wellbeing, and the location of public services.

Sustainable – are buses playing their full role in supporting a healthy environment and clean economy?

Buses are a key lever in helping reduce transport emissions, which have proved stubborn in recent years. This looks like driving modal shift to buses by creating dense public transport networks in line with the principles above, enabling car-free living across as much of England as possible, so that the public can make that choice, alongside accelerating the rollout of zero-emission bus (ZEB) fleets.

Accountable – can the public shape and improve their local public transport networks?

> ***"Do politicians really realise what transport does to people? Mental health, isolation, shopping, life – it has such a knock-on effect."***
> Focus group attendee

This ensures the public feel ownership of and have the means to improve their local bus networks. It looks like good governance, strong local scrutiny, public engagement, and involvement of access and user groups to constantly raise standards.

As part of improving the overall funding environment for buses, HMT and DfT should mutually agree these principles.

In the following chapters, we describe the governance and funding reforms which would create the conditions for these principles to be achieved.

2. DEVOLVE

"Public transport is there to meet people's needs and a one-size fits all approach isn't going to work."
Focus group attendee

Good governance is the foundation for better buses. There is now strong recognition that strengthening transport authorities' ability to intervene in and improve their local bus networks is key to better public transport, despite decades of the opposite approach.

The 1985 Transport Act deregulated bus services, forcing local areas to sell their bus fleets. It cut public spending on bus services through subsidies, allowed private bus companies to set their own routes and fares, and limited local authorities' powers to intervene. Since then, buses outside London have mostly been run by commercial operators, who decide routes, fares and timetables, without a coherent whole-place, whole-network approach (Johns and Gerritsen 2025). Local authorities can subsidise routes they deem socially necessary but not profitable.

The Bus Services Act 2017 enabled mayoral combined authorities (MCAs) to re-regulate local bus markets through franchising. It also enabled Enhanced Partnerships (EPs) – statutory agreements between LTAs and local bus operators to cooperate on improving local bus services. These powers were reinforced in 2021, mandating LTAs to advance either EPs or bus franchising schemes to be eligible for future DfT bus funding.

Greater Manchester was the first place to pursue franchising, and its experience was arduous and expensive, including legal challenges from the bus operators and significant expense (Johns and Gerritsen (2025)

The current Bus Services Bill (No. 2) (herein Buses Bill) seeks to remove some of the barriers Greater Manchester faced and coupled with the government's English Devolution White Paper and emerging Integrated National Transport Strategy (INTS), offers a step-change in local governance arrangements.

UPGRADE LTAS

It is LTAs that will actually deliver thriving 21st-century bus networks across England. Local policymakers are best placed to make decisions over local investment and service design.

Transport governance in England has long been an outlier, compared to countries like Germany, France and Spain – where local authorities commonly own and control public transport, managing fares and service design, and investing in transport infrastructure according to local priorities with local resources (Johns and Hutt 2023). In England, deregulated buses, systemic complexity, and constraints on LTAs' powers and resources by a centralising state have limited the ability to construct local public transport networks.

We found a broad consensus in our research that transport governance must be streamlined and simplified, particularly to achieve financial viability – the biggest risk our interviewees see in bus reform.

"We need governance models to match up to future ambitions – the governance is messy and complex around transport."
LTA interviewee

The devolution white paper (MHCLG 2024) committed to extending local transport powers, including buses, while deepening and extending devolution across England with strategic authorities (encompassing new and existing devolved bodies like MCAs). Strategic authorities will become the LTAs, assuming public transport functions like responsibility for Local Transport Plans, excluding local council highways functions. This includes bus franchising powers being available to all strategic authorities, including non-mayoral ones.

Their proposed scale and alignment to sensible economic geographies (aligned to or larger than travel-to-work areas) are appropriate geographies for designing transport policy, as we found previously (Raikes et al 2015). This unlocks sufficient areas within which cross-subsidy can take place and allows whole-network approaches that serve people's connectivity needs – two clear benefits of enhanced local control over public transport.

Reducing the number of LTAs from 81 (including London) to around 40 could also help tackle local capacity issues, which can be especially acute for smaller authorities (see chapter 3). This, married with greater local control over public transport, provides stronger governance foundations for better local buses.

CREATE TOTAL TRANSPORT AUTHORITIES

As previously recommended by IPPR North, creating Total Transport Authorities (TTAs) would provide a whole-place guiding mind. These bodies would integrate all transport-related funding and powers, including pooling services provided by local authorities, and over time adopt responsibility for those transport services provided by other public bodies like hospitals and school transport. This would drive efficiency, especially in towns and rural areas where there have been greater financial pressures on local bus networks (Raikes et al 2015).

Working across local authority geographies to deliver transport in an integrated way would be a step change compared to the historic situation of fragmented governance, complex funding environments, minimal strategic environment, and a lack of transport powers and funding.

Collectively, the Buses, English Devolution and Rail Reform bills enhance franchising, create strategic authorities, and provide a statutory role for mayors in integrating rail through Great British Railways. They all push towards much stronger integration across public transport, laying some of the legislative foundations needed for TTAs.

> **Recommendation: To enhance their devolution plans, by the end of this Parliament the government should upgrade LTAs to Total Transport Authorities (TTAs): one locally, democratically controlled body responsible for integrating public, private and community transport in each place. We define upgraded TTAs as:**
>
> - **responsible for the integration of all public transport within a locality and integrating ticketing across modes, including buses and over time, local rail services through a close working relationship with Great British Railways**
> - **integrating procurement and delivery of transport services across national public services, such as NHS, social care and school transport**
> - **delivering modal and strategic integration, including with local strategic priorities such as land-use planning or local growth plans**

- **consolidating transport funding to support good local public transport, ranging from central government (see chapter 4) to transport-related income sources within places that currently accrue to central government, such as speed camera fines**
- **able to raise revenue through schemes like promoting workplace parking levies in partnership with constituent local authorities, deploying lane rental schemes, or raising business rate supplements to support local public transport investment**
- **able to borrow as a strategic authority, with debt caps agreed that reflect the total revenues flowing through the strategic authority, including its TTA (see chapter 4)**
- **responsible for cross-border transport agreements, including working with neighbouring transport authorities on access to public services like schools and hospitals**
- **responsible for setting and delivering Local Transport Plans (LTPs) and a general transport duty under Section 108 of the Transport Act 2000.**

As with existing LTAs, strategic authorities could discharge TTA functions either through executive bodies or internal functions. Executive body approaches, like Merseytravel or Transport for Greater Manchester, discharge the strategic authority's transport functions and are governed by the strategic authority, a transport committee within it, and scrutinised through the strategic authorities' overview and scrutiny functions. This provides strongly defined delivery functions and robust, democratic oversight.

- **TTAs should also ensure a role for passenger user groups in scrutinising policymaking and delivery.**

While there have been barriers to integration in Total Transport pilots under previous governments, these are not insurmountable, especially considered alongside ongoing improvement to transport governance. Several long- and short-term benefits were identified in pilots, including reduced duplication and overheads, cost efficiencies and more coherent overall network design (DfT 2019). With the transition to zero-emission vehicles, this integration will also provide benefits in infrastructure planning, such as aligning charging infrastructure provision. A phased approach to increase TTA powers could be considered (as recommended in Raikes et al 2015).

The expansion of their responsibilities would need to be met with increased capacity, largely derived from the consolidation and devolution of transport funding, enhanced efficiency, and the supportive funding and policy environment discussed in following chapters.

ALIGN AND STRENGTHEN POWERS AND ACCOUNTABILITY

In London, the mayor has a statutory duty to promote transport under the Greater London Authority Act 1999, Section 141, while other LTAs are bound by a similar duty to prepare LTPs under Section 108 of the Transport Act 2000.

This duty has supported significant policy attention to transport by subsequent London mayors and made transport a clear mayoral function. It also provides a framework that offers some protection to transport funding while still permitting local flexibility. London's success improving its public transport, including buses, is well documented (Johns and Gerritsen 2025).

LONDON

London's buses have been governed differently to buses across the rest of the country for many years. Before 1984, London Transport managed the buses in the capital. London was spared deregulation, but buses were privatised under the London Regional Transport Act 1984 then franchised under the London Regional Transport (LRT) authority. As a result of the creation of the Greater London Authority in 1999, Transport for London (TfL) was created and took responsibility for the franchised bus services. The LRT, and later TfL, maintained control over routes, fares and service levels through the franchised model.

Since the 1990s, bus ridership in London has increased and the bus fleet has grown larger to accommodate this. Reinvesting fares and using cross-subsidy from other local transport modes, namely the London Underground, allowed the bus network to be greatly developed even where not directly profitable, providing significant passenger and economic benefits to the city. Recently, London has faced a challenge of falling bus speeds (TfL 2024), which creates upward pressure on operating costs for services.

There is a patchwork of mayoral functions in the current MCAs. For example, bus franchising is a mayoral function in Greater Manchester, permitting the mayoral precept on council tax to fund the franchising transition; in South Yorkshire, it is not a mayoral function.

> **Recommendation: Government should align and strengthen bus reform powers and accountability with English devolution reform, extending a mayoral transport duty in mayoral strategic authorities and standardising mayoral functions. This would be in line with Section 141 of the Greater London Authority Act 1999 for mayoral authorities while non-mayoral strategic authorities remain under the similar duty from Section 108 of the Transport Act 2000, strengthened in line with chapter 3 below.**

PROMOTE AND ENHANCE RE-REGULATION

City regions across England are already implementing devolved powers to re-regulate, reform and revive their bus networks.

Regulation is driving improvements. The experience of London and the early success in Greater Manchester provide evidence that re-regulation of local buses can drive better services, increased patronage, and both modal and strategic integration, including around policy areas like economic development and improving air quality. In both places, it has incentivised a strong policy focus on revitalising bus networks around passengers' needs. Patronage growth and ambitious public transport goals have reinforced each other, visible in stretching modal shift targets and clear decarbonisation pathways for public transport in each place.

Re-regulation allows for the design of an overarching network. This sits in contrast to point-to-point profitable routes failing to interconnect, whether in terms of timetables and frequencies or fares for passengers. It has underpinned network design, including fare and service integration, which is common internationally but novel in England due to historic absence. This includes hopper fares or multi-modal ticketing and consistent public transport branding. Through re-regulation the farebox can be reinvested in local bus services alongside ongoing investment in sustaining and upgrading local bus networks (Johns & Gerritsen 2025).

Our research found LTAs are keen to understand which governance model works best locally, namely between EPs and bus franchising. Following the National Bus Strategy, many transport authorities did not opt for franchising: 76 of (then) 79 LTAs outside London opted for an EP. We heard that this arose from:

- a demanding franchising process
- limited local capacity and expertise
- concerns about taking on financial risk accompanied by a lack of funding certainty.

Some franchising benefits are also true of EPs. Part of the strength of devolution is allowing decisions to be made at a local level. Local places should be able to choose the method of delivery that best suits their area from the proposed regulated governance options.

> **Recommendation: Government should complete the shift away from deregulation by requiring all LTAs to adopt a form of regulated bus governance, which we define as full coverage of a strategic authority area by one or a combination of EPs, bus franchising or municipal ownership.**

PROMOTE BUS FRANCHISING

There is a case for franchising in all places, and multiple franchising models to suit local needs, including rural areas. Franchising provides a strategic way to expend resources and coordinate services, allowing LTAs to combine fare revenues and public funding (eg locally supported services, government grants, local contributions) to deliver an integrated and efficient public transport network that serves local needs. Different franchising models, like gross or net cost contracts, and adaptabilities in setting service specifications provide flexibility in approaches to risk, autonomy and quality (Johnson et al 2024).

Franchising is common and successful in countries with a larger rural population than the UK, like Norway or Sweden (Johnson et al 2024, Rye 2017). The franchising process in England has been onerous and costly – making it particularly challenging for smaller places to pursue. In other countries, buses are seen as a public service and an economic development tool, leading to pump-priming investment that has funded improvements like higher frequency services, which have in turn driven up modal share and viability for local buses, with reasonable fare incomes for LTAs (ibid).

LTA capacity is a clear issue for bus reform and is uneven across the country. While our proposals above would alleviate some of this, capacity to undertake bus reform is a precursor to the reform process itself and the ability to deliver its potential benefits. This barrier and alleviating it are discussed in more detail in chapter 3.

> **Recommendation: Franchising should be incentivised as the default option for LTAs within a supportive policy and funding environment.**

The government has rightly committed to extending franchising powers while reducing the strain of this process on transport authorities, and to exploring different franchising options with LTAs.

> **Recommendation: Government should see enhanced bus franchising through as set out in statutory guidance and the Buses Bill. We recommend rebalancing assessments away from proving market failure towards assessing which of the available governance models is the right option locally and commensurate with wider local government options analyses. To reduce costs, in chapter 3 we recommend further savings are sought through better support for LTAs.**

SUPPORT MUNICIPAL OWNERSHIP

Municipal ownership of bus companies is one of the three bus governance models from which transport authorities can choose in our proposals. Municipal transport companies are common among comparable countries, meaning ownership of both the bus company and its bus fleet (Johns and Hutt 2023). In England, the existing, generally long-established, municipal bus companies have some of the highest performing bus patronage (Fawcett and Fuller 2023).

The evidence suggests they are also successful across much of Europe (TUC 2023). Madrid's municipal company was Europe's first to fully decarbonise its fleet (Polis 2023). In the UK, there is at least one example of a local authority purchasing a bus company to reduce transport costs – in that particular case, school transport costs (BBC 2025). Broadly, the benefits of public control offered by franchising also apply to municipal ownership with additional benefits, such as being able to reinvest profits into services to a higher degree, alongside risks of ownership.

The current government's Buses Bill is repealing the last government's Bus Services Act 2017 ban on establishing new municipal companies – removing a constraint on local decision making over bus governance models. However, it does not include further support for existing municipal bus companies. There is also a gap between a legal power being available to transport authorities and the conditions needed to exercise it. This was recognised in our discussions with LTAs. They raised particular concerns about setup costs and risk, and competition challenges in franchising processes which could threaten municipal companies' ability to operate, especially following the impact of long-term funding constraints and challenges for local government.

> **Recommendation: Following the repeal of the ban on new municipal companies, DfT should consult with LTAs, alongside our proposed bus capacity function (see chapter 3), to identify barriers in establishing them and considering policy responses.**
>
> **DfT should explore the role of municipal companies as an operator of last resort and publish best-practice guidance to LTAs in setting them up, including makeup of boards. For example, operators of last resort could be deployed by LTAs in the event of operator failure within a franchise scheme or where tendered services or franchise schemes receive no bids to deliver vital services.**
>
> **Government should support existing and future municipal bus ownership as one supported form of bus governance, and crucially ownership, through a municipal exemption. This would permit direct awards of contracts to municipal operators and requires clarity on consequential matters. For example, greater clarity is required on the Competition Test under the Transport Act 2000 and *de minimis* thresholds for subsidies in their specific relation to municipal bus companies.**
>
> **In addition, a municipal safeguard is needed to protect existing municipal operations during the coming transition to strategic authorities in England, where LTAs will change from the local authority (ie council) to a strategic authority with implications for the ownership and control of municipal bus companies.**

ENSURE ALL PLACES HAVE A MINIMUM FLOOR OF LOCAL REGULATION

EPs would become the minimum floor of re-regulation under our proposals. But there are several challenges for EPs, including difficulty achieving genuinely improved outcomes from EPs and limitations on fare integration due to competition law (Fawcett and Fuller 2023). LTAs expressed such concerns during our research, alongside:

- barriers to delivering modal shift ambitions through EPs due to operator rejection
- concerns operators would object to higher ambitions on factors like frequency or fleet upgrades
- limited data from operators
- challenges securing improvements without extra public funding.

The government's Buses Bill makes limited changes to the EP process, which would encourage earlier partnership working between operators and LTAs and accelerate the process where agreement is found.

> **Recommendation: DfT's ongoing EP review should consider balancing power between operators and LTAs and ensuring LTAs can meet the obligation to have either an EP or franchising scheme (as above), alongside practical challenges like data availability.**

3. SUPPORT

Good governance is clearly a foundation for better buses and, as highlighted above, this means strengthening LTAs. It also requires providing the right support to genuinely empower those local authorities with the confidence to plan and the capacity to deliver.

Our research found a lack of strategic overall coherence on buses, despite the last National Bus Strategy aiming to provide it. The strategy was beset by an unstable funding environment and lack of support for LTAs, and followed up with policy incoherence from the last government. For example, we heard from interviewees that retrograde steps like the Plan for Drivers made it unclear if there was support, or even permission, for improving buses such as bus priority measures.

The new government is currently advancing several initiatives which look set to improve buses, including the Buses Bill, INTS and the devolution white paper. These are all welcome steps in setting clearer strategic intention and undertaking to improve powers at the local level to deliver better public transport.

> *"Ultimately – the strategy] needs to be done properly."*
> LTA interviewee

PROVIDE CLARITY OF STRATEGIC DIRECTION

There is a clear need to cohere initiatives within an overarching strategy, and to ensure that this is used to underpin a stable and supportive funding and policy environment for LTAs, and to enable cooperation between tiers of government.

In Greater Manchester, sound strategy is improving and growing public transport through clear passenger-facing and core commitments (Johns and Gerritsen 2025). National political support and strategic approaches have helped create the conditions for a public transport renaissance in other countries, including Norway (Rye 2017).

> **Recommendation: The government's upcoming INTS should deliver a shared vision, set clear goals, and coherently shape the local transport funding environment. A Bus Strategy should sit within the INTS, providing a supportive framework for buses. These strategies should reflect our proposed principles for local bus networks: accessibility and inclusivity, connectivity, reliability and prioritisation, affordability and fare simplicity, attractiveness, integration, sustainability and accountability. These also apply to good integrated local transport. Buses are integral to better and more integrated transport, not separate from it. In practice, our proposed principles could form part of the INTS and LTPs, informing how bus services are designed.**
>
> **For a better funding environment, principles could be mutually agreed by DfT and HMT in consultation with transport authorities.**
>
> **We recommend that modal shift targets informed by the Climate Change Committee's 7th Carbon Budget should be incorporated into the INTS to deliver on transport decarbonisation, alongside supporting the viability of local public transport networks, particularly buses (see chapter 4).**

Legally, LTPs would need to have regard for this national strategic approach and its modal elements in line with the local transport duty, and the Secretary of State for Transport can issue guidance on this under Section 112 of the Transport Act 2000.

Strong national standards will be needed for some principles, like minimum accessibility requirements where LTAs could go further than robust central standards but not fall below them.

Robust definitions and guidance will be required to balance between central government funding needs and providing for local flexibility, such as for network safeguards and minimum connectivity levels. The Buses Bill proposes to provide a definition of socially necessary local services and strengthens protections to prevent their cancellation. This guidance setting out how LTAs should define socially necessary local services is welcome.

> **Recommendation: Socially necessary local service should attract appropriate funding to sustain, protect and grow the routes they demand through the funding approach outlined in chapter 5. These definitions should be interpreted through whole-network, multi-modal approaches to local public transport provision, providing connectivity in line with our connectivity principle, including health and education services.**
>
> **Beyond protecting existing routes, consideration should also be given to where socially necessary local services are missing, and support the creation of new routes where identified.**
>
> **In the long run, our recommendation is to further enhance network safeguards through statutory guidance on urban and rural minimum service standards. The guidance should consider matters like population, geography, public service provision and local need, and set out how transport authorities should define minimum expected service levels within a whole-network, multi-modal approach to local public transport, and how they should provide for and attract appropriate funding to enable them.**

National policy coherence is also needed for a range of related policy areas, including working conditions on buses. For example, government should consider how bus drivers' and other staff's pension commitments are honoured when bus governance arrangements change in an LTA, including between franchising contracts. We have previously recommended that LTAs should use franchising to level up working conditions for workers in the bus industry, as in Greater Manchester (Johns and Gerritsen 2025). We also heard suggestions for England-wide interventions, such as a specific bus pension scheme, which could form part of the supportive policy environment helping LTAs undertake bus reform.

We conclude that an overall balance between national expectations and local flexibility is possible, as long as the government acknowledges diverse local contexts, especially rural ones, and provides flexible implementation. This can be done through supportive and flexible policy frameworks, statutory guidance and local control backed up with adequate capacity and resources.

BUILD CAPACITY ACROSS ENGLAND

We recognise that both strengthening LTAs to deliver better buses and re-regulating local buses require capacity to deliver and manage.

> ***"There is such a dearth of people who know what franchising is and how to do it – so [we] need support."***
>
> LTA interviewee

The legacy of deregulation and austerity has highly constrained LTAs and led to a loss of expertise over time. This includes expertise that is now in high demand for bus reform. The Campaign for Better Transport (2024) found little capacity for strategic planning, more severe constraints for smaller transport authorities, and workforce challenges around recruitment, retention and training, pointing to an impending increase of consultancy support. This aligns with our own research findings: concerns over feasibility and that LTAs could become overburdened with reforms, including reorganisation, devolution, bus reform and wielding new powers. These challenges are not insurmountable, but they demand a concerted effort to develop local capacity.

> **Recommendation: Provide a central function offering support, capacity and guidance to LTAs; the best candidate for this is expanding the role of DfT-funded Bus Centre of Excellence (BCoE) towards being a body like Active Travel England. This should work with existing regional bodies and networks like Transport for the North, helping develop rich national and regional networks that can improve capacity and mutual support across England. Its support should include:**
>
> - **sharing expertise through a best practice hub, including for franchising, decarbonisation and network planning**
> - **a capacity pool for secondments between local and central government and bus operators, with a focus on knowledge sharing and upskilling LTAs**
> - **hosting templates and toolkits for governance, contracts and operational documents, including for all processes required to change a local bus governance model**
> - **advising LTAs on LTPs, franchising and large capital schemes**
> - **assessing local capabilities to identify skills gaps and inform training and capacity-building exercises (including future funding) that may be available, building on DfT 2023.**

Alongside our flexible and devolved funding approach set out in the following chapter, we conclude that such policy coherence and capacity building could reinforce the ability of transport authorities to improve local bus networks.

UNDERSTAND THE VALUE OF BUSES

Our research has also highlighted a clear gap in a robust and shared understanding of the economic, social and environmental value of buses. There are examples of good practice, such as the social value toolkit (Arup 2024). However, a common framework for measuring this broad value is lacking and we consider this has driven underinvestment in buses over time. Our research has found strong economic, environmental and social benefits of buses, and disbenefits of declining use (Johns and Gerritsen 2025).

Good local public transport is crucial for both growth and distributional objectives like widening access to opportunity in its broadest sense. Individual routes have many objectives to consider: connecting suburbs to economic centres, airports to their cities, night-time economies to customers or residents to hospitals. We advocate for a whole-network approach, which considers overlapping strategic objectives of individual routes at a whole-place level.

Our research highlighted that buses have historically been undervalued by appraisal processes, in part owing to the difficulty of analysing their economic impact, especially compared to rail or road building interventions. Such limitations of appraisals, including narrow and static lenses, are well explored (see, for example, Coyle and Sensier 2018). We conclude that one outcome of this narrow analytical approach to value for money is an underinvestment in buses, especially since 2010. Recent

government statements on existing approaches' limitations, namely TAG and the Green Book, are welcome.

> **Recommendation:** **DfT, working with the capacity body proposed, and HMT should collaborate to develop a shared understanding of buses economically, socially and environmentally. This should lead to a more comprehensive conceptualisation of the value of buses, not only including their operational impact and passenger spending as we have (Johns and Gerritsen 2025) but also considering important factors that we have not, such as impact on labour markets, productivity, land value and the value of reduced congestion. It should seek to develop the existing evidence base where there are evidential gaps. The holistic, place-based understanding of better local public transport that we promote here should better capture the value for money of investing in local bus networks, which we conclude is likely to see an increase in the share of investment allocated to buses.**

4. DECARBONISE

Transport emissions have remained stubbornly high in recent decades and now represent over a quarter of domestic emissions, with over 50 per cent of these coming from cars and taxis (DfT 2023). A thriving bus network with zero emission buses helps deliver wider government climate goals through two mechanisms: reducing emissions through electrification and promoting modal shift from private cars to buses.

The benefits go beyond emissions reductions to include reducing congestion, improving air quality, and going some way to make the transport system fairer.

Cuts to bus provision since 2011 have decimated patronage, with over 1 billion fewer trips made by bus in 2023 than in 2011. These cuts have slowed progress in decarbonising transport, resulting in an estimated 750 million additional miles driven in cars since 2011, with corresponding emissions.

SET AN AMBITIOUS MODAL SHIFT TARGET FOR BUSES

The Climate Change Committee (CCC), in its seventh carbon budget, suggested that 7 per cent of trips should be shifted from cars to bus and active travel by 2035, rising to 10 per cent dependent on further commitments by government (CCC 2025).

The Mayor of London has a target for 80 per cent of all trips in London to be made by walking, cycling or on public transport by 2041 (TfL 2023). In 2022, trips on bus or tram accounted for 12 per cent of total trips in the capital (ibid).[1] Modelling for TfL suggested that a low, medium and high ambition on modal shift translated to increases in bus kilometres of less than 1, 2 and 4 per cent by 2030,[2] relative to 2018 (Element Energy 2022), but that other interventions could result in an increase in bus kilometres of between 25 and 50 per cent (ibid).

Away from London, previous IPPR analysis found that scaling up buses in England's metropolitan areas to London levels of provision could take 900,000 cars off the road, reducing emissions by 18 per cent by 2030 versus DfT's core projections (Frost et al 2023).

We model three modal shift scenarios. We distinguish modal shift targets between urban (metropolitan) and rural (non-metropolitan) areas, since the potential for modal shift in urban areas is much higher than in rural areas. Similarly, we address London separately as it is starting from a higher baseline of bus ridership, which reduces the opportunity for significant modal shift compared to other urban areas. Further details on modelling can be found in the Appendix.

1 This includes the tube and overground. Prior to the Covid-19 pandemic, public transport accounted for 35 per cent of trips.

2 Up to 2050, the low scenario reaches 1 per cent, the medium scenario maintains 2 per cent, which increases to 5 per cent in the high scenario.

TABLE 4.1: URBAN AREAS HAVE GREATER POTENTIAL FOR MODAL SHIFT THAN BOTH LONDON AND NON-METROPOLITAN AREAS

Modelled modal shift targets by different places over time, expressed as a percentage shift in passenger kilometres travelled from cars to buses

Modal shift	Urban		London		Rural (non-metropolitan)	
	2030	2050	2030	2050	2030	2050
Low	3	7	3	5	1	2.4
Medium	4	7	3	6	2.4	5
High	7	10	5	10	4	6

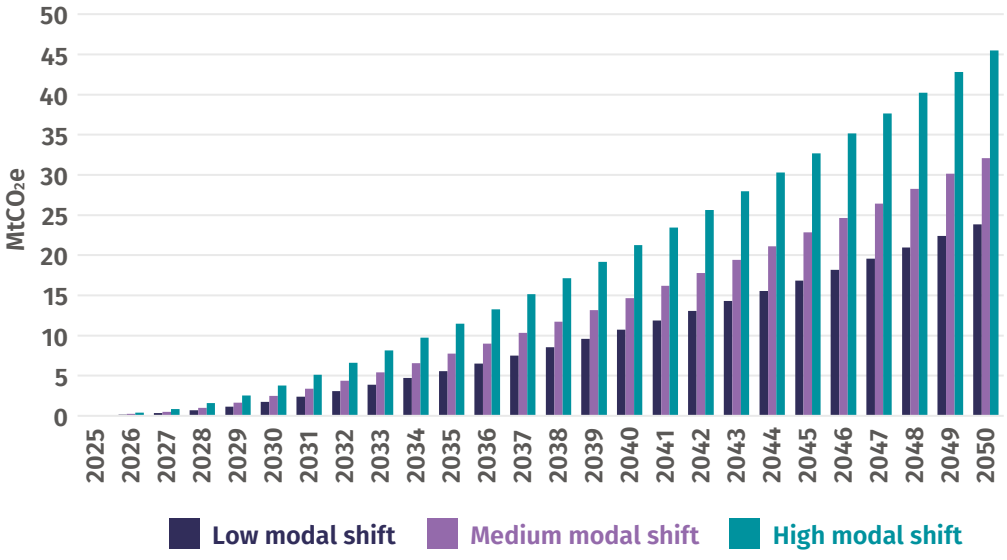
Source: Authors' analysis, see appendix

Recommendation: Government should set a modal shift target for trips/distance to be made by bus rather than by private car. This should be in line with national emissions reductions targets and informed by the CCC to be 4 per cent in urban areas by 2030. This should be reflected in the Bus Strategy for England and the INTS. LTAs should have modal shift targets appropriate for their geographies.

Delivering the mid-level modal shift target would see total bus kilometres travelled in England returning to 2010 levels, before cuts to bus services (Johns and Singer Hobbs 2025). This would result in cumulative emissions savings from lower car use of 2.4 MtCO2e by 2030, and would result in over 6 billion car kilometres shifting to the bus in 2030 alone.

FIGURE 4.1: THERE ARE SIGNIFICANT EMISSIONS REDUCTIONS AS A RESULT OF MODAL SHIFT FROM CAR TO BUS

Modelled cumulative savings from the reduction in car use as a result of proposed modal shift from cars to buses, 2025 to 2050



Authors' analysis of DfT (2024a), DfT (2024c), DfT (2021), DESNZ and BEIS (2024), DfT (2022), DfT (2024d). See appendix for methodology.

ACCELERATE BUS DECARBONISATION

Accelerating the roll-out of zero emissions buses (ZEBs) and replacing the existing stock of primarily diesel buses will reduce emissions and deliver cleaner air, while also capturing the economic benefits of bus manufacturing in the UK (Gasperin and Narayanan 2025). Current procurement of buses, and ZEBs specifically, is a mixed picture. Some operators purchase vehicles directly, while others are bought by the LTA and sold or leased back to the operators, among several other models. This leads to uncertainty for manufacturers and means some LTAs, particularly smaller or rural ones, miss out on economies of scale.

Our research has found that ZEBs, and bus upgrades more generally, can play a role in increasing patronage. Feedback from some LTAs suggests an improved passenger experience on electric buses and a smoother ride for drivers. Others have found that due to operational savings, and assuming that savings are reinvested, investment in ZEBs could deliver an additional 46 million trips, associated with 33 million vehicle kilometres per year (Ellerton and Fuller 2023).

To achieve this in a meaningful timeframe requires an accelerated approach. Maintaining the 2020–24 pace adoption of ZEBs would mean that England's local bus fleet would not be fully decarbonised (ie the entire fleet made up of ZEBs) until 2089. Achieving full fleet decarbonisation by 2040 or even 2050 requires a considerable acceleration, as figure 4.1 shows. Around 980 more ZEBs were put in service in England between 2023 and 2024, which would need to rise to an average of around 1,720 each year to reach full decarbonisation by 2040, or 1,060 each year to reach full decarbonisation by 2050. Meanwhile, 15,000 buses in England's major cities must become ZEBs by 2046 to enable city regions to hit their own net zero targets, such as Greater Manchester's 2038 goal (Drozdova 2023).

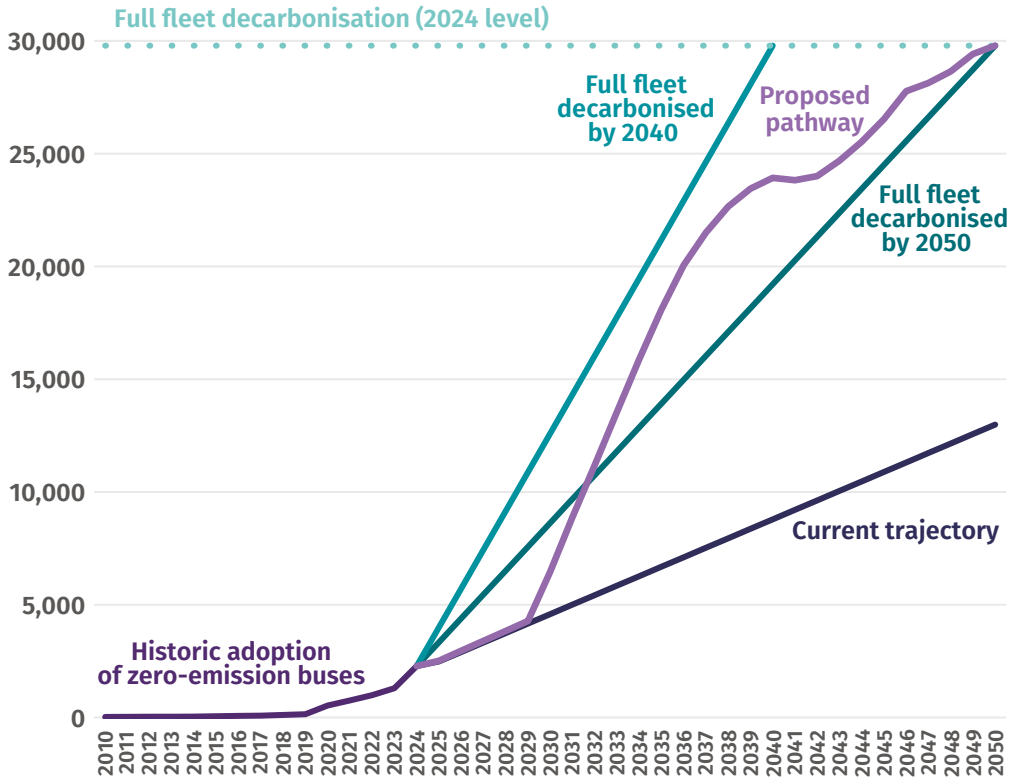
Below, we have modelled a proposed pathway around three stepped objectives:

- implementing the ZEB mandate in 2030 so that all new buses are ZEB
- urban areas[3] reach full fleet decarbonisation by 2040
- all other areas reach full fleet decarbonisation by 2050.

3 The model for figure 4.2 has used metropolitan areas in England and London as a proxy for urban areas and non-metropolitan for rural. We recognise this is an imperfect categorisation.

FIGURE 4.2: THE ROLLOUT OF ZEBS FOR ENGLAND'S LOCAL BUS FLEET IS SIGNIFICANTLY SLOWER THAN NEEDED FOR THE FLEET TO PLAY ITS FULL PART IN ACHIEVING THE UK'S NET-ZERO TARGET BY 2050

Modelled adoption of ZEBs, future projections, and proposed pathway to full fleet decarbonisation for the local bus fleet in England, 2010-50



Source: Authors' analysis of DfT 2024a and 2024b. See Appendix 1 for methodology.

Recommendation: **Accelerate ZEB rollout and provide certainty with a realistic pathway to full fleet decarbonisation by 2050 at the latest, in line with our proposed pathway, implementing the ZEB mandate included in the Buses Bill and adopting technological priority in favour of electric buses, prioritising their rollout today.**

UNLOCK DECARBONISATION OPPORTUNITIES WITH FRANCHISING

"[There is a] need for a detailed decarbonisation strategy within the franchising process."

LTA interviewee

The franchising process offers a unique opportunity to accelerate the decarbonisation of the bus fleet by leveraging a greater degree of public control over our bus networks. Franchising supported both London and Greater Manchester in their roll-out of ZEBs as they could specify the vehicle types on specific routes. As franchising is rolled out more widely across England, there is an opportunity to accelerate the roll-out of electric buses.

"We want zero emission buses – and have had some trials – but there's not enough funding. [Government] might set the ambition around net zero, but they don't have the levers to enforce it, and then there's a huge range of challenges in supporting infrastructure like depots and charging."

LTA interviewee

However, there is a need for clarity and certainty beyond the franchising process for operators and bus manufacturers to unlock the transition. This will include energy policy alongside transport policy, particularly grid infrastructure. In previous work, IPPR has said the government should be clear that the technology of the future for buses will be electric rather than hydrogen, except for some long-distance routes (Frost et al 2023). This will give manufacturers and operators technological certainty.

COORDINATE PROCUREMENT OF ELECTRIC BUSES

In the absence of a ZEB mandate or a guaranteed revenue stream for operators to transition to ZEBs, bus manufacturers have been reluctant to ramp up production of ZEBs (Gasperin and Narayanan 2025).

ZEBs currently have higher upfront costs than internal combustion engine (ICE) buses, but cost less to run and operate, making them cheaper overall according to our research interviews and organisations like Zemo (2022). Purchasing ZEBs therefore represents a challenge of higher immediate costs but longer-term savings. A collective coordinating mechanism for procurement should address the uncertainty present in UK manufacturing of buses, while supporting fleet operators with the high upfront costs of ZEBs. This will also act to increase domestic demand, boosting UK-based manufacturing and delivering growth and jobs. Under a franchised model, LTA ownership of the fleet and depots (with a model of buses leased or rented to operators) supports roll-out of ZEBs and would enable our recommendation of a National Bus Company to work to its full potential.

RECOMMENDATION: A NATIONAL BUS COMPANY

DfT and LTAs (including strategic authorities and London) should establish a National Bus Company (NBC) to drive the transition to ZEBs, building on the new Zero Emission Buses Manufacturing Panel.

The NBC would be a national joint venture consortium for ZEB procurement and financing, acting to enable greater investment in greener buses and support LTAs to upgrade their fleets.

The NBC's functions would include:

- **an aggregated order book consolidating ZEB procurement**, creating a clear and predictable demand profile for UK-based manufacturers. A high volume of orders could enhance the negotiating position of LTAs, driving down costs and supporting longer-term market stability. Manufacturers would benefit from economies of scale, which would reduce the average cost per unit while buyers enjoy lower prices.
- **guaranteeing investment**, acting as a guarantor or 'purchaser of last resort' for the procurement pipeline and enabling LTAs to explore different models.[4] The NBC could also play a role in managing stranded assets – facilitating stock transfers between places on temporary or permanent bases according to need.
- **offering low interest loans** for essential capital projects, which might include bus priority measures, depot renovations or purchasing ZEB fleets, or transformation projects like the establishment of municipal bus operators. These could be backed by central government funding, such as through the UK's Green Gilts or by HM Treasury specifying the ability of the NBC to borrow through the Public Works Loan Board facility, and potentially alongside private finance.
- **hosting risk pools** for LTAs to pool their revenue risks collectively, which could particularly support LTAs in rural settings to take forward gross-cost franchising initiatives.

Central government would take a minority interest in the NBC, alongside LTAs, which would be governed by a board that includes LTAs and DfT. A strong operational mandate and risk management framework would be required, building on an inclusive stakeholder consultation to meet policy goals such as the INTS principles, and to ensure effective management of the NBC. This would also help ensure that there is balance between central government's supportive role and fiscal capacity, existing expertise across LTAs and their local policy priorities, and between competing demands.

The NBC could be funded by a combination of central government capitalisation, private contributions, and contributions by LTAs that procure through it. We recommend that future ZEBRA funding should be invested through the NBC.

We have considered several governance models for a National Bus Company, settling on a local-national partnership model rather than a wholly centrally- or locally-led approach, particularly to take advantage of central government's fiscal capacity.

4 These might include rent-to-buy, leasing, equity sharing or total purchase of buses from the Company's pipeline.

ADDRESS CHALLENGES THAT ARE SLOWING ZEB ROLLOUT

There is broad support for decarbonisation of fleets across the sector. But stakeholders raised several challenges, which include the high upfront capital costs of ZEBs, the infrastructure investment required, supply chain issues (as above), and the range required for some rural routes. Some stakeholders also raised concerns around the sustainability and ethics of battery sourcing and recycling, fire-safety standards, lack of standardisation of charging infrastructure, and that regulation had not kept pace with the ZEB roll-out.

This has contributed to slow roll-out of ZEBs across the country, and concern among some LTAs that a ban on diesel buses would create significant challenges.

Resolve grid infrastructure challenges

The transition to ZEBs will require infrastructure investments to support it. Recharging the buses will require redesigning bus depots to ensure they have appropriate facilities and, in some cases, opportunities to recharge en route. Grid connections and adaptations to existing depots will require working with the National Grid to ensure connectivity, a challenge faced across multiple sectors, with significant time lags and wider infrastructural requirements to upgrade depots. Franchising facilitates collaboration across regions, offering benefits for energy infrastructure – for example, collaborating or feeding into Local Area Energy Plans – and for removing barriers to shared charging infrastructure or depots that exist between operators under other models.

> **Recommendation: DfT should work with DESNZ, Ofgem and NESO to ensure that transport infrastructure is included in the work being done around grid connections and upgrades. Bus electrification projects should be considered key demand projects which need accelerated connections to the grid.**

Mitigate rural challenges

Due to the longer distances associated with rural routes, reduced profitability related to lower population density, fewer competitive choices for smaller buses, and operators that tend to be smaller, decarbonisation in rural areas will be more challenging than in urban areas. As a result, it is likely that rural areas will need more time and more support to remove diesel buses from the road.

It is likely that rural LTAs will require additional support to design both charging networks and routes across their areas to ensure successful deployment of electric buses. Although battery range is increasing at pace, rural operators will need to continue to use diesel buses in the short term. As urban areas electrify, it is likely that ex-urban buses will join the rural fleet (as modelled above). Many of these are more efficient and have higher air-quality compliance than rural rolling stock, offering rural areas improvements alongside time to prepare for ZEBs.

> *"Operators are going to find it harder to make the case internally within their own group level authorities to make business case for ZEBs – especially for rural areas. The cost involved in doing that is going to be that much higher. Rural areas need a boost to pursue this."*
> Rural transport authority

Rural areas are often served by smaller bus operators, who face significant challenges with electrification due to a lack of access to capital through previous ZEBRA funding. Any LTAs considering franchising or alternative governance models should ensure that smaller operators, including community transport services, are adequately considered in these processes. This should ensure that smaller operators do not get left behind or unduly penalised by a mandate relative to larger operators.

> **Recommendation: DfT should develop a planned approach in consultation with rural LTAs to decarbonise rural buses during the lifetime of the cascaded diesel bus fleet, as the zero-emission mandate proposed in the Buses Bill is put into effect. This should consider the extra support needed to develop appropriate electric bus infrastructure and help LTAs coordinate it with the design of their network.**

Previous work by IPPR has suggested aligning rural bus networks around 'anchor town' or rural transport hubs to ensure vital services are accessible by public transport links, while aligning these hubs to electric charging infrastructure (Singer Hobbs and Frost 2024). Park-and-ride or demand-responsive transport services could also be part of the design of such hubs, though research has found that bus and rail services are likely to drive the greatest demand for them. Public engagement has also concluded that such hubs tend to be viewed positively, and have strong potential to transform local communities if developed with local needs in mind (TfN 2025).

5. INVEST

There are significant benefits to investing in buses, from the growth opportunity and supporting domestic manufacturing (Gasperin and Narayanan 2025) to reducing transport emissions and ensuring everyone can access the jobs and opportunities they need. However, the current funding model for buses across England is complex, competitive, unstable and short-term, acting as a barrier to many of these benefits. To grow bus use and achieve modal shift targets, bus networks need to be reliable, affordable, and in place long enough for people to change their habits. Funding design should be commensurate with this challenge and the principles outlined above.

Despite a fragmented picture, the return on investment for buses and bus infrastructure is very good; in addition to the analysis above, DfT's own analysis finds that major schemes have a return of £4 from every £1 invested (DfT 2016).

In 2023, the government spent over £2.3 billion in revenue on bus services (DfT 2024a), allocated through the various channels in figure 5.1. While the October 2024 budget prevented immediate decline to existing services (Johns and Gerritsen 2025),[5] it effectively ensured 'network stabilisation' in a time of skyrocketing operating costs, rather than enabling transport growth and innovation, with the forthcoming spending review set to resolve several remaining funding issues.

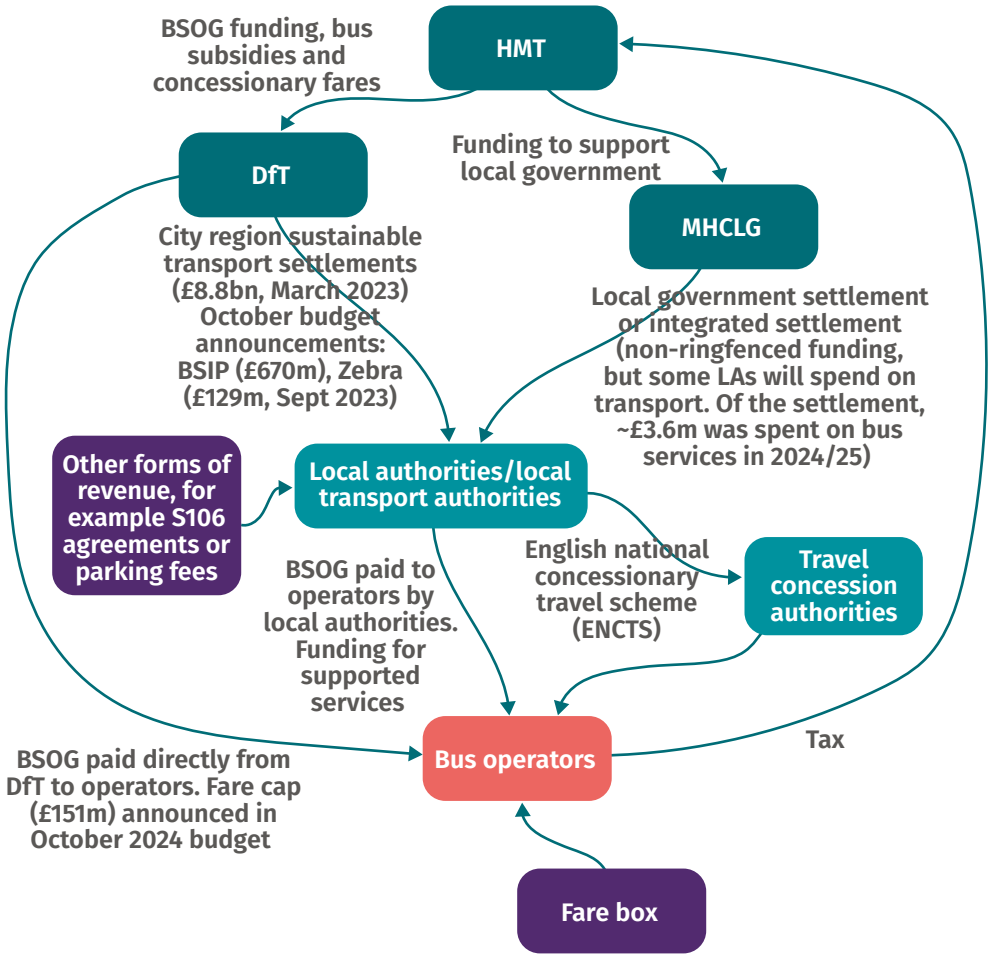
LTAs and bus operators continue to receive funding and grants from central government through several different funding streams. Bus operators and LTAs receive funding from fare-box receipts, but also from a convoluted array of different government pots of funding. Both DfT and the Ministry for Housing Communities and Local Government (MHCLG) fund local authorities through various schemes,[6] while DfT also directly subsidises bus operators through the Bus Service Operators Grant (BSOG). Some local authorities have also adopted other approaches to raising revenue to fund local public transport, most notably Nottingham, which uses a Workplace Parking Levy to subsidise bus and tram services in the city.

5 In the October 2024 budget, the Bus Service Improvement Plan (BSIP), Bus Service Operator Grant (BSOG) and national fare cap funding streams were all extended (albeit with the fare cap raised from £2 to £3).

6 The English National Travel Concessionary Scheme (ENTCS) covers concessionary fares, most commonly for people over 65, disabled people and children. Bus Service Improvement Plans (BSIP) are designed to deliver improvements to the bus network, but in practice are often used to maintain existing routes, the ZEBRA scheme supports adoption of ZEBs, and there are a combination of local transport funds and the local government settlement from MHCLG which can all be spent on public transport.

FIGURE 5.1: BUS FUNDING IN ENGLAND IS COMPLEX, FRAGMENTED AND INEFFICIENT

Bus funding flows in England



Source: Authors' analysis

Not only is the system complex, but it has operated on short-term horizons for a long period of time. Short-term funding models disincentivise capacity building and longer-term investment, both crucial to improving bus services. Multiple funding streams also result in significant reporting requirements and various conditions, straining local authorities that are already suffering from constrained resources and capacity.

> *"[There's] a lot of scrambling with funding pots and extensions – and it's not been very useful to live in the short-term cycles. "*
>
> LTA interviewee

> *"[It has been] difficult aligning various funding streams and managing financial pressures on local authorities. We need longer-term funding models, and not just 'passing the financial buck' down to local places from central government, lacking in knowledge on how much it costs to run a bus network, [when we] are very revenue poor. [We are] keen for funding to be one pot that can be used over various time lengths and for funded statutory services."*
>
> LTA interviewee

The knock-on effects of the current funding arrangements are wide-ranging, and our research finds they include:

- **short-termism,** deprioritising long-term improvements over short-term costs, undermining strategic planning across public transport networks and integration with policy objectives and matters like spatial planning. This is driven by continued uncertainty among operators and LTAs due to potential variability in both government funding and fare-box receipts.
- **inefficient use** of resources by LTAs, both in terms of bus routes served and staff time
- **slower decarbonisation** and transition to ZEBs due to the stop-start nature of funding cycles
- **high fares** for passengers, with knock-on effects on patronage.

This inefficient and constrained fiscal environment has resulted in LTAs making decisions around trade-offs between social, economic and environmental objectives of their bus networks.

The franchising process, alongside our proposed TTA model, offers a unique opportunity to reform the funding settlements to LTAs in parallel. The new funding settlement can also be aligned to a national bus strategy and the INTS, as proposed in chapter 2, ensuring funding is allocated in a more strategically coherent approach.

CONSOLIDATE AND DEVOLVE EXISTING FUNDING

Consolidating this funding into simplified, long-term funding for buses through these reforms would support LTAs to make strategic decisions and deliver bus service improvements and growth, rather than simply preventing decline of existing networks.

Our analysis suggests that half of all operator revenue in England (outside London) is public subsidy, and devolving the abovementioned £2.3 billion would be a significant shift compared to previously inefficient allocation that has not targeted resources where they are needed most.

> **Recommendation: Funding for buses, and public transport broadly, should be delivered through five-year, single-pot settlements, administered through TTAs. The settlement should increase up to 2030 to reflect expanding capacity, and should embed the considerations outlined below.**

This approach should consolidate and devolve existing funding for buses, and be administered through upgraded TTAs. It should include the English National Concessionary Travel Scheme (ENCTS) and BSOG funding being devolved. The five-year funding cycle should be aligned with updates to the INTS and LTPs in future.

We recommend devolving this funding through a fair and transparent funding formula. In initial setup, there should be a commitment that no place will be worse off in per capita allocations than it is currently. The formula should embed considerations of:

- **Bus usage,** for example passenger numbers, bus miles and ENCTS demand
- **Need**, including population, rurality, socially necessary local service provision and deprivation
- **Growth ambition,** incorporating the latent productive potential of places, such as a productivity potential index (see BBBC 2024)[7] or the productivity gap between the strategic authority area and the national average. It should

7 ie a measure of productivity that could be unlocked by better transport links.

also account for public transport growth metrics in the Local Transport Plan, suitably justified through a clear methodology and an outcomes or delivery framework, like a modal share target for bus travel in that area or the quantitative estimate of the carbon impact of each LTP delivered in full, as is currently set out in LTPs.

We recommend devolving funding through a stepped approach aligned with the Devolution Framework, set out in the devolution white paper. This approach would reflect existing funding settlements for different strategic authorities and is summarised in table 5.1. The emerging MCA outcomes framework models in place, alongside our proposed alignment and strengthening of local transport duties above, should provide sufficient confidence to DfT and HMT for a highly devolved model, providing flexible funding for LTAs to deliver locally.

TABLE 5.1: SUMMARY FUNDING APPROACH FOR DIFFERENT TYPES OF STRATEGIC AUTHORITIES

	Foundation strategic authorities	Mayoral strategic authorities	Established mayoral strategic authorities
Funding approach:	Multi-year bus funding pot	Bus funding via a multi-year local transport funding pot	Funding via integrated settlements

Source: Authors' analysis

EXPAND REVENUE SUPPORT FOR BUSES

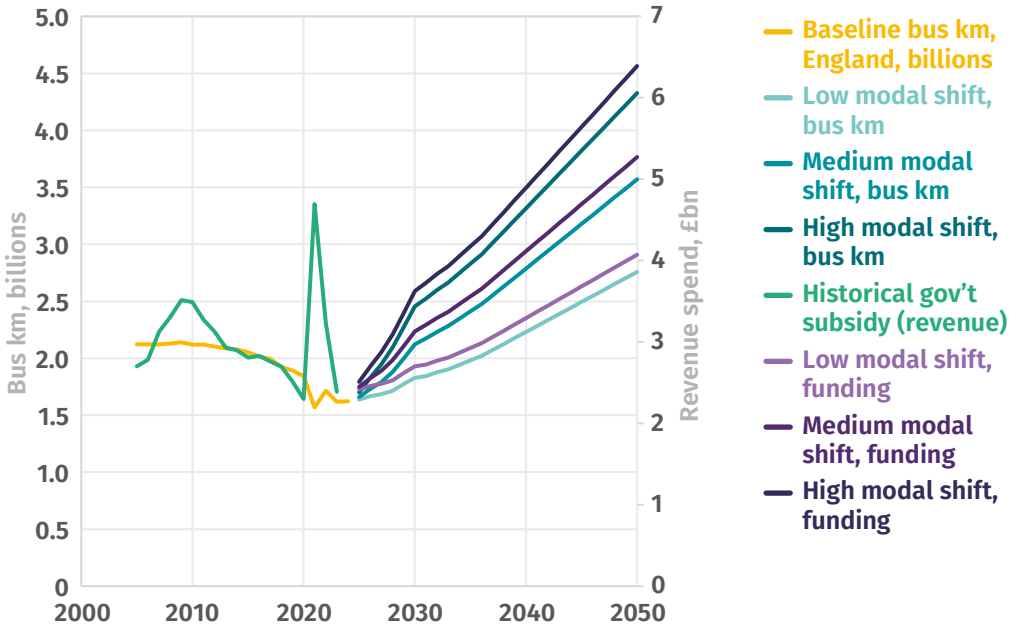
The funding reforms proposed above would deploy existing funding better. But existing funding alone will not be sufficient to reverse the long-term declines in bus services. We therefore call for an uplift to bus funding to deliver widespread improvement and enhancements of the network.

Funding should go beyond simply maintaining services at current standards, and should correspond to modal shift targets. To deliver modal shift from car to bus, funding for bus services will need to increase, alongside investments in infrastructure such as bus priority lanes and other behaviour change interventions (KPMG 2017).

Figure 5.2 illustrates a potential range of bus kilometres and subsidy required of the modal shift targets discussed in the previous chapter. We calculate projected increases in bus kilometres and corresponding revenue funding required to deliver these outcomes, with the medium modal shift target resulting in a return to 2010 levels of bus provision by 2030, and increasing thereafter. This corresponds to a requirement of £3.1 billion in revenue funding by 2030. There is likely to be a requirement for a larger bus fleet as patronage increases due to modal shift. This will have implications for the modelling in the previous chapter.

FIGURE 5.2: THE SCALE OF MODAL SHIFT AMBITION HAS IMPLICATIONS FOR THE SCALE OF FUNDING REQUIRED AND THE INCREASE IN BUS KILOMETRES DRIVEN OVER TIME

Historic and modelled future funding and bus kilometres in line with the above modal shift targets 2000-2050



Sources: Authors' analysis of DfT (2024a), DfT (2024c), DfT (2021), DfT (2022), DfT (2024d). See Appendix for methodology.

Recommendation: We recommend increasing the revenue envelope in line with the modal shift ambitions set out. We estimate this would increase revenue funding for buses from £2.4 billion to £3.1 billion by 2030, equating to just under 18 per cent of today's transport revenue spend, or £54 per person. This pot of transport spending could also be increased through mechanisms including further fiscal devolution to strategic authorities, reforms to road taxation (such as Allen et al 2024 propose), or reallocating funding for the fuel duty freeze to sustainable transport investment (Quilter-Pinner et al 2024) including buses.

Over the longer term, patronage growth, savings from infrastructure improvements and reduced congestion, and the success of new governance arrangements, could enhance bus network viability, allowing central revenue support to be reviewed without damaging services. However, as a vital public service and good, buses should always secure appropriate funding support, including concessions and supporting socially necessary local services. We have previously argued for the reallocation of funding for large new road projects to be redirected to public transport capital spending (Singer Hobbs 2024).

This is particularly relevant in England given the weakness of our local government (including upcoming strategic authorities) in terms of revenue raising fiscal powers when compared to comparable nations (Johns and Hutt 2023), which permits greater subnational spending on local transport. This leaves local transport in England more reliant on central government support and fare-box income than international peers (see Rodrigues 2022, Moody's 2022, for instance).

INCENTIVISE THE TRANSITION TO FRANCHISING

Although the newly streamlined process outlined in the Buses Bill should simplify the process and reduce some costs for local authorities, they will still incur one-off transition costs. The transition to franchising is estimated to have cost Greater Manchester £78.40 per capita, Liverpool City Region estimates it will cost around £66 per person, and West Yorkshire's calculations suggest it will be £44 per person. The transition period from a deregulated bus sector towards re-regulation is likely to result in additional costs for combined and local authorities.

> *"Specific franchising support funds could help mitigate risks associated with transitioning to franchising."*
>
> LTA interviewee

Central government should support local places with these costs, not least because deregulation was imposed on local areas by central government, and they had no choice but to privatise their local assets in the late 1980s.

> **Recommendation: Government should create a Franchise Transition Fund of £580 million, supporting transport authorities to undertake the franchising process consistent with these costs and reimbursing prior undertakings.**

The Franchise Transition Fund is a capital fund, limited to a five-year period, as part of the initial incentivisation to reform and improve local buses. Considering example costs of the transition to franchising (as explored in Johns & Gerritsen 2025), we suggest a one-time pot of £580 million is appropriate (see appendix). Transport authorities should also acquire depots as part of this transition, which could require in order of an estimated £1.4 billion of upfront costs in addition. However, these are assets then owned by LTAs and so existing funding streams, prudential borrowing and bespoke support could enable them to be acquired, potentially through the National Bus Company. Franchising authorities might require government support to address barriers to this, for example through enhanced Compulsory Purchase Order (CPO) powers.

INVEST IN LOCAL INFRASTRUCTURE TO HELP BUSES RUN WELL

Delivering thriving bus networks will rely on more than just investment in the buses themselves. Congestion can have a significant impact on bus networks, with decreases in operating speeds due to congestion having a knock-on effect on operating costs (Begg 2016). Some operators respond to this through increasing fares, which has a knock-on impact on patronage.

The capital envelope for buses should be commensurate with the strategic principles described above and in particular bus priority infrastructure, a green and accessible fleet, and high-quality bus stops and interchanges. This requires investment from national government and recognition of the importance in prioritising these measures to ensure the success of expanded bus networks, delivering services that run on time and meet local need.

Our proposed strengthening of LTAs to TTAs and funding model would enhance the ability to borrow prudently at the local level for capital investment, given it would provide larger and longer-term revenues, and a wider asset base through ownership of bus fleets and infrastructure. This would depend on HMT agreeing debt caps with strategic authorities, accounting for such reforms through the extension of English devolution that is ongoing.

> **Recommendation: DfT should make a 10-year commitment to the capital investments required to deliver better bus networks, informed by the INTS. This should include funding for bus priority schemes, rural transport hubs and others.**

Previous analysis suggests this requires total capital funding of up to £10 billion, as derived from BSIPs (Frost et al 2023, Allen et al 2024, CBT 2022). We recognise that given the fiscal priorities of the Government, this is a significant ask, even over a decade. Yet planned road investment is around £27 billion (CBT 2022), and it has been estimated that up to £10.6 billion could be saved by reprioritising spending away from the most expensive and carbon intensive RIS2 schemes in the current investment period (Allen et al 2024). In the absence of fiscal devolution, the need to rebuild local bus networks and make a success of franchising will require ongoing investment from central government.

ACCELERATE FLEET DECARBONISATION WITH INVESTMENT

> ***"Challenges of transitioning to ZEBs include high upfront costs and the need for better grid connectivity. [It is particularly] difficult for smaller operators to adopt new technologies and upfront funding for ZEBs could help."***
>
> Industry interviewee

As established previously, supporting bus operators to electrify their fleet should form a key component of the franchising process, but support for LTAs to accelerate fleet decarbonisation in line with the recommendations above will be needed. The National Bus Company, as previously recommended, could replace ZEBRA funding.

> **Recommendation: In our interim report (Johns and Gerritsen 2025), we recommended £2.5 billion additional ZEBRA funding. This should be used to fund capitalisation of the National Bus Company.**

SUMMARY OF INVESTMENT REQUIRED

Our revenue and capital recommendations are broadly in line with others' calculations on the level of investment required to deliver a thriving bus network. Calculations for the TUC by Transport for Quality of Life found that a 10 per cent modal shift from car to bus (in line with our high modal shift scenario) would cost £7.5 billion per year in operating costs (Hopkinson 2023), a figure significantly larger than the £3.6 billion we project for our high modal shift scenario.

TABLE 5.2: OUR PROPOSED BUS FUNDING MODEL AMOUNTS TO LARGER INVESTMENT IN BUSES OVERALL AND STRONGER CONTROL FOR LTAS OVER FUNDING

Summary of proposed funding environment

Type of funding	What	How much	Comments
Revenue (ongoing support)	Replace BSOG, BSIP, fare cap and other funding streams with one consolidated funding pot	Starting at £2.4 billion annually (2023 baseline), increasing to £3.1 billion in 2030.	As ridership increases, it is hoped that the balance between central government subsidy and fare box will shift towards reducing subsidy over time
Franchising transition fund	Management and administrative costs	£580 million over five years from central government	This transition fund would expire after five years
	Depot acquisition and preparation	Approximately £1.4 billion in total	Existing funding streams, prudential borrowing, and bespoke central government support (where needed) will enable depots to be acquired by LTAs, who then benefit from ownership of the asset
Capital spend	Investment in infrastructure like bus priority measures	£10 billion over 10 years	A rolling 10-year national capital view derived from analysis of LTPs/BSIPs and allocated via the five-year bus settlements, funded by central and local government.[8]
Decarbonisation	Redirect ZEBRA funding into the National Bus Company	£2.5 billion by 2030 in central government capitalisation	The design of the National Bus Company will mean that after initial seed funding from government, less overall funding will be required

Source: Authors' analysis

8 In franchised networks, this would also include farebox receipts and additional borrowing against them.

6. CONCLUSION

The case for better, greener buses is compelling. Their prolonged decline has hindered local economies, disconnected communities, and stalled reductions in transport emissions. The economic, social and environmental value of good local bus networks demands that we shift our perspective from viewing buses as a service purchased by consumers to recognising them as a public service and economic development tool which provides a crucial public good: connectivity for all.

To achieve this, England must rebuild local bus networks to unlock their value and accelerate decarbonisation through modal shift to buses and bus fleet decarbonisation, in line with the UK's legally binding 2050 net-zero emissions target. A modal shift target is needed alongside investment in zero emissions to fully decarbonise the fleet.

We conclude that a 4 per cent modal shift target in urban areas is needed, reducing car emissions by 2.4 MtCO2e, and a ban on the sale of diesel buses to decarbonise the fleet, alongside £3.1 billion of devolved annual revenue support – all by 2030.

Throughout this research, we have heard that better buses are possible, with examples here at home and internationally. Our focus in this final report is to set out the governance and funding reform proposals to put us on the path to better, greener buses. Our Greater Manchester case study offers insight into how reform can improve services and key learning for how such success can be made available across the country.

Done right, better buses could be a visible change in communities across England, delivered at pace, which should be a political ambition for any government looking for tangible change within a parliamentary term.

Our research has set out eight principles to shape good local bus networks. We have set out a devolve, decarbonise, support and invest approach to meet the ambition of these principles.

- Stronger LTAs delivered through devolution, able to use franchising powers to drive improvements and advance whole-place, whole-network approaches would raise service levels.
- Accelerating decarbonisation through an ambitious modal shift target and an accelerated approach to ZEB rollout would contribute to a healthy environment, clean up air quality, contribute to the UK meeting our decarbonisation pathway goals, and see economic benefits of decarbonisation at home.
- Central government supporting LTAs with strategic clarity and a focus on capacity building would deliver a shared vision and shape the funding environment in the direction of better buses for all communities.
- Investing in a better funding environment can raise standards across the country, promoting renewal and decarbonisation. Devolved funding distributed fairly, a larger revenue envelope to support buses, a franchise transition fund, and capital investment in local infrastructure would provide the financial

stability and means to not only protect local bus networks, but grow them ambitiously as a viable alternative to the car.

Altogether these findings suggest better, greener buses should be a goal across government, including DfT and DESNZ on decarbonisation, and HMT and MHCLG on their local growth potential.

These principles, and governance and funding framework, can create the conditions for better, greener buses which foster economic growth, social inclusion, and a healthier environment across England – visibly, a change everyone can get on board with.

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APPENDIX: MODELLING METHODOLOGIES

FIGURE 4.1. EMISSIONS REDUCTIONS AND MODAL SHIFT

Modal shift targets were informed by the Climate Change Committee's 7th Carbon Budget. They estimate that by 2035, 7 per cent of car demand will be shifted to public transport or active travel, rising another 3 per cent with ambitious government action. Modal shift targets were calculated for urban (metropolitan) areas, London, and non-urban/rural (non-metropolitan areas). A range was calculated to account for higher or lower ambition in modal shift.

DfT projections of road traffic increases and the baseline EV rollout included in the Transport Decarbonisation plan were used when carrying out forward projections. Bus occupancy levels were calculated to increase over time, with urban areas reaching current London levels by 2030 (17.2), rising to the maximum London occupancy level achieved in 2035 (20.5 in 2014 and 2015). London levels were projected to rise to 2015 levels of occupancy by 2030. Non-urban/rural areas were projected to increase occupancy from 11 to 12 by 2030.

The model contains several other assumptions, including:

- After 2030, the increase in bus patronage is projected to be linear to 2050. Changes in funding arrangements, the franchising process, other bus priority measures, or to motoring taxation will all have an impact on bus patronage, but a linear projection gives a trajectory for bus patronage over time.
- Bus subsidy per kilometre stays consistent over time, up to 2030. Subsidy is dependent on patronage, occupancy, and other factors such as governance. This is hard to predict and will likely change during the franchising process. It is likely that as patronage increases, the ratio between fare box and subsidy will shift, but during the roll-out of franchising, subsidy per kilometre will need to remain constant.

FIGURE 4.2 BUS FLEET DECARBONISATION PATHWAYS

To model a realistic pathway for bus fleet decarbonisation aligned to the policy goals recommended, we created a fleet replacement model. This model combined a stabilised fleet replacement cycle, with modelled impacts of policy proposals that from 2030 all new buses are ZEBs, and accelerated trajectories of full decarbonisation by 2040 in metropolitan areas and 2050 elsewhere.

This model contains several assumptions to estimate a pathway:

- The size of England's bus fleet and metropolitan area (and London) fleet and non-metropolitan fleet within it remain the same over the period to 2050.
- Life expectancy of buses is on average 17 years and buses are replaced on average when they reach this age.
- The age of buses in England's bus fleet is normally distributed and will continue to be so, with stable mean ages of buses in 2024 of 10 across England, 8.3 in London and metropolitan areas, and 10.8 in non-metropolitan areas.

- Adoption of ZEBs beyond the stable replacement cycle follows a geometric replacement curve, with slow initial ramp up followed by sharper increases as supply chains, infrastructure and procurement scale over time, calibrated to reach full decarbonisation in target years for each area.
- Additional buses in metropolitan areas adopted in line with the accelerated 2040 deadline above the replacement rate are transferred to non-metropolitan areas, causing ZEB adoption there to fall behind the curve until closer to the 2050 deadline.

FIGURE 5.2 REVENUE SPEND AND BUS KILOMETRES

Revenue spend was calculated using the 2023 bus subsidy per kilometre (£1.48) as the baseline. This is higher than subsidy per kilometre in the austerity period, which hovered at £1.40, but lower than the high of £1.65 in 2010, or the significant subsidies during the Covid-19 pandemic.

FRANCHISE TRANSITION FUND

To estimate the Franchise Transition Fund envelope, we used existing CA estimates of franchising transition costs (Johns and Gerritsen 2025), taking lower cost bounds to reflect process improvements achieved both by learning from past implementation and process improvements from government streamlining, and our wider package of reforms recommended in this report. We estimated total costs across all existing CA areas, assuming all would franchise by 2030, and assumed that up to 50 per cent of remaining areas (by population) in England would do so by 2030, as an upper ceiling to the fund.

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