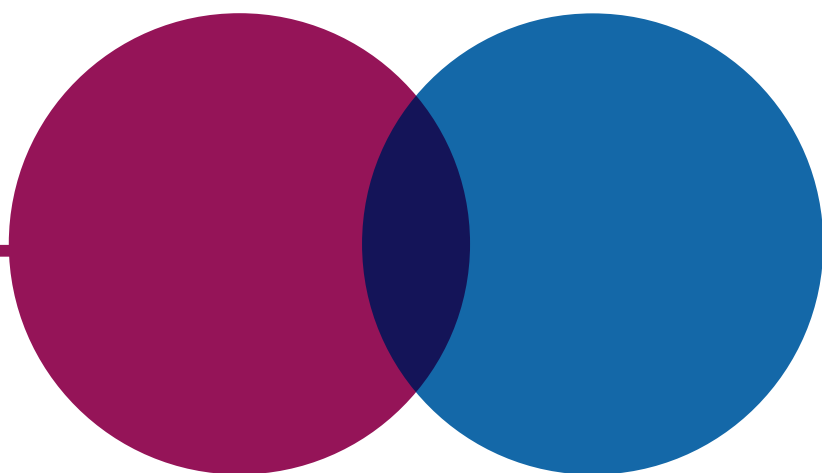




National Audit Office



REPORT

Local Bus Services in England

Department for Transport

SESSION 2024-25
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HC 949

Key facts

£5.9bn

Department for Transport (DfT) funding specifically for buses between 2020-21 and 2024-25

£2.0bn

of which was support for COVID recovery

9%

percentage decline in passenger bus journeys since 2019-20 in England (outside London)

50%

percentage of bus sector revenue that comes from public funding in 2023-24

15%

reductions in bus services outside London, measured in kilometres travelled, between 2019-20 and 2023-24

2,799

estimated number of zero emission buses part-funded by DfT by 2025

13

number of separate grants DfT has used to fund buses

£13 million to £22 million

DfT's estimate of the costs of the transition to franchising for a local transport authority, depending on its size and assuming it fully franchises its network

46%

percentage of local transport authorities in 2023 which rated their capacity to deliver local transport as very or fairly poor

Summary

1 Local buses are the most used form of public transport in England. There were around 1.8 billion bus journeys outside London in 2023-24. Buses are essential for millions of people to get to work, education, shops and medical appointments. Buses are a particularly important form of transport for the young, older people, people with disabilities, and lower income households.

2 Despite their importance, bus services in England outside London have been in long-term decline. Passenger numbers had dropped, and the size of the bus network had reduced in the decade leading up to the pandemic, while ticket costs had increased more quickly than rail fares and motoring costs. Successive governments have sought to improve services for passengers and increase bus usage, and more recently to make bus journeys greener.

3 Most local bus services are run by private companies, who set routes and timetables, for profit on a commercial basis, with some socially necessary services being supported financially by local transport authorities.¹ The Department for Transport (DfT) is responsible for setting national policy, and for providing guidance and funding to local transport authorities and bus operators to support bus services. The Ministry for Housing, Communities & Local Government also provides non-ringfenced funding to local authorities for buses. Local transport authorities are responsible and accountable to local people for their choices about spending on local transport, including buses.

4 In September 2019, DfT set out its ambition to achieve long term sustainable improvement in bus services. In February 2020, the then Prime Minister pledged £3 billion in funding over five years for buses. In March 2021, DfT published its national bus strategy for England, Bus Back Better. This strategy set out barriers to improvements, and the changes DfT wished to see in bus services, such as more frequent and reliable services, which are cheaper and better integrated with other forms of transport. The strategy also:

- asked all local transport authorities to put in place a bus service improvement plan (BSIP) by October 2021, setting out how they aim to improve services in their areas; this often involves a mix of capital spending – on bus priority measures, infrastructure and facilities – and revenue spending – such as on fares and additional bus services; and
- required local transport authorities to formalise closer working with bus operators (enhanced partnerships) where they were not taking over responsibility for bus services (franchising).

¹ The 79 local transport authorities are the upper tier of local government with responsibility for local transport in their area. The upper tier of local government can be a local authority, county council, combined authority or mayoral combined authority.

5 DfT is currently sponsoring a bill through Parliament that aims to provide further powers to local transport authorities to improve bus services and grow usage. It includes measures such as simplifying the process for local transport authorities to pursue franchising and allowing new publicly owned bus companies to be established.

Scope of this report

6 This report examines bus services in England outside London, looking at:

- whether the performance of bus services has improved since 2020;
- whether DfT understands the effectiveness of its interventions to improve bus services; and
- whether DfT is set up to address the remaining barriers to improving local bus services.

Our report excludes bus services in London, which has for many years had a different delivery and funding model from the rest of England. We last reported on local bus services in 2020.

Key findings

Performance of the bus sector since 2020

7 DfT set out an ambitious vision for improving bus services but had to change its focus towards supporting the sector through the COVID-19 pandemic. Both local government and industry stakeholders told us that DfT's 2021 national bus strategy, which had been in development before the pandemic, helped focus activity, and that DfT had engaged well with the sector in identifying the barriers to improving bus services. However, COVID-19 restrictions introduced during 2020-21 led to a 61% fall in passenger revenues outside London, meaning DfT had to refocus on supporting the sector. Between 2020-21 and 2024-25, DfT spent £5.9 billion on the bus sector, of which £2.0 billion was re-allocated from improvement funding to instead cover emergency and recovery support to the sector (paragraphs 1.5 to 1.7).

8 Bus service performance has not recovered to its pre-pandemic levels, which were already in decline. COVID-19 has led to changes in how frequently people travel by bus and to the journeys they make. The total number of bus journeys was down by 9% in 2023-24 compared with 2019-20 (from 1.96 billion to 1.78 billion). But the number of concessionary journeys taken by older and disabled people has fallen by 29%. There have also been reductions in bus routes – measured by the distance bus services cover – of 15%, with significant reductions on commercial routes, particularly in more rural areas (paragraphs 1.8 and 1.9, and Figures 4 and 5).

9 The bus sector's commercial viability has weakened as revenues have fallen and costs have increased. Between 2005 and 2019, public funding made up on average 43% of the revenue in the sector, rising to 77% during the pandemic. Public funding to bus operators is now at 50% of revenue, and passenger fare revenue generated by the bus sector has decreased by around 7% since 2019-20. Alongside this, operators have faced increases in costs from inflation (fuel costs 12% higher since 2021) and wage rises (28% higher than 2021). These trends have made it harder for local transport authorities to fill gaps in commercial services provided by bus operators, particularly as local authorities are also subject to significant financial pressures and increased demands for their statutory services such as adult social care and special educational needs (paragraphs 1.10 and 1.11, and Figure 6).

10 Traffic congestion, which has returned to pre-pandemic levels, is reducing the viability and performance of bus services in urban areas. Traffic congestion is a key barrier to improving bus services, as it increases journey times and worsens punctuality, encouraging people to use cars. While bus usage has not returned to pre-pandemic levels, DfT estimates that traffic congestion is back to levels similar to those in 2019. DfT has identified that to break this cycle, improvements to infrastructure are needed that prioritise the flow of bus traffic. Rural and suburban areas also face a cycle of decline whereby services are withdrawn as passenger numbers fall, encouraging more car use, leading to further falls in passengers and more services being withdrawn. Without capital improvements, such as priority bus lanes, or revenue schemes to improve ridership, DfT forecasts that the sector would become financially unsustainable at current service levels, requiring operators to reduce or withdraw more services, or request further public support (paragraphs 1.12 and 1.13).

DfT's measures to improve bus services

11 Bus service improvement plans have been a positive step, although initiatives to improve performance are being implemented later than originally planned. DfT encouraged local transport authorities to develop ambitious bus service improvement plans (BSIPs). Having prioritised COVID-19 support funding for buses, DfT agreed a settlement provided by HM Treasury for bus service improvement plans of £1.2 billion for three years from 2022. This required DfT to change its approach and provide funding on a competitive basis to 34 of the 79 local transport authorities. DfT later awarded three smaller phases of funding to ensure that all local transport authorities received something towards bus service improvement; however, the majority of this funding will come in 2025-26. Most capital improvements have yet to be delivered, and 15% are unlikely to be implemented in their current form. Local transport authorities have reported delays arising from a lack of local support, capacity constraints and inflation, and DfT has extended its delivery deadline for these improvements from 2025 to March 2026 (paragraphs 2.2 to 2.5).

12 Enhanced partnerships have improved governance and co-ordination in

the sector. From July 2021, DfT required all local transport authorities to commit to closer working relationships with bus operators, known as an enhanced partnership, or pursue bus franchising, in order to access funding. Local transport authorities have reported that they see improvements in coordination and communication with operators and greater local political engagement, with the partnerships acting as a forum for addressing common issues. However, some local transport authorities reported that the partnerships have simply formalised existing relationships and have been most effective where these were already working well and where funding has been available. The partnerships also require time and resources to administer, and, where there are disagreements or operators do not provide data, it can be challenging for local transport authorities to enforce the arrangements. DfT is currently undertaking a review of enhanced partnerships, which will provide an opportunity for it to establish minimum expectations for how they should work (paragraphs 2.6 to 2.8).

13 DfT has supported the adoption of zero emission buses, but it will remain challenging for rural services and smaller operators to decarbonise their bus fleets.

In March 2021, DfT established the Zero Emissions Bus Regional Areas (ZEBRA) scheme to part-fund local transport authorities' purchase of vehicles and related infrastructure. The government had a target to support 4,000 zero emission buses across the UK by March 2025, with DfT providing funding of £396 million. DfT estimates it supported 2,799 buses through the ZEBRA scheme and other schemes by that date, around 10% of the bus fleet, with 5,502 new buses supported across the UK when actions by devolved administrations and local government are included. Zero emission buses accounted for around 56% of new UK bus sales between 2021 and 2024, according to industry data. This is ahead of other European countries with large markets for bus sales, and the EU average of 34%. The government is planning to introduce measures to ban the use of new buses that are not zero emission on local services, from a date no earlier than 2030. This will allow manufacturers, bus operators and local transport authorities to plan for this change. It will be more challenging for areas with predominantly rural bus services, and smaller operators, to move to zero emission services (paragraphs 2.9 to 2.12 and Figure 7).

14 DfT's funding for local bus services has generally been short term, and provided through multiple funds, impacting how effectively it can be spent.

DfT's funding has been split across 13 different grants, with different administration, conditions and timescales, increasing complexity and costs. Recent funding allocations have been largely short-term, limiting local transport authorities' ability to invest in effective improvements. DfT's only long-term grant to operators has not been fundamentally reformed for many years, preventing DfT from targeting that spending more effectively. Instead, DfT added conditions to the design of a new grant to influence activity. DfT's £2 bus fare cap achieved its aims to make bus journeys more affordable for lower-income households and to increase bus usage. However, the government repeatedly extended the end-date at short notice, making it difficult for bus operators to make commercial decisions. DfT has taken some steps to simplify bus funding to local transport authorities and has started consolidating individual grants into a single bus grant from 2025-26. It plans to devolve responsibility for how this funding is used to local transport authorities (paragraphs 2.13 to 2.17 and Figures 8 and 9).

15 DfT's monitoring has been focused on individual activities rather than the outcomes it wants local authorities to achieve for bus services. DfT's funding assurance is often tied to specific outputs, and while DfT collects a lot of data on bus services at the local transport authority level, it has not brought these together to track what outcomes it is achieving with its funding and determine how it could better target improvements. Some of its data are also only available after long time lags or are not routinely collected across all local transport authorities. DfT is undertaking initiatives to improve the information it collects and has a formal evaluation programme for its funding schemes ongoing. As DfT consolidates its grant schemes, it aims to change how it measures what it is achieving by implementing an outcomes framework which will specify metrics for each local transport authority, which it plans to pilot later in 2025-26. This will allow local transport authorities themselves to determine how best to deliver improvements while providing greater transparency to local residents on the performance they should expect. It will also help DfT to understand performance, and intervene where there is under-performance in individual local transport authorities, though it has not yet determined when and how it would do so (paragraphs 2.18 to 2.21).

Addressing barriers to improving bus services

16 DfT is supporting local transport authorities that decide to pursue franchising, building on experience in Greater Manchester, but substantial effort and investment will be needed to replicate this elsewhere.

Franchising gives local transport authorities control over bus services and can allow them, for example, to specify routes and fares that meet local needs. Greater Manchester Combined Authority told us they were positive about what franchising will allow them to achieve with bus services, including improving punctuality and increasing passenger journeys. However, transitioning to and running franchised services requires investment, including significant planning and commercial preparation, while introducing financial risks if costs increase more quickly than fare revenues. DfT estimates that the transition to a fully franchised network (like that in Greater Manchester) in each area could cost between £13 million and £22 million, with net operating costs of £3 million to £39 million per year, depending on the size of the local transport authority. DfT is exploring different franchising models, such as franchising only a certain number of the services in an area, that local transport authorities could adopt. It is also refocussing support towards those areas pursuing franchising (paragraphs 3.3 to 3.7 and Figure 11).

17 There are gaps in local authority capacity which remain a critical risk as they take on more responsibility for bus services.

Financial pressures on local authorities have led many to scale back their transport planning and delivery capacity in order to focus on statutory functions such as social care. Research commissioned by DfT in 2023 found that 46% of local authorities rated their capacity to deliver local transport as very or fairly poor. This was particularly the case for county and unitary councils, which had typical transport team vacancy rates of around 20% to 25%, compared with a 9% vacancy rate amongst mayoral combined authorities, which have retained staff and expertise from their previous passenger transport executive organisations. Recognising these constraints, DfT has provided around £7 million per year since 2022 for local transport authorities to expand their capacity and hire at least one officer to help plan and implement initiatives within their BSIPs (paragraphs 3.8 to 3.11 and Figure 12).

18 DfT has taken steps to build the capability of the sector and share best practice and innovation, but this activity could be better focused on the outcomes DfT wishes to achieve.

To support the longer-term capability needs of local transport authorities, DfT established the Bus Centre of Excellence in 2023. The Centre provides training courses, cohort learning and seminars to share skills and best practice within the bus sector. However, further devolution will place greater burdens on the capacity and capability of local transport authorities, as they will bear greater responsibility for determining how to use bus funding. Those pursuing franchising will require more specialist expertise such as commercial and legal skills. In future, DfT would like the Centre to better align its work with the needs of local transport authorities and the outcomes DfT wants to achieve. For example, the Centre is developing resources to help local transport authorities consider different franchising models (paragraphs 3.12 and 3.13, and Figure 13).

19 DfT can do more to clarify and communicate its priorities for the bus sector to help local transport authorities and bus operators deliver outcomes for passengers.

Following the July 2024 change in government, the 2021 national bus strategy is no longer government policy. DfT has not yet published an updated strategy setting out its refreshed strategic priorities to guide policymaking and funding, and the level of ambition for buses, such as how they can contribute to the government's missions in areas such as growth and breaking down barriers to opportunity. Later in 2025, DfT intends to produce an integrated national transport strategy which will set out the long-term direction for the transport system in England, and how transport should be built around the people who use it. Buses are key in integrating other modes of transport such as rail, meaning DfT will need to set out how it expects the bus sector, working with other transport modes, to support these ambitions. This should include how bus services can be improved for passengers who have disabilities, or are elderly, considering their whole journey (paragraphs 3.14 to 3.17).

Conclusions

20 Successive governments have aimed to improve bus services for passengers and attract more people to use buses. Despite significant investment from government, these outcomes are not yet being achieved. COVID-19 disrupted DfT's plans and required a shift in focus towards supporting the short-term survival of the bus sector. This has meant that, while progress has been made, long-standing issues with the performance of the bus sector remain. DfT could, however, have made more progress in establishing how it targets improvement from its funding and how it supports and monitors progress towards this.

21 The commercial viability of the sector has weakened, and passengers have seen services reduce. In a changed landscape where local transport authorities will have increasing influence over bus services, it is essential that DfT provides the sector with the tools it needs to succeed. While responsibility for individual bus services sits at a local level, DfT needs to ensure at a national level that its funding and policy interventions are enabling the outcomes it wants. To do so, DfT will need to be clear about its strategic priorities, how it will help raise the capacity and capability of the sector to deliver on those priorities, and how it will intervene where performance for passengers needs to improve.

Recommendations

22 DfT should:

- a** clearly and consistently communicate what its long-term strategic ambitions for bus services and associated plans are, so that the sector can organise itself to deliver these;
- b** ensure that roles, responsibilities and accountabilities within the sector are clearly articulated, understood and shared, including what DfT's role is as custodian of the national bus services system, and under what circumstances and how it might intervene where under-performance emerges;
- c** agree with, and communicate to, relevant stakeholders what range of information it needs to best monitor the bus services system and act to fulfil its role as custodian of that system, including information that will allow it to:
 - assess local transport authority performance;
 - identify leading indicators of emerging issues in the sector;
 - inform how it targets and assesses the effectiveness of its funding;
 - target interventions to achieve national outcomes; and
 - improve the timelines of the data it collects;
- d** develop its understanding of which capabilities local transport authorities will need, to better target the support they receive;
- e** identify further opportunities where it can support local transport authorities to deal with common issues and avoid duplication of effort by providing advice on standardised approaches or templates; DfT should look for this to include, for example, areas such as:
 - support to various approaches to franchising;
 - best practice for enhanced partnerships; and
 - the procurement of zero emissions vehicles;
- f** develop the Bus Centre of Excellence to support local transport authorities and bus operators in the activity that will help achieve the outcomes DfT wants; in doing so, DfT should consider how this could include areas such as:
 - facilitating secondments within the sector, between bus operators and government;
 - collating and sharing of best practice that is relevant to challenges faced by local transport authorities with different characteristics; and
 - providing expert advice on areas relating to capital projects; and
- g** consolidate funding grants for buses and establish the case, for discussion with HM Treasury, for providing long-term certainty to the sector on the funding available for bus services.