

## **Annex A: The use of 2025/2026 Bus Grant for LAs**

### Purpose of the Grant

1. This new Bus Grant is provided to make a real difference for people across the country by improving bus services and keeping fares down. The Department for Transport expects all LTAs to provide a Delivery Plan consistent with an up-to-date BSIP. This could include but is not limited to:
  - introducing new or more frequent services, getting more people to more places;
  - creating safer and more accessible bus stops, stations and interchanges;
  - ensuring bus services are punctual and reliable for passengers;
  - improvements to the bus fleet, including introducing zero emission buses;
  - improving bus service information so people know when their bus will turn up;
  - ensuring that socially necessary services are preserved or created; and
  - local fares simplification and fares reductions.

### Development of a Delivery Plan

2. The allocation of the 2025/26 Bus Grant will enable an Authority to identify which of its schemes it can afford to deliver. This could include the continuation or completion of schemes and measures in its existing BSIP delivery programme, and/or the commencement of new schemes and measures.
3. Authorities are asked to start work on their 2025/26 Delivery Plan for submission to the Department by 31 March 2025 using a template (a copy is enclosed).
4. Authorities are encouraged and welcome to produce and publish a Bus Service Improvement Plan (BSIP) in 2025-26 (if they wish to do so). However, we expect all Authorities to have published a 2024 BSIP. Updated BSIP Guidance will be issued, which will reflect the Government's policy priorities including wider transport integration.
5. The release of 2025/26 BSIP funding will be conditional on submitting to the Department a Delivery Plan and a weblink to a published BSIP (which may be the 2024 BSIP). The BSIP should be a public document for anyone to read and must be published on the LTA's own website in an easy-to-find web location which is notified to the Department.

### Capital investment

6. The purpose of the capital element of the Bus Grant is to fund investment in capital assets which support delivery of the vision set out in the Authority's BSIP. All spending using this funding must meet the definition of the allowable use of capital

funding as determined by the Authority's own Chief Finance Officer (sometimes known as the 's151 officer').

7. As is established practice within the sector, and subject to the caveat above, the development costs of capital schemes can be 'capitalised' into the overall scheme cost and are an allowable use of capital funding.
8. The scope of capital investment should typically include schemes which deliver the Authority's ambitions as set out in its published Bus Service Improvement Plan produced following engagement with local bus operators and any lower-tier local authorities, as well as maintain and enhance the financial sustainability of its bus network, including but not limited to:
  - bus priority infrastructure that delivers faster and more reliable services on key bus routes and corridors;
  - new improved and safer bus stops and shelters, stations and interchanges;
  - equipment that improves bus ticketing, information and network identity, and vehicles;
  - support the purchase of Zero Emission Buses and/or infrastructure.

#### *Wider highways, public realm and safer streets schemes*

9. We encourage the use of capital funding as a contribution to wider funding packages for improvement schemes for safer streets, road corridors, road junctions, neighbourhood or town centre public realm that deliver a holistic design solution to the needs of all users of the street space, but it is important that all capital investment should benefit bus services and bus passengers in some demonstrable way. It is up to LTAs to strike this balance and take the necessary decisions accordingly.

#### *Purchase of vehicles and on-board equipment, including Zero Emission Buses*

10. Capital investment using the Bus Grant for LAs may be used to:
  - (a) support bus operators to purchase zero emission buses and/or infrastructure
  - (b) fund new Zero Emission Bus projects in an Authority that has previously received bus funding, but not to top up an existing DfT-subsidised ZEBRA project.

Please note that Zero Emission Bus Grants should not replace commercial investment that is the usual responsibility of bus operators.

#### Revenue expenditure

11. The purpose of the revenue elements of the Bus Grant is to fund expenditure that supports delivery of the vision set out in the Authority's BSIP but does not result in the purchase or delivery of capital assets.

12. This should typically include schemes and measures such as:

- Network development: enhanced bus service levels and network coverage, including frequency, hours of operation (times of day, days of the week), bus service support, new and restored routes and simplification of the fixed route network.
- Simpler and more affordable fares, including local fares promotions and schemes, as set out in the section below.
- Safety and security: investment in programmes to address anti-social behaviour, through the Transport Security Officers, and deliver buses and bus waiting facilities which are safe and are seen as safe.
- Bus information and network identity.
- Accessibility and inclusion.
- Delivery of Bus Passenger Charters.
- Development of future proposals, including for long-term network transformation.

13. The Bus Grant for LAs includes an element for capacity & capability. Authorities have the flexibility to use all or part of this fund; or to supplement it from the BSIP or LA-BSOG elements. However, there is an expectation that it will be used to ensure the Authority has the necessary skills to deliver the schemes and measures in its Delivery Plan, either through the Bus Centre of Excellence, recruitment campaigns or external contractors.

14. The Bus Grant for LAs may be used for feasibility and preparatory work for considering any move towards bus franchising, the establishment of local authority-owned bus companies or the strengthening of bus Enhanced Partnerships, in line with Government policy on empowering LTAs to take control of their bus networks and in anticipation of forthcoming legislation to make franchising easier and cheaper to accomplish and to facilitate the creation of new local authority bus companies.

15. With the Bus Grant for LAs now allocated, there is an opportunity for Authorities to consider all the priority ambitions and proposals in their BSIP and determine which are the priorities for 2025/26 in terms of being affordable, deliverable, and offering attractive value for money, and will therefore form part of its Delivery Plan.

#### *Use of 2025/26 BSIP funding for network development*

16. Every LTA's 2024 BSIP should have:

- mapped and categorised the existing bus route network by type of service, including defining the areas where non-fixed route provision is to be sought;

- set out credible short and long term ambitions for service level standards for each category of route, including for frequency and hours of operation by time of day/day of week;
- set out prioritised ambitions for network simplification and enhanced network coverage, including both for new/restored fixed routes and for other innovative forms of provision where fixed routes are unlikely to ever to be good value for money.

17. As has been the established practice in the BSIP programme, it is acceptable to use the 2025/26 Bus Grant to safeguard service provision in circumstances where services formerly being operated commercially are at risk of being deregistered, where this is a priority and offers value for money.

18. The Department strongly encourages the use of Bus Grant funding by March 2026 in order to deliver benefits to passengers and communities as quickly as possible. It is recognised that it will not always be fully possible to do so, or to do so in a value for money manner, given the lead times on capital projects and usual lengths of tendered bus service contracts. Where absolutely necessary funding can therefore be carried forward into 2026/27. As the Department cannot provide funding in advance of need this is only appropriate where you are satisfied that without having received the payment in 2025/26 your Authority would not have been able to progress Delivery Plans or enter into contracts (either in absolute terms or at an appropriate cost and value for money). In all cases we would expect a contractual or other significant commitment to have been entered into for the full use of the funding by March 2026. You should maintain a clear record of the rationale for, and where relevant VfM or cost benefits achieved by, and decisions to use this funding beyond 2025/26 – which should be signed off by your s151 officer. A copy of any such record should be submitted with your next quarterly return when it is created or amended. A Project Adjustment Request would need to be submitted to the Department for any delivery beyond March 2027.

#### *Use of 2025/26 BSIP funding for fares schemes*

19. The delivery of simpler and more affordable bus fares is a core objective of both the existing phases of BSIP funding and the new Bus Grant. Authorities are encouraged to consider local objectives for bus fares and to determine what is affordable, deliverable and offers value for money. This includes looking at not just single fares but also the overall structure and range of fares products across all operators in their area including one day, weekly, monthly and annual season tickets, carnet or multi-buy discounts. In particular, Authorities are encouraged to consider the fares discounts on offer to young people.

20. Authorities may use their Bus Grant funding to enter into local agreements with operators to set a single fare cap below that set by the £3 National Bus Fare Cap

scheme (NBFC), if LTAs deem this to be their priority and it is affordable and value for money. To protect bus passengers, no single bus fare on routes included in the £3 NBFC in 2025 will exceed £3, and fares less than £3 will only be allowed to increase by inflation. The £3 NBFC is expected to end in December 2025. LTAs should collaborate with DfT to ensure there is no conflict with the £3 NBFC nor any double funding as a result of any local agreements with operators.