



Department
for Transport

From the Parliamentary
Under Secretary of State
Richard Holden MP

Great Minster House
33 Horseferry Road
London
SW1P 4DR

Tel: 0300 330 3000
E-Mail: richard.holden@dft.gov.uk

Web site: www.gov.uk/dft

**To: All Local Transport Authorities in England,
outside of London**

18 May 2023

Dear All,

Bus Funding and Cost of Living Support for Bus Users

I am writing to inform you about extra help the Government is providing to support bus users and travel in England outside London.

We all know that buses are the most widely used form of public transport, with twice as many journeys as the next most popular type of public transport. We understand the importance of local bus networks in enabling people to get to work, to education, and access services such as healthcare as well as accessing leisure and hospitality in towns, villages, and cities across the country.

We further recognise that, due to Putin's illegal war, many families are feeling financial pressure, and that this may be particularly true of bus passengers. This Government is focussed on halving inflation this year to ease the cost of living and give people financial security. This is why we introduced our "Get Around for £2" scheme that capped single bus fares in England outside London as part of Help for Households.

Therefore, I am pleased to announce that the Government will provide further funding to continue this scheme until the end of this October. This will encourage people back on the bus by knocking close to a third off the average fare, while saving passengers money during difficult economic times especially those who need to travel longer distances by bus.

This will be followed by a longer-term fare cap of £2.50 that will run from 1 November 2023 to 30 November 2024. In total, we are providing funding of up to £200 million. We will work with bus operators to confirm operators' participation in the scheme. And we will undertake a review of bus fares at the end of November 2024 to help the sector move to a sustainable footing.

The importance of buses to the economic health of this country is why, over the last 3 years, we have invested over £3bn in bus services in England outside of London. Most of this funding has been provided to support the sector following the COVID-19 pandemic focused on helping our bus network return to pre-pandemic levels. This support sat alongside existing grant funding to operators, intended to help bus companies keep fares down and run services that might otherwise be unviable.

In addition, through the Local Government Finance Settlement, significant funding (£1.2 billion based on the latest published statistics) is provided to support tendered bus services and to allow free off-peak local bus travel to concessionary passengers. Taxpayer support for bus, including concessionary travel, moved from c.40% of operator revenue to about 60% during the COVID-19 pandemic, and it remains above pre-pandemic levels.

This funding model, reliant on funding from the Government, must adapt to changed travel patterns so bus services are sustainable in the long-term. We will play our role in supporting bus operators and Local Transport Authorities through this transition. So I am also confirming a long-term approach with an additional £150 million provided between July 2023-April 2024 and another £150 million between April 2024-April 2025. This additional funding will help support and improve bus services for passengers, delivering on our priority to grow the economy.

£160 million of this will be provided to you through a new funding stream to help improve bus services, whilst allowing you to make local decisions on protecting services. The new funding stream is in addition to the £1 billion of transformational funding from the National Bus Strategy that has already been allocated. It will focus on places that did not benefit from previously announced allocations from that transformational funding. I have attached to this letter a breakdown of the £80million of this funding being allocated in 2023-24.

A further £140 million will also be provided to operators through a new mechanism that will sit alongside the current Bus Service Operators Grant, and we are currently working with operators to confirm the rates for this grant.

We are committed to wider reform of the existing operator grant and we will publish a consultation in due course on modernising and future-proofing it. We will carefully work to understand the impacts of any proposed changes before implementing the changes to help the bus sector as it moves forward. We will also be working with bus sector to understand the impact of our new funding in enabling connectivity, the ambitions set out in the National Bus Strategy, and our plans to grow the economy, creating better-paid jobs and opportunity right across the country.

In total, we are making up to £500 million available in additional funding; this underlines this Government's continued commitment to supporting our buses.

This continues the largest Government investment in bus services for a generation, and we will continue to work to deliver on our long-term ambition for everyone, everywhere to have access to affordable and reliable bus services. Please note, this funding will not be available to London as it has a separate funding settlement to deliver public transport.

My officials in the Bus Reform team will work with you on the allocations for Bus Service Improvement Plan plus (BSIP+). If you have any questions, please contact the team at: bsip@dft.gov.uk.

Best wishes,

A handwritten signature in blue ink, appearing to read 'R Holden', with a long, sweeping underline stroke extending to the right.

RICHARD HOLDEN MP

MINISTER FOR ROADS AND LOCAL TRANSPORT