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Bus Back Better Support Programme

Support Package 8
Funding mechanisms

April 2023

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1 Introduction

This technical note is one of a series produced as part of the joint project commissioned by three Sub-National Transport Bodies, England's Economic Heartland, Transport East and Transport for the South East, to help support Local Transport Authorities deliver the government's National Bus Strategy for England ('Bus Back Better'). To deliver this strategy, the government has invited Local Transport Authorities and bus operators to formally collaborate and work with stakeholders and bus users to identify, and then implement, initiatives that will improve bus services and attract new users. It is envisaged that these improvements will be delivered through Bus Service Improvement Plans, Enhanced Partnership schemes, and franchising.

1.1 Background

The Department for Transport (DfT) has identified some additional funding to support its key priorities. There are four areas where Sub-National Transport Bodies (STBs) and Local Transport Authorities (LTAs) have been asked to undertake further work:

- **Decarbonisation:** helping the DfT and Local Authorities (LAs) to implement the commitments made in the Transport Decarbonisation Plan.
- **Buses:** helping LTAs to deliver on the commitments in Bus Back Better and develop an effective intra-regional bus network.
- **Electric Vehicle (EV) Infrastructure Strategy:** assisting LTAs in the rollout of EV infrastructure, potentially through regional strategies.
- **Local Authority Capability:** playing a role in building capability within resource- constrained LTAs, to help them in the planning and delivery of local transport.

Three STBs, England's Economic Heartland (EEH), Transport East (TE) and Transport for the South East (TfSE), have joined forces to deliver a package of work to support LTAs in their regions deliver their Bus Service Improvement Plans (BSIPs) and Enhanced Partnerships schemes (EPs). The LTAs are:

- **England's Economic Heartland:** Bedford, Buckinghamshire, Cambridgeshire, Central Bedfordshire*, Hertfordshire*, Luton*, Milton Keynes, North Northamptonshire, Oxfordshire*, Peterborough, Swindon, West Northamptonshire.
- **Transport East:** Norfolk*, Suffolk, Essex, Southend-on-Sea, Thurrock.
- **Transport for the South East:** Bracknell Forest, Brighton & Hove*, East Sussex*, Hampshire, Isle of Wight, Kent*, Medway, Portsmouth*, Reading*, Slough, Southampton, Surrey, Windsor & Maidenhead, Wokingham, West Berkshire*, West Sussex*.

(* indicates an LTA that has received BSIP funding)

The project supports all the LTAs whether they have received DfT funding for their BSIPs or not.

The project is split into two stages. The initial stage of the project – **triage and prioritisation** – ran from August to December 2022. It took stock of LTAs' current progress in delivering their BSIPs and scoped the work programme for future delivery activities. Online workshops were held in September 2022 and provided a forum for LTAs and bus operators to discuss their aspirations and explore themes, priorities, challenges and potential solutions. The project is ensuring that opportunities for technical pieces of work that would benefit multiple authorities are identified and progressed.

The second stage of the project – **implementation** – involves the delivery of support packages for the following topics that were identified during Stage 1:

- Support Package 1: Fares and Ticketing
- Support Package 2: Data Analysis, Monitoring and Evaluation
- Support Package 3: Low Cost and Quick Win Solutions
- Support Package 4: Building a Strong Case and Influencing Decision Makers
- Support Package 5: Infrastructure and Road Space
- Support Package 6: Demand Responsive Transport
- Support Package 7: Rural Hubs and Integration
- Support Package 8: Funding Mechanisms
- Support Package 9: Collaborative Working
- Support Package 10: Marketing
- Support Package 11: Alternative Fuels and Low Emission Vehicles

Support will be delivered using a mix of channels, including webinars, toolkits and guidance, case studies and one to one support. It will also include establishing bus forums in each of the three STB areas to promote efficiency, avoid duplication of effort, share knowledge and best practice, and identify where joint working would be productive. The technical work will adopt a regional approach so that common themes can be identified but localised assistance will be available to improve capacity in LTAs and provide specialist inputs regarding local issues.

1.2 Intended outputs and outcomes

Project Outputs: improved delivery of BSIPs and EPs, and support to LTAs who have not received government funding in the current round. This will include:

- Enhanced evidence base through research papers on prioritised knowledge gaps;
- Knowledge sharing within and between STBs and their constituent members and between the public and private sectors; and
- Better resourced LTAs through prioritised third-party support, provided in targeted areas.

Project Outcomes: these outputs will seek results in outcomes aligned to the National Bus Strategy including:

- Increased patronage;
- Enhanced accessibility and social inclusion;
- Reduced carbon emissions and improved public health; and
- More commercially sustainable bus networks.

TfSE is managing the project on behalf of the three STBs. A consultant consortium of Mott MacDonald and Arup is delivering the project. A Steering Group has been established, comprising the DfT, the three STBs, representatives from some of the LTAs, and Mott MacDonald and Arup.

1.3 Overview

Bus Back Better requires that each LTA's BSIP places a focus on improving bus patronage and service provision by increasing and stabilising the funding available. This Support Package will focus on providing advice to LTAs about how best to access various funding mechanisms and maximise their impact.

A large portion of funding for commercial bus services comes from the fare revenue generated by those services. However, for significant interventions and investments, outside funding streams are necessary. These can come from central government or other sources, a broad range of which will be covered in this advice note.

To help LTAs' and operators' awareness of, and access to, various funding mechanisms that have or could provide support to bus operations, this note is set out as follows:

- **Section 2** explores current cost pressures facing bus operators
- **Section 3** provides an overview and exploration of government's previous competitive bidding procedures;
- **Section 4** looks at the qualities of a successful bid;
- **Sections 5-7** consider opportunities for asset renewal, bus stop improvements, and priority measures, using various funding sources;
- **Section 8** investigates opportunities for developer contributions to bus services;
- **Section 9** examines the use of hypothecated funding streams;
- **Section 10** looks at recommendations for fare levels from a funding perspective; and
- **Section 11** provides three case studies representing the main funding streams for bus operations.

2 Rising cost pressures

The bus industry, like many others, has been subject to rising inflation and increasing cost pressures. This has been combined with a fall in demand in many areas with demand profiles changed, and often still below pre-pandemic levels, leading to a commensurate drop in revenue.

During the Covid-19 pandemic, bus operators were supported by the government through the Bus Services Support Grant (BSSG) which is due to finish on the 30th June 2023. This ensured that key bus services were able to operate during lockdowns to enable key workers to travel, at a time where there was reduced demand from the public and when bus services had to operate at lower capacities due to social distancing measures implemented by the government. Furthermore, since the pandemic inflation has increased significantly compared to previous decades, which in turn is impacting bus operators and their services.

2.1 Bus Service Operators Grant (BSOG) reform

Bus operators receive financial support from the Government for fuel costs in the form of the Bus Service Operators Grant (BSOG). The amount each bus operator receives is based on their annual fuel consumption (or per kilometre operated for zero-emission buses). This subsidy aims to benefit passengers by helping operators keep their fares lower and service levels higher than otherwise would be possible. The rate of BSOG differs depending on the bus powertrain and whether eligibility for incentives are met. The current rate of BSOG is shown in Table 2.1.

Table 2.1: Current BSOG rate

Fuel type	Unit Payable	BSOG rate
Diesel	Pence per litre	34.57
Biodiesel	Pence per litre	34.57
Bioethanol	Pence per litre	34.57
Biofuels – used cooking oil	Pence per litre	34.57
Unleaded petrol	Pence per litre	32.66
Natural gas used as road fuel	Pence per kilogram	18.88
Road fuel gas other than natural gas	Pence per kilogram	18.88

Operators may also receive incentives on top of their BSOG rate for operating low or zero emission vehicles and for having smartcard systems installed:

- Smartcard and automatic vehicle location (AVL) incentives: operators may receive an 8% increase in their BSOG rate for vehicles that have operational smartcard systems installed and a further 2% increase for vehicles that are fitted with AVL equipment.
- Low carbon emission bus (LCEB) incentive: operators of vehicles that hold a low carbon emission certificate may be eligible for an additional 6p per kilometre for those vehicles.
- Zero emission bus (ZEB) incentive: Operators of vehicles that hold a zero-emission bus certificate may be eligible for a 22p per kilometre rate of BSOG for those vehicles. Vehicles for which operators receive the ZEB incentive are not eligible for any other incentives.

Whilst BSOG funding currently supports bus operators with around £250m funding per year, the government has launched consultations on reforming the grant to ensure the subsidy is more effective in supporting the bus network.

2.2 LTA funding and revenue support

LTAs in many areas choose to support the bus network through tendered routes which they fund through local taxation. LTA tendered bus services typically fall into one of two categories: day services that provide links to employment, education, and local services; and evening and Sunday services that support shift workers as well as leisure travel. In both cases, generally insufficient demand and local geography combine to make these routes commercially unattractive, however there is an imperative to ensure these bus services run to provide access to remote communities. Increasing pressure on other local services that councils provide may limit the ability of LTAs to match the increases in costs outlined here from council budgets. LTAs can also fund vital bus services which may be commercially unviable but important to local communities. Such support for buses services through council funding should be carefully considered where operators are struggling to make routes commercially viable, and in particular consider how the funding is addressing inequities by improving access to public transport for those who need it most.

2.3 Operating costs

There are two key drivers behind operating cost inflation: wages and fuel. In 2022, it was reported that wages consume over 40% of bus revenue in 2022-2023¹. As the economy recovered from the Covid-19 pandemic, wages increased at reported rates of over 10%² driven partially by a shortage of qualified bus drivers and competition from other employers³. The pressure of increased wages for bus operators is not confined just to bus drivers, there are nationwide shortages of bus mechanics and the associated wage pressures are, on average, over 10%.

The other significant cost element is the price of fuel. Bus operators tend to purchase fuel on a floating basis; however, some larger firms (primarily the big five operators⁴) have adopted hedging policies to avoid exposure to price changes. Fuel prices at forecourts peaked in July 2022 and are currently (February 2023) 15% lower than the peak – however this remains significantly higher than prior to 2022.

2.4 Capital costs

The construction sector has seen significant cost pressures. The construction indexes Tender Price Index of Road Construction (ROADCON) and BCIS All-in Tender Price Index (TPI) show rises of 27% and 12% respectively from Q1 2019 to Q4 2022. These largely reflect the increase in the price of raw materials of 39% and plant and equipment of 48% (Q1 2019 to Q4 2022), which are driven in part by the conflict in Ukraine and post Covid-19 demand growth. This has greatly impacted the cost of new bus projects, in particular new bus priority and building such as bus stations and garages. The cost of new vehicles has also increased as material prices are passed through to consumers.

2.5 Congestion

Worsening congestion can impact bus operating costs. When congestion increases, bus operators have to choose between maintaining the same bus frequency by using more vehicles

¹ Ibis World. Bus and Tramway Operations in the UK- Market Research Report. *Industry Report H49.319*, 2022. <https://www.ibisworld.com/united-kingdom/market-research-reports/bus-tramway-operations-industry/>

² A. Garnett. Concerns mount over growing driver shortage. *Passenger Transport*. 2021. <https://www.passengertransport.co.uk/2021/10/concerns-mount-over-growing-driver-shortage/#:~:text=The%20Confederation%20of%20Passenger%20Transport%20estimates%20there%20is,short%20at%20its%20operations%20in%20Bristol%20and%20Bath.>

³ Unite the Union. *London United bus workers secure pay rise victory*. 2022. <https://www.unitetheunion.org/news-events/news/2022/september/london-united-bus-workers-secure-pay-rise-victory/>

⁴ Stagecoach, FirstGroup, Go-Ahead, Arriva and National Express.

or reducing frequencies, which has impacts on demand. For example, the impact of a 10% decrease in bus speeds has been estimated to create a 10%-15% fall in passenger journeys⁵. This has a dual consequence of increasing operating costs and decreasing revenue. Working with operators, LTAs should support bus services run to their scheduled time across as much of a route as possible. Maintaining average road speeds on key bus routes through bus priority measures will help to stabilise and grow patronage and support route viability.

2.6 Property and utilities

The bus industry faces significant rental costs for storage, bus depots and city interchange bus stations. Business rental costs tend to move with revenue because higher demand leads to more buses and storage requirements. Where bus facilities are located in urban areas there can be competing demand for the land for development purposes, further increasing rental costs. Alternatively, where operators own the property that is used for bus facilities, this presents as an opportunity to generate income through sale or rent of the property to other businesses.

The price of utilities needed for operating facilities are also increasing, adding significant cost pressures to operators' budgets. High energy prices impact the cost of charging electric buses and the heating, electric and water required to support the infrastructure.

⁵ D. Begg. The impact of congestion on bus passengers. *Greener journeys*. 2016. <https://www.cpt-uk.org/media/swmhxwe/prof-david-begg-the-impact-of-congestion-on-bus-passengers-digital-final-1.pdf>

3 Competitive bidding procedures

Central government funding to improve transport infrastructure and services has historically been made available to LTAs through competitive bidding processes. This has enabled the government to set the objectives for their funding and ensure the interventions they support are aligned with government priorities. Funding transport infrastructure through centrally administered competitions is a common approach for delivering schemes that are too costly for local authorities to deliver by relying on local funding alone, or that cut across authority boundaries.

These schemes are not always administered through the DfT, and as a result bids for funding for transport interventions compete for funding with non-transport interventions that aim to support urban regeneration, improve productivity, and reduce regional inequality.

This section will set out funding streams that have been available in recent years that have been partially or wholly focused on improving bus travel, with example projects identified. Areas where successful previous bids have excelled will be looked at in more detail, to set out what made them a well-justified investment. Likely future funding streams and opportunities are also examined.

3.1 Recent funding schemes

At the time of writing, no large, centralised, funding schemes that are specifically focused on public transport are currently open to LTAs. However, there are many examples of past schemes that have funded bus infrastructure and operations. One possible exception is the City Region Sustainable Transport Settlements (CRSTS), but this funding is only available to eight defined mayoral combined authorities. Previous schemes that have provided funding to LTAs on a competitive basis include those shown in Table 3.1 below.

Table 3.1: Recent central government funding streams for bus improvements

Name of Fund	Status	Governance	Total Value	Maximum value per scheme	Eligibility	Types of Projects
Levelling Up Fund	Projects ongoing, applications closed	DfT, DLUHC	£4.8bn	General maximum of £20M per project, but scope for both large transport and large cultural funding opportunities up to £50M each	Unitary authorities, London borough councils, and district councils across the UK	No specific project type but emphasis on smaller scale local level projects
Bus Service Improvement Programme (BSIP)	Closed 2022	DfT	£1.1bn	Largest award £160M	Local areas across England	Bus improvements and Enhanced Partnership implementation
ZEBRA	Closed 2022	DfT	£270M	No specific maximum	LTAs	Zero-emission bus purchases
Towns Fund	Closed 2021	DLUHC	£3.6bn spread across 101 towns in England	Nominal maximum award of £25M per town, but some receiving more in 'exceptional circumstances'	Towns selected by government	No specific project type, general aim of implementing local Town Deals to lead to improvements in local areas
All-Electric Bus City	Closed - 2020 to 2021	DfT	£50M	One city selected, award of £50M	Any English town or city was invited to bid	Funding for the wholesale replacement of a town or city's bus fleet with electric buses.
Transforming Cities Fund	Closed 2020	DfT	£2.45bn	No maximum cap per scheme, but largest award of around £320M	Mayoral combined authorities and city authorities	No specific project type, aim of the programmes was to improve access to jobs and increase the use of low-emission and sustainable travel
Rural Mobility Fund	Closed 2020	DfT	£19M	Largest award of £1.5M	English LTAs invited to bid for funding to trial on-demand bus services in rural or suburban areas	Focused on projects setting up services where they do not already exist. Existing schemes looking to expand their network or improve services for locals also considered
Clean Bus Technology Fund, Low Emission Bus Scheme (LEBS), and Ultra-Low Emission Bus Scheme (ULEBS)	Closed - 2014 to 2019	DfT	Around £200M	No set maximum, highest to any operator/LA around £5M	Any English or Welsh Local Authority or Bus Operator	Funding only for the purchase of new low and ultra-low emission buses for local authorities and operators (hydrogen / electric / hybrid / etc). Some awards also went to the provision of infrastructure to support those buses.

3.2 Examples of how recent funding schemes were used for bus service improvements

3.2.1 Levelling Up Fund

The aim of the Levelling Up Fund is to provide greater investment in communities that will drive economic growth, create jobs, and help spread opportunities more equally across the UK. Improving local bus networks is a fundamental element of Levelling Up, providing access to jobs, education, and services in addition to creating more inclusive communities. Enhancements to connectivity also help create productivity gains, generate jobs, and achieve net zero goals.

The first two rounds of the Levelling Up Fund have already been awarded to projects. However, the fund is spread across four years until 2025. An anticipated third round of bidding should be released later in 2023 or early 2024, with an estimated £1bn still to be awarded.⁶ As with previous rounds of Levelling Up funding, the application will be competitive, and chosen according to feasibility, deliverability, and value for money.

Case study: West Yorkshire Combined Authority

West Yorkshire Combined Authority received over £41m of investment from the Levelling Up Fund to deliver improvements to bus services in the region. The improvements include safer and more accessible bus stops and stations, and better highways to improve journey times. Norfolk County Council also received £24m to build new bus and cycle routes in Kings Lynn, providing vital connections between residents and the city centre whilst preserving local heritage.

3.2.2 Zero Emission Bus Regional Areas (ZEBRA) scheme

The ZEBRA fund aims to help LTAs outside London introduce zero-emission buses and the infrastructure needed to support them. In 2021, £71m of funding was awarded to the first five LTAs under the fast-track process to support 335 zero emission buses. In 2022, a further £198m of funding was awarded to support 943 zero emission buses in 12 LTAs.

While the original funding in the ZEBRA scheme has all been allocated to local authorities, there will likely be further schemes supporting the introduction of zero-emission buses (ZEBs) in the coming years. Fossil fuel buses are expected to be phased out of sale sometime in the 2030s, with additional support likely to be provided to LTAs and operators to make the transition. The government is likely to continue to support decarbonisation of the bus network through programmes such as ZEBRA, and local authorities should maintain updated plans for electrification of bus fleets which may be used to attract funding.

⁶ T. Stannard. Where next for levelling up? *Open Access government*. 2023.
<https://www.openaccessgovernment.org/where-next-the-levelling-up-fund-economic-development/152969/>

Case study: Kent County Council

In 2021, Kent County Council received funding to electrify their Fastrack bus network, which comprises 33 buses. The ZEBRA scheme provides 75% of the cost difference between electric buses and equivalent diesel bus and covers 75% of the capital infrastructure cost.⁷

3.2.3 Towns Fund

The aim of the Towns Fund is to drive long term economic and productivity growth through investment in connectivity, land use, economic assets, skills and enterprise infrastructure.

Bus services can strengthen transport connections within the town to regional transport links helping to open opportunities for people. They can also help provide better connection between where people live, where jobs are and where social amenities, leisure and healthcare facilities are located.

All 101 towns originally selected under the Towns Fund have received their funding allocation and implemented planned projects. However, the Towns Fund was part of the government's Levelling Up strategy, and is expected to continue in a further round of funding in future. All projects receiving investment under the original fund are being monitored to assess their financial and social output performance against stated targets. The goal of this monitoring is to inform future local growth and regeneration interventions, and so successful transportation-focused investments from round one of funding will be replicated in future funding rounds.⁸

Case study: Crawley

Crawley was awarded £12.6m to fund seven Towns Fund projects to increase employment opportunities, business growth and develop sustainability. £2m from the fund will be used on Crawley Bus Station and Station Gateway improvements, alongside £5.4m from the Crawley Growth Programme. The aim of the project is to improve bus shelter facilities, create an enjoyable public space and encourage vitality in the town centre. It is also part of a wider plan to improve modal interchange between the railway station, bus station and walking and cycling facilities.⁹

3.2.4 All-Electric Bus City

The all-electric bus city competition encouraged local areas to apply to become Britain's first fully electric bus city or town. The funding secured from winning the competition (£50m) could be used to pay for a brand-new fleet of electric buses.

While no additional all-electric bus cities are currently planned, the government could move forward with further area-focused investment in future. Moving one centralised fleet to all-electric operation at a time is more efficient than spreading electric bus investment around, and allows more local buy in from stakeholders and operators. Ensuring that LTAs and operators are working together, and are able to commit funds to match some portion of government intervention, will make their bids for electric bus funding more attractive in future funding rounds.

⁷ Kent County Council. *Decision Fast-track electrification and zebra commission*. 2022. [Decision - 22/00086 - Fastrack Electrification and ZEBRA Commission \(kent.gov.uk\)](https://kent.gov.uk/decision-22/00086-fastrack-electrification-and-zebra-commission)

⁸ Ministry of housing, communities, and local government. *Towns fund monitoring and evaluation strategy*. 2021. <https://www.gov.uk/government/publications/towns-fund-monitoring-and-evaluation-strategy>

⁹ Crawley Borough Council. *Seven towns fund projects worth millions approved*. 2023. <https://crawley.gov.uk/council-information/news-and-events/latest-news/2023/seven-towns-fund-projects-worth-millions>

Case study: Transport for West Midlands

Transport for West Midlands (TfWM) secured the £50m fund to ensure every bus in Coventry is zero emission by 2025, which will improve air quality and reduce running costs. TfWM will work collaboratively with bus operators to replace buses and install charging infrastructure. TfWM is leading the project in partnership with Coventry City Council, Warwickshire County Council and local bus operators, who are collectively paying 25% of the added costs of electric vehicles compared to diesel vehicles, including the costs of the associated charging infrastructure.¹⁰

3.2.5 Transforming Cities Fund

The aim of the Transforming Cities Fund (TCF) is to improve productivity by investing in public and sustainable transport infrastructure in English cities. The key objectives of the fund included improving access to jobs and encouraging an increase in low carbon and sustainable modes of transport.

No future rounds have been announced for TCF funding, which is due to wrap up in March 2023. However, the co-development principles used in the planning and allocation of funding under TCF are likely to be taken forward in future funding schemes from the Department for Transport. This is covered further in Section 11.1. This was the first instance of the DfT using a co-development approach. A case study on the successes of the approach has been published, with key outputs noting that further support should be offered to local authorities in bidding and using funding.¹¹

Case study: Portsmouth City Council

Portsmouth City Council received £4m in tranche 1 of the TCF, of which £2.6m was spent on three junction improvements in Portsmouth and real time information installation at bus stops across Portsmouth, Havant, and Waterlooville. The remaining £1.4m supported the extension of the existing Eclipse bus route in Gosport. In tranche 2 of the fund, Portsmouth City Council partnered with Hampshire County Council and the Isle of Wight Council and were awarded £55.6m. The total funding for the packages was £101.7m, with match funding provided by each of the bidding authorities, First Bus, Stagecoach and the borough councils. This included pedestrian access improvements to local bus stops, bus stop design improvements, service improvements to reduce bus dwell times, bus priority projects, and the relocation of Gosport bus station.¹²

3.2.6 Rural Mobility Fund

The Rural Mobility Fund (RMF) invited English local authorities to bid for funding to trial on-demand bus services in rural or suburban areas. RMF funding was intended to reduce isolation in rural and suburban areas and trial new or innovative Demand-Responsive Transit solutions in areas that could not support traditional commercial bus services.

Funding through RMF is now closed, but other rural-focused initiatives are likely to be introduced in the coming years. Monitoring and evaluation costs for the implemented schemes

¹⁰ West Midlands Combined Authority. *Green light for Coventry to become the UK's first all-electric bus city*. 2021. <https://www.wmca.org.uk/news/green-light-for-coventry-to-become-uk-s-first-50m-all-electric-bus-city/>

¹¹ Department for transport. *Transforming cities fund: the co-development process-national evaluation case study 1: government response*. 2021. <https://www.gov.uk/government/publications/apply-for-the-transforming-cities-fund/transforming-cities-fund-the-co-development-process-national-evaluation-case-study-1-government-response>

¹² Portsmouth City council. *Industrial strategy: Transforming Cities Fund*. 2023. <https://www.portsmouth.gov.uk/services/parking-roads-and-travel/travel/transforming-cities-fund/>

were included in funding settlements, and so the results of the monitoring and evaluation should inform future investment in areas that were successful.

Case study: Buckinghamshire County Council

Buckinghamshire County Council received £1,114,000 for a scheme in Aylesbury and £736,000 for a scheme in High Wycombe. The DRT pilot scheme begun in High Wycombe in September 2022 and will run until 2025. The scheme is part of Carousel's 'PickMeUp' brand. This scheme serves several communities which either have a limited bus service or a route which only serves part of the community. In addition the scheme improves access to areas with a steep gradient that makes walking and cycling more difficult for people who are less able-bodied. A total of five fully accessible minibuses will run and collect users either directly from their home or one of 500+ pick up points which have been called virtual bus stops. Buses can be booked via an app or over phone, run from Monday to Friday 6am-7pm and cost between £2 and £3.50 per journey depending on distance travelled with concessionary bus passes accepted for free.¹³ The scheme in Aylesbury will be run by Arriva under their Arriva Click brand and is intended to improve access to a hospital in the area, both for employment purposes and healthcare trips.¹⁴

3.2.7 Clean Bus Technology Fund

The Clean Bus Technology Fund supported the upgrade of buses with technology to reduce emissions. Although the fund did not actually provide funding for the purchase of new vehicles, it supported the modification of fleets to operate more cleanly. This included the fitting of measures to reduce NOx emissions or modification of buses into hybrid vehicles.

Uniquely, this fund intentionally focused investment on areas with poor air quality. Key to local areas' success was local buy in, with LTAs and councils providing information and justification to show the need for air quality improvements.

Case study: Brighton & Hove Council

Brighton & Hove Council secured approximately £500,000 to upgrade 35 buses.¹⁵ The Council has continually targeted government grants to roll out a cleaner vehicle fleet, directing the allocation at the most frequent vehicles operating in bus areas where air quality exceeds set standards. In funding bids, the council has provided local evidence on where improvements should be provided, and bus operators have identified suitable routes for exhaust retrofits or vehicle replacements.¹⁶

¹³ Buckinghamshire Council. *Wycombe residents will soon be able to book a bus*. 2022.

<https://www.buckinghamshire.gov.uk/news/wycombe-residents-will-soon-be-able-to-book-a-bus/>

¹⁴ Key Buses. *Pick me up brand revived for Bucks*. 2023. <https://www.keybuses.com/article/pick-me-brand-revived-bucks>

¹⁵ Department for Transport. *Clean bus technology fund 2015 projects*. 2016.

<https://www.gov.uk/government/publications/clean-bus-technology-fund-2015-supported-projects>

¹⁶ Public Health England. *Reduced bus emissions and improved air quality in Brighton and Hove*. 2018.

<https://www.gov.uk/government/case-studies/reduced-bus-emissions-and-improved-air-quality-in-brighton-hove>

4 Qualities of a successful bid

Responding to government bids can be challenging and time consuming. Each funding scheme is assessed and funds allocated according to different criteria. For funding mechanisms like those laid out in Table 3.1, a bidding template and guidance is often provided to aid LTAs in producing their bid. This chapter sets out qualities that have made successful bids in the past and the resources available to LTAs to help produce them to this standard.

The assessment of bids for funding varies depending on the organisation and team administering the competitive process. Funding decisions may be based on a range of factors, information or inputs. These can include:

- Reviewing outline business cases developed by LTAs that identify funding priorities;
- Assessment of bids with respect to national strategic drivers (Index of Priority places, Strategic Fit, Economic Case, and Deliverability);
- Indication of social and economic need for investment to improve inclusion and accessibility;
- Justification of investment for air quality improvements;
- Indication of buy-in from local stakeholders; and
- Co-development of business case between bidding authority and DfT.

Producing a high-quality bid can be challenging, especially when the available funding is limited and potentially only a small number of bidders will be successful. Smaller councils may also be less well-placed to produce full business cases for some bids. Co-development processes are beneficial here, with additional resource given by the DfT to ensure all authorities are able to submit high-quality bids.

The government endorses the Five Case Model for developing business cases, setting out the rationale for projects, and ensuring plans are deliverable. The Five Case Model is laid out in the 2022 Green Book and can provide a useful basis for building successful cases from investment. A summary of the five different cases referenced are presented in Table 4.1.

Table 4.1: Five cases in developing a business case

The Case	Key Components
The Strategic Case	<ul style="list-style-type: none"> ● Demonstrates that the proposed scheme or investment has a strategic fit within local priorities and long-term government ambitions ● Should include wider context, social and economic, to indicate how investment fits in with other "existing and planned strategic portfolios" ● Indicates the overall rationale for proposed transport investment, providing an evidence-based process for objectives to be realised ● Enables the case for change to be iterative and revisited as the project progresses ● Should show that relevant stakeholders have been engaged and that their views have been taken into account
The Socio-Economic Case	<ul style="list-style-type: none"> ● Demonstrates that the investment represents good value for money ● Indicates that the proposed scheme will maximise social welfare through options appraisal ● Shows that Transport Analysis Guidance (TAG) has been followed to conduct a robust appraisal ● Includes wider analysis for integration of social and economic benefits with the strategic case and vision for the project ● Conducts distributional analysis to identify potential impacts on different groups
The Commercial Case	<ul style="list-style-type: none"> ● Demonstrates the commercial viability of the investment and the capacity of the supply chain ● Indicates the procurement strategy proposed to engage with suppliers

The Case	Key Components
The Financial Case	<ul style="list-style-type: none"> • Demonstrates the proposed scheme will be financially affordable • Indicates proposed funding mechanisms to support the cost of investment • Produces a full financial statement for the project, with different types of cost and stages for the project identified
The Management Case	<ul style="list-style-type: none"> • Demonstrates the proposal is deliverable from a project management perspective; effective planning and resourcing is available • Indicates proposed governance structures and risk management frameworks • Where multiple stakeholders are involved, shows how communication and conflict will be managed

4.1 Ensuring deliverability

Bidding authorities should provide confidence to potential funders that the intervention the funding would support is deliverable. The business case must include a delivery timeline, including major project stages. Realistic timeframes and resourcing must be provided. Deliverability should also indicate stakeholder buy-in and a fully developed management plan.

4.2 Providing adequate evidence and context

Government assessors of schemes may not have local knowledge of the area and the scheme, and so strong background context should be provided in bidding documents. Ensuring a clear idea of the local context will enable a better justification of a proposed scheme in a local strategic framework.

Bidding authorities should also demonstrate the project will be integrated into local strategies and complement other schemes and policies from built environment, ongoing and future. Integration of the local context, and issues currently faced, with government strategies and ambitions is also essential.

4.3 Including clear objectives

Bidding authorities should have a compelling and clear vision for what they want the scheme to do for their people and place – a clear “theory of change” that is based on sound logic. Additionally, local, regional, and national objectives should be aligned as much as possible. Schemes that meet specific local goals, yet do not integrate well with the wider planning pipeline should be avoided.

4.4 Lessons learnt from Bus Back Better

A number of lessons were learnt from the National Bus Strategy programme:

- DfT wanted to see **transformational change** in bus services. Ambitious, well developed but deliverable schemes that will transform bus services in a local area were favoured, rather than incremental change
- BSIPs needed to demonstrate a **clear vision** for improving bus services in the local area.
- Good analysis and **understanding of the local bus market** needed to be demonstrated in the BSIPs, so that proposed improvements can be linked to a clear evidence base
- Focus on bus service improvement schemes that bring operational benefits to bus services, with saving reinvested into the network e.g. bus priority measures
- BSIPs that attempted something innovative or new and provided a way of sharing lessons from this innovation scored well

- BSIPS that demonstrated a clear sense of place and demonstrated how they address local issues and leverage opportunities scored well

The preferred schemes for funding tended to be:

- Bus priority measures (to improve journey time and punctuality) and mainly physical measures such as bus lanes, but also some virtual measures such as traffic signal operations
- Fares and ticketing (to address cost of living issues) – simplified fares, targeted user groups (e.g. job seekers) and integrated multi-operator ticketing schemes
- Other bus infrastructure e.g. bus stop improvement programmes (but generally when complementary to the above)
- Marketing of above improvements by LTAS – operators should cover their own marketing costs
- BSIPs that were able to demonstrate that they could deliver material benefits in two years tended to score better than those with longer lead times

5 Opportunities for asset renewal

In England, buses are primarily owned by bus operators who either purchase outright or lease vehicles. With normal usage, buses will last between 10-15 years and will be replaced as part of the normal asset renewal cycle of the bus operator. In most cases bus operators will make investments for the purchase or leasing of new buses based on the costs and financing available, and any savings from the increased efficiency of new buses. The financial impact of retaining and retrofitting existing buses is balanced against the cost of procuring newer vehicles.

Physical assets include bus garages, bus stops and bus stations and any bus specific roadway such as dedicated busways: For the majority of bus operations, they operate on the public highway where maintenance is the role of the public highway authority.

This section outlines how the assets required by the bus industry to serve passengers can be funded. This includes the buses themselves and the physical assets required to operate them.

5.1 Commercial models for funding zero emission buses

Some bus operators are exploring new models for funding and financing electric buses, which could be supported by LTAs. There are particular challenges in acquiring electric buses as these have higher upfront purchase costs (often double) than traditional diesel buses. In many cases there are also challenges in funding charging infrastructure. However, in most circumstances electric buses have lower operating costs (approximately 40%) than conventional diesel vehicles, which provides an opportunity for new financing models. This has led many operators to use financing and leasing funding models to acquire new buses and pay for their acquisition over a given period. While this approach reduces upfront costs, it is not always enough to deliver a commercially viable outcome.

To address this challenge, a number of emerging funding models are being utilised to support private sector adoption. LTAs could offer concessional loans that have more-competitive-than-market interest rates and repayment terms (e.g. usually spread over a longer term). This reduces the overall cost of capital in acquiring zero emissions buses. However, in order to obtain access to large amounts of financing via loans from conventional lenders such as banks and building societies, the entity applying for the loan (i.e. the asset owner) will need to demonstrate that it has a relatively strong balance sheet.

Component leasing is another option for zero emissions buses. This targets the most expensive components of electric or zero emissions buses by focussing on the battery or fuel cell. Operators can lease the required component from the third party whilst separately purchasing the vehicle itself, either from the same entity or an entirely different one. In this model, a third party owns the component/infrastructure during the lease term and is also responsible for the maintenance of said component/infrastructure during the term

5.2 Transition to net zero buses

The DfT is currently consulting on and finalising plans to end the sale of diesel buses in the coming years. Combustion engines in personal vehicles are already set to be banned from sale by 2030, but no date has yet been set for other vehicles. Responses to the initial consultation were generally in favour of ending the sale of diesel buses and indicative dates for the end of

sale have been given as 2025 to 2030. There may be some allowance for a phased end of sale, with rural areas given longer to achieve the transition to zero emission buses.¹⁷

5.3 Low Emission Zone funding for new buses

Some LTAs have used their own powers to create Low Emission Zones, which require bus operators to operate with Euro 5 or Euro 6 buses (or pay a daily charge). Examples of this approach are provided below.

Case study: TfL Low Emission Zone (LEZ) Scrappage Scheme

Transport for London (TfL) launched its heavy vehicle scrappage scheme on 28 September 2020. Two offers were made available as part of this scheme:

- Option A: £15,000 per vehicle scrapped and replaced with a ULEZ-compliant vehicle
- Option B: £15,000 per vehicle for a retrofit grant

Applicants could scrap or retrofit up to three non-compliant buses, coaches or heavy goods vehicles (HGVs). Applicants had six months to provide proof of scrappage and receive their payment. Due to high demand and limited funds, the scheme was suspended on 14 October 2020.

To be eligible for the scrappage option, the vehicle had to be an HGV, large van, specialist vehicle (more than 3.5 tonnes GVW), bus or coach (more than 5 tonnes GVW) and not compliant with the LEZ standards. The vehicle must have been owned by an eligible organisation for more than 12 calendar months before the start date of the heavy vehicle scrappage scheme, be insured for business use and be road-taxed with a valid MOT. There was a similar retrofit scheme where vehicles could be retrofitted to meet Euro 6 as part of the Clean Vehicle Retrofit Accreditation Scheme (CVRAS). In total, 18 buses were scrapped as part of the scheme.

Case study: Bristol Clean Air Zone /first group

Bristol City Council agreed a £42m package of support with the government to support the adoption of its low emissions zone. The support scheme is designed to significantly reduce the final cost of either replacing or adapting vehicles that don't meet the zone's emission standards. As part of this settlement £2.5m was used alongside £30m from First West of England to support an upgrade to existing buses and 99 new methane powered buses to ensure buses entering the zone meet the Euro 6 standard.

Case study: Portsmouth Clean Air Zone

Portsmouth CAZ launched in 2021, with grants of up to £15,000 for non-compliant buses and coaches to be bought up to standard as part of a £3.2m scheme.

¹⁷Department for Transport. *Ending UK sales of new, non-zero emission buses and calls for evidence on coaches and minibuses*. 2022
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1063585/non-zero-buses-coaches-minibuses-consultation.pdf

Brighton low emission zone (LEZ)

Brighton launched its LEZ in 2015 with 5 years for buses to reach the Euro 5 standard. Brighton and Hove bus company was supported by the Local Authority in bringing its older fleet to Euro 5 standard. It has since revised this to introduce buses that are in line with the Euro 6 standard to reflect changes LEZ guidelines, which will be enforced from 2024.

5.4 Central Government funds

As set out in Table 3.1, the government has made funding available through several schemes to support the introduction of new buses such as the Clean Bus Technology Fund (£70m), the ZEBRA bus fund (£270m) and the all-electric bus city in Coventry (£50m). LTAs have worked with operators to identify routes where buses were contributing to air quality impacts and which would benefit from improved buses as part of the ZEBRA bid. These funding sources are often used in collaboration with direct funding from local bus operators to achieve a wide base of funding which enable whole fleets to be transitioned to zero emissions and the development of supporting infrastructure where required.

Case study: Hydrogen Buses in Liverpool

As part of the award to Liverpool City region from the Transforming Cities Fund (TCF), a fleet of 20 new hydrogen buses has been procured for the region's busiest bus route. TCF funding is not specifically for asset renewal, but cities were able to include vehicle purchases and upgrades within their bids. Liverpool City region was awarded £172.5M under the TCF, of which £12.5M was allocated for the purchase of the hydrogen buses. Additional cost was incurred for the installation of refuelling facilities and the difference in operating costs between diesel and hydrogen fuel.¹⁸

5.5 Key lessons

Renewing bus fleets can be prohibitively expensive for operators and local authorities, especially in rural areas. English non-metropolitan areas have the second-lowest uptake of modern Euro 6 standard buses (after Wales), with zero emission / hybrid / Euro 6 diesel buses making up less than 35% of the overall fleet. Compare this to London, where there is substantial control by Transport for London and over 95% of buses are new, lower-emission models.¹⁹

The regulatory environment is likely to continue limiting the sale of diesel models, with an eventual ban still expected. To continue running services, bus operators will be faced with a commercial imperative to work with local authorities and central government to renew their vehicle fleets.

¹⁸ Liverpool City Region Combined Authority. *Strategic Investment Fund*. 2021.
<https://moderngov.merseytravel.gov.uk/documents/s52627/Transforming%20Cities%20Fund.pdf>

¹⁹ Department for Transport. *Ending UK sales of new, non-zero emission buses and calls for evidence on coaches and minibuses*. 2022
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1063585/non-zero-buses-coaches-minibuses-consultation.pdf

6 Upgrading bus stop facilities

Bus stops are the gateway to bus travel, and therefore must be clearly visible, well designed and provide an appropriate level of information for passengers. Approaches for funding these assets depend on the agency who owns them. While kerbing and changes to the highway are for LTAs to fund, bus shelters can be owned by others. Further information on bus stop audits and improvements to bus stops can be found in Support Package 3: Low cost quick wins and in Support Package 7: Rural hubs. Better facilities can play a role in increasing bus satisfaction and therefore patronage supporting the operational viability of routes.

6.1 Parish Council

Parish Councils are the lowest tier of local government and are common in rural areas and towns. Parish councils are financed through an annual precept, which is collected through council tax. As such, the money is used to fund local services that serve and benefit local people and often parish councils respond to input from residents on how to best serve their communities, which could include investments in upgrading local bus stops or subsidising local bus services. There is also opportunity for parish councils to apply for grants and/or raise income.

Case study: Plaistow and Ifold Parish council

Plaistow and Ifold Parish Council, within West Sussex, runs a programme called "Safer Bus Stops", which aims to provide safer bus stops in the parish area to increase the use of school and other public bus services. West Sussex County Council provides a free school bus service in these areas; however it is not well used. This is partly due to safety concerns, with only two out of five bus stops on the route having laybys and shelters. In phase one of the programme, two sites have been identified for bus shelter improvements. The Parish Council will pay the cost of materials, while labour, time and expertise will be volunteered. The Parish Council runs two community maintenance days per year which ensures the bus stops are well maintained.²⁰

6.2 Advertisement

Advertising agencies can also help support bus stop improvements or own bus stops. Bus stops can make attractive locations for advertisement, with the potential to reach thousands of customers each day whilst they are waiting for bus services. Ideally, the revenue received from advertisement should be reinvested back into the transport network.

Case study: London Borough of Croydon

The London Borough of Croydon has a ten-year concession deal with VALO Smart City to provide street furniture, including at least 110 smart bus shelters, which should generate more than £6.75m in revenue for the council. The bus stops will have free public wi-fi and digital timing.²¹

²⁰ Plaistow and Ifold Parish Council. *Safer Bus Stops*. 2023. <https://www.plaistowandifold-pc.gov.uk/Contents/ContentItems/4a2653b10azaw44sbc3n0tjgmh>

²¹ I. Sutton. *Gimme Shelters: how new partnerships power smarter cities*. 2021. <https://www.localgov.co.uk/Gimme-Shelters-how-new-partnerships-power-smarter-cities-53454>

Case study: Leicester City Council

Leicester City Council has a ten-year contract with Clear Channel UK, an advertising and infrastructure company. As part of its Living Roof scheme, Clear Channel UK is making a multi-million pound investment to help overhaul all 479 bus shelters in Leicester with eco-friendly alternatives at no cost to the city council.²²

6.3 Developer contributions

Developer contributions through Section 106 (s106) agreements can be used to fund improvements bus stops or construct new bus stops if demand from a development necessitates. Further information on s106 agreements can be found in Section 8.1.

Case study: Devon

A mobility hub was delivered in Devon by Co Cars as part of a new development, with a partnership formed between Devon County Council, Bloor Homes, the landowners and the management agent. The hub built included a new electric shared car, e-bikes and docking station, and was located 100m from an existing bus stop with branded wayfinding signage between the hub and bus stop.²³

Case study: Oxfordshire County Council

Oxfordshire County Council frequently funds new and improved bus stops from developer contributions under s106 and Community Infrastructure Levy (CIL). The Community Infrastructure Levy is a charge which can be levied by local authorities on new development in their area. In 2019-2020, over £142,000 was spent to deliver bus facility upgrades.²⁴

6.4 Park and Ride

Out of town centre park and ride sites can offer another way of allocating funding to bus stop facilities. Park and ride locations encourage bus use and can reduce congestion in town centres, especially when paired with on-street car parking charges.

²² Clear Channel UK. 'Bee bus stops' springing up in Leicester'. 2021. <https://www.clearchannel.co.uk/latest/bee-bus-stops-springing-up-in-leicester>

²³ Exeter News Blog. *Devon 'mobility hub' receives gold award from national shared transport charity*. 2022. <https://www.theexeterdaily.co.uk/news/local-news/devon-%E2%80%98mobility-hub%E2%80%99-receives-gold-award-national-shared-transport-charity>

²⁴ Oxfordshire County Council. *Infrastructure Funding 2020*. 2020 https://www.oxfordshire.gov.uk/sites/default/files/file/council-tax-and-finance/infrastructure_funding_statement_2019_20.pdf

Case study: Guildford Park and Ride network

Guildford's Park and Ride network consists of four sites with capacity for nearly 2,000 cars. Two of the four sites have been closed since the onset of the Covid-19 pandemic in early 2020 due to low ridership. However, pre-pandemic, the park and ride costs were funded exclusively through car parking charges. Surplus on-street parking rates from the town centre covered the cost of operation of the car park as well as the bus services from the sites to the city centre. Fare revenue from the bus services also covered a portion of the costs. Any additional surplus was used for upgrades and maintenance to the park and ride site, improving the passenger experience.²⁵

6.5 Key lessons

Bus stop improvement funding comes mainly from advertising and developer contributions. While these are important funding sources and have led to large-scale investment in some cities' bus stops, they are only available in some contexts. Rural areas are unlikely to be able to capture a significant amount of funding from these sources. In some cases, rural bus stops can be combined with other local services, allowing for a combined source of funding to mutually enhance the amenities of each service. For example, community centres, cafes, post offices, and other buildings can be co-located with bus stops, especially in village centres, to create bus hubs that benefit the wider community. Further information on bus hubs and co-location can be found in Support Package 7: Rural Hubs and Integration.

²⁵ Guildford Borough. *Parking income*. 2023. <https://www.guildford.gov.uk/article/25157/Parking-income>

7 Scheme funding for bus priority measures

Bus priority measures can improve the reliability of bus travel and reduce journey times for passengers and costs for operators. Priority for buses can be provided through physical infrastructure or operational changes to the road network. Infrastructure measures range from bus gates and bus lanes to higher-cost large scale segregated bus rapid transit systems. Operational measures such as traffic signal priority (TSP) can offer significant benefits at a much lower cost, however, the benefits are often lower and limited to junctions.

In terms of cost, operational measures are much cheaper to implement, but are not appropriate for all sites. Physical priority is dependent both on the roadspace, availability of funding, political acceptance and acceptance from the local community where this impacts capacity for private cars. Larger schemes with extended physical priority, whether bus lanes or segregated busway, will likely require individual central government funding. Further information on bus priority schemes, with a focus on non-infrastructure measures, can be found in Support Package 3: Low cost quick wins.

7.1 Capital funding

Capital funding for priority measures has often come from central government schemes. Previous sources of government funding that were used to support bus priority schemes are listed in Table 3.1. Examples with significant use for priority schemes include the Bus Service Improvement Plans (£1.1bn), Transforming Cities Fund (£2.5bn), and Levelling Up funds (£4.8bn). For each of these funds, LTAs were invited to bid for portions of the funding. Specific schemes with a business case developed are proposed, with those providing the greatest and widest benefit often selected for funding.

Case study: Oxfordshire BSIP

A non-physical bus priority scheme is being developed in Oxfordshire as part of their Bus Service Improvement Plan (BSIP) funding package. Traffic signal priority (TSP) is to be introduced at all signalised junctions across the county (438 junctions), starting with those in Oxford city centre. The total installation cost for the scheme is estimated at around £3M, or £9,000 per junction. Even without physical priority, an average 10% reduction in bus journey times is estimated from the full scheme.²⁶

Outside of the large schemes set up for central government funding, individual investments in projects can also be made. These investments are for one-off schemes proposed by councils or regions to provide important new transport links. Often, this path is used to fund bus rapid transit schemes, which would be prohibitively expensive for other funding pathways.

²⁶ Oxfordshire County Council. *Oxfordshire Bus Service Improvement Plan*. 2022.
<https://www.oxfordshire.gov.uk/sites/default/files/file/roads-and-transport/OxfordshireBSIP.pdf>

Case study: Luton to Dunstable Busway

This is an 8.3 mile busway on a fully segregated route that follows the route of a decommissioned railway line. Opened in 2013, this infrastructure provides frequent reliable bus connections between the towns and onwards. The overall project cost was around £91M, of which £80.3M came from a grant from central government. The remaining cost was funded mainly by local councils (Luton and Central Bedfordshire), with some s106 contributions from developers. Government funding was requested using the “Guidance for Local Authorities seeking Government funding for Major Transport Schemes”, published in 2007. The estimated Benefit-Cost Ratio for this busway (in the original business case document) was 1.77:1.^{27 28}

Case study: Cambridgeshire Guided Busway

This is longest guided busway in the world, with over 16 miles of route. Opened in 2011, this infrastructure supports fast, frequent connections from Cambridge to St Ives and Huntingdon. The overall project cost was £181M, although this was higher than the initial budget of £116M. Central government grant funding made up £92M of the initial cost estimate, with the remainder again coming from local council (Cambridgeshire) and developers along the route.

^{29 30}

7.2 Local Transport Plans

Funding from approved Local Transport Plan (LTP) sources can be used for bus priority measures. Medium and longer-term funding outlooks provided in LTP documents can allow for larger priority schemes to be planned and implemented.

²⁷ BBC. *Delayed Luton-Dunstable guided busway opening announced*. 2013. <https://www.bbc.co.uk/news/uk-england-beds-bucks-herts-23808317>

²⁸ Luton Borough Council. *Luton-Dunstable Busway*. 2008.

https://web.archive.org/web/20170628151259/https://www.luton.gov.uk/Transport_and_streets/Lists/LutonDocuments/PDF/Engineering%20and%20Transportation/busway/LDB%20Conditional%20Approval%20Case%20-%20April%202008.pdf

²⁹ K. Hill. *Secretary of State celebrates start of works on guided busway*. 2007.

<https://web.archive.org/web/20090606040816/http://www2.cambridgeshire.gov.uk/db/pressrel.nsf/cac74a2aba838b5d80256b56004e53ab/edcbd21f6a9cf5b880257295004c237b?OpenDocument>

³⁰ Cambridge News. *Cost of guided busway climbs to £181 million*. 2010.

<https://web.archive.org/web/2015122220915/http://www.cambridge-news.co.uk/Cost-guided-busway-climbs-to181-million/story-22352322-detail/story.html>

Case study: City of York

The City of York Council has included bus priority schemes in its last Local Transport Plan (published 2011, and covering the period 2011-2031). The most important priority measure in the plan included physical priority along the A59 corridor. Alongside a new park and ride facility in Poppleton, to the Northwest of the city centre, corridor improvements have sped up journeys and improve reliability. Bus lanes were installed on three sections of the A59 between the city centre and the park and ride. Most of the funding for the scheme came from the Local Transport Plan.^{31 32}

7.3 Developer contributions

Developer contributions can also be used to fund bus priority investments, mainly through s106 agreements. These are discussed further in Chapter 8, and can provide valuable extra funding to enable schemes to be completed.

Case study: Southampton

Significant developer funding through s106 contributions were achieved for bus priority schemes in Southampton. On one main corridor through Portswood, bus gates and through traffic restrictions are to be introduced. This will result in better priority for buses and result in improved journey times and reliability, while also resulting in a better environment for the high street. Funding for the scheme is a mix of Southampton's funds received under the Transforming Cities Fund, local council contributions, and developer contributions (around £200,000 from 2021-22 from five separate development schemes in the area).³³

7.4 Key lessons

Larger bus priority schemes can only realistically be funded with one-off support from central government. However, smaller schemes can be funded through a variety of measures and can still result in large reliability and journey time improvements. Non-physical priority schemes, such as traffic signal priority, can have upwards of a 10% impact on journey times, creating a better service for passengers which can in turn increase ridership and available funding. Increasing bus speeds also provides significant savings to operators, allowing the same number of vehicles to operate a more frequent and reliable service.

³¹ City of York council. *Local Transport Plan 2011-2031*. 2011. <https://www.york.gov.uk/downloads/file/258/ltp3>

³² City of York council. *A59 Bus Corridor Improvements Phase 3- Holgate Park Drive to Acomb Road*. 2012. [https://democracy.york.gov.uk/\(S\(1bmhv255bhsqbn34bd5sco55\)\)/documents/s75637/ANNEX%20%20-%20A59%20Phase%20%20External%20Consultations.pdf](https://democracy.york.gov.uk/(S(1bmhv255bhsqbn34bd5sco55))/documents/s75637/ANNEX%20%20-%20A59%20Phase%20%20External%20Consultations.pdf)

³³ Southampton City Council. *Infrastructure Funding Statement 2021/2022*. 2022. <https://www.southampton.gov.uk/media/c0vhtzbv/21-22-scc-infrastructure-funding-statement.pdf>

8 Developer contributions towards buses and infrastructure

Developer contributions are financial contributions provided by developers to fund infrastructure that is required to meet the needs of their development. This is not limited to transport infrastructure, however if a development has an adverse impact on the transport network contributions towards transport improvements are required through s106 agreements.

8.1 Section 106 (s106) Agreements

Developers may be required to provide site specific mitigation through s106 agreements which is a legally binding planning obligation under the Town and Country Planning Act 1990. The agreement is dependent on the size of the development and its impact on its surroundings. If the development is expected to generate an adverse impact, then financial contributions may be required to provide infrastructure to support the development, although this is not restricted to transport improvements.

The timescales by when an improvement must be delivered, and its duration, can be specified in the planning obligation. Whilst developers will pay for the improvements, local authorities determine where money is invested and lead on the delivery of schemes.

Developments that are expected to have a significant impact on local travel are often required to provide public transport improvements. In the case of bus services, if a development is forecast to create additional trips onto the bus network that cannot be accommodated on the existing network, then a financial contribution from the developer is justified. It is important to remember that developments should account for all points of a bus journey. Developments may also be required to produce travel plans to encourage sustainable travel by residents, employees, or visitors, and therefore there may be a requirement to make bus services more attractive.

Local authorities will also have standards in place which developers must adhere to. This can include maximum distances to bus stops from a new development and minimum standards for the quality of bus stops. Guidelines can also advise different requirements depending on the size and impact of developments, for instance if a new bus stop is required or if an improvement to an existing bus stop will be justifiable.

Whilst s106 agreements can be beneficial in areas with large development, it is not necessarily the most appropriate funding mechanism for bus services in existing villages or areas unlikely to benefit from the scale of development to facilitate a meaningful change.

Examples of typical developer contributions

Providing additional capacity:

- Requiring new bus routes e.g. a shuttle bus from a commercial development, a new bus route to serve a major housing development
- Extending or rerouting bus routes e.g. to business parks, industrial estates, hospitals

Improving access to bus services:

- Improving routes to bus stops e.g. pedestrian crossings, dropped kerbs
- Improving bus stop accessibility e.g. level boarding, accessible service information

Support service improvements:

- Frequency enhancements e.g. ensure certain routes meet a minimum frequency threshold for additional future demand, support early morning and evening services
- Enhance bus stops e.g. improved bus shelter, raised boarding kerb, real time information and display, bus stop clearway, lighting
- Infrastructure e.g. bus priority measures

Case study: Leicestershire County Council

Leicestershire County Council, in 2019, became the first local authority to use a s106 planning agreement to finance an on-demand bus service. A demand responsive bus service was introduced to serve a new housing development southwest of the city centre. It allows residents to book journeys to and from Leicester City centre and intermediate points. As the development expanded, the service expanded to include a scheduled minibuss service, operating as a hail and ride bus within the development.^{34 35}

Case study: Cumbria County Council

Cumbria County Council used developer contributions in 2019 under a S106 agreement to introduce a new Sunday bus service around and between the towns of Kendal and Oxenholme. Previously, no scheduled services were available along the route on a Sunday, resulting in a big accessibility gain for residents. The service has been created for an initial period of four years through developer funding.³⁶

8.2 Community Infrastructure Levy

A Community Infrastructure Levy (CIL) is a charge that can be levied by local authorities on new developments in their area. It can only be applied if a local authority has consulted on and approved a charging schedule which they must publish on their website. The charge applies to any new-build construction or conversion creating more than 100 square metres of new usable floor area. Rates are calculated per square metre, with the charging rate multiplied by the net chargeable floor area and factoring an index figure to account for changes in building costs over time. Rates are set by the individual local authority and will often vary according to category of

³⁴ M. Smulian. *Section 106 funds on-demand bus service*. 2019. <https://www.lgcplus.com/services/regeneration-and-planning/section-106-funds-on-demand-bus-service-30-04-2019/>

³⁵ New Lubbethorpe. *Getting about*. 2023. <https://www.newlubbethorpe.co.uk/getting-about/>

³⁶ Cumbria County Council. *Infrastructure funding statement 2019-2020*. 2020. <https://www.cumbria.gov.uk/elibrary/Content/Internet/535/18042/4419511462.pdf>

use. Example rates for Oxford City Council are shown in Table 8.1. Higher rates are specified for shops, restaurants, and residential developments.

Table 8.1: Oxford City Council Community Infrastructure Levy charging rates (per m²) by category of use³⁷

Development Type*	Jan 2023
E Shops	£158.00
E Financial and professional services	£158.00
E Restaurants and cafés	£158.00
Sui Generis Drinking establishments	£158.00
Sui Generis Hot food takeaways	£158.00
E Business	£31.59
B2 General industrial	£31.59
B8 Storage or distribution	£31.59
C1 Hotels	£31.59
C2 and C2A Residential institutions and secure residential institutions	£31.59
C3 Dwelling houses**	£158.00
C4 Houses in multiple occupation (HMO)	£158.00
Student accommodation	£158.00
F1 Non-residential institutions	£31.59
Sui Generis Assembly and leisure	£31.59
All development types unless stated otherwise in this table	£31.59

As with s106 funds, CIL funding can be used for a range of investments beyond transport. CIL is most commonly used to fund improvements to education and community infrastructure, but has also been used for bus improvements, both operational and capital expenses.

Case study: West Lancashire Borough Council

West Lancashire Borough Council has used CIL funding to help support its borough-wide Dial-a-Ride service. The service consists of minibuses that can be booked for any journey across the area for passengers that are unable to access regularly scheduled public transport services due to mobility issues. Both on-demand and scheduled services on set routes towards shopping centres and hospitals are available.³⁸

8.3 Key lessons

Both s106 and CIL can only be used in certain instances. For s106, developers are only required to contribute to improvements in transportation if the development is large enough to generate likely detrimental impacts above a certain threshold. For CIL, the charge is more likely to apply, being valid for all new construction, but must be specifically introduced by the local authority. In each case, the availability of funding, especially for transport improvements, depends on a certain scale of development that may not be present in all areas.

³⁷ Oxford City Council. *Community Infrastructure Levy Overview*. 2023.
https://www.oxford.gov.uk/info/20187/community_infrastructure_levy/749/community_infrastructure_levy_overview

³⁸ West Lancashire Borough Council. *How we spend CIL-strategic funding information*. 2023.
<https://www.westlancs.gov.uk/planning/planning-policy/community-infrastructure-levy/cil-receipts-and-expenditure/the-strategic-portion.aspx>

Important Considerations

Section 106

- Legal agreement during the planning process. Any development leading to detrimental impacts on the transportation network can be required to offer funding for improvements.
- Funds obtained can be hypothecated for specific uses, i.e., where detrimental transport impacts are found, the money raised is to be spent on transport.

Community Infrastructure Levy

- CIL applies to all new build development and some refurbishments, so must be set at an appropriate level.
- Rates must be tailored to the local area and level of investment available, so that the charge does not stifle development, but still results in a good stream of income for transport and other improvements.

In some more rural areas with smaller scales of development, no form of developer contributions is likely to represent a strong source of income. However, CIL and s106 systems should still be in place in all cases to ensure that any future developments in all areas are responsible for funding local improvements.

9 Hypothecated funding sources

Hypothecated funding is the allocation of funds from a tax or charge on a specific activity to fund specific expenditure. For transport, hypothecated funding sources typically centre on other areas of local transport. Local areas are able to redistribute transport charges and taxes, i.e., charges on car travel can be redistributed to invest in public transport or active travel. These charges may be at the point of use, e.g., car parking charges, or based on access and availability such as annual fees.

9.1 Workplace Parking Levy

A Workplace Parking Levy (WPL) is an annual charge, made by a local authority, on employers who provide workplace parking over a certain threshold. By law, the money raised through the scheme must be spent on sustainable transport projects. Such schemes provide a local source of funding for LAs and provide a long-term fund for investments. Furthermore, it also helps them match-fund schemes which may utilise central government funding.

The introduction of WPL requires the need for consultation and planning. LTAs would need to audit and manage a database of parking spaces in the proposed area in addition to demonstrating how the revenue generated will be spent.

Case Studies: Nottingham City Council and Oxfordshire County Council

Nottingham City Council introduced a scheme in 2012 to reduce traffic congestion, raising around £9m a year since the scheme inception. Oxfordshire County Council is considering the introduction of a WPL within the Oxford ring road which could generate £40m of additional transport improvements over a ten-year period.³⁹

9.2 Low Emission Zones

Low Emission Zones (LEZ) or Clean Air Zones (CAZ) have been introduced across cities in the UK to improve air pollution by encouraging private vehicles users to either shift to public transport or purchase newer, less polluting vehicles. If a vehicle does not meet a minimum standard, users must pay a charge to enter the zone, usually daily. Most zones particularly affect buses, coaches, taxis and heavy goods vehicles. The revenue from CAZ is collected by the local authority. Central government provide the system to collect the CAZ charges, which the local authority pay to use. The local authority also use the revenue to pay for running the zone. Any surplus revenue is invested in transport improvement, although this is often minimal.

The funds generated from LEZs and CAZs are used to fund schemes that improve air quality and support vehicle transition to electric vehicles and less pollutive models. The expected level of funds generated from schemes is dependent on factors such as the level of compliant vehicles and the number of exempt vehicles. Greater amounts of funds will be achieved in areas which have a high number of vehicles which do not meet the emission standards. Furthermore, the revenue generated from schemes is expected to reduce as more vehicles transition to cleaner vehicles, in particular with the adoption of zero emission vehicles.

The size of zones can also vary. For instance, Oxford's Pilot Zero Emission Zone (ZEX) covers nine streets in the city centre.⁴⁰

³⁹ Oxfordshire county council. *Workplace parking levy*. 2023. <https://www.oxfordshire.gov.uk/residents/roads-and-transport/workplace-parking-levy>

⁴⁰ Oxford City Council. *Zero emission zone (ZEX)*. 2023. <https://www.oxford.gov.uk/zex>

In Bristol, the CAZ has also included improvements to the area, including changes to traffic signal timings to improve traffic flows and increased priority for buses, such as bus lanes and priority at traffic signals.⁴¹

In Portsmouth the money generated from the charge is used to pay for the operation and maintenance of the scheme, with no profit currently generated.⁴²

9.3 Car Parking Revenue

Some Local Authorities generate significant revenue from car parking charges. However, councils are not allowed to use car parking charges to specifically generate surpluses, but only to manage transport demand. In most cases any resulting surplus (taking into account costs of enforcements and management) should be utilised for transport improvements and not to support general council budget. In some districts and boroughs, particularly those with high levels of inbound car commuting, parking revenue has generated a surplus that has been used to support investment in the operation of buses, supporting discounted tickets and wider bus related projects.

Case study: Milton Keynes

Milton Keynes was using £2.6m of its £12m parking revenue in 2018 for bus specific policies. This supported both bus subsidies for rural services and projects such as real time bus information and bus shelter. More recently Southampton has introduced charges to manage demand (and supports bus use). The surplus was specifically ring fenced for transport related expenditure and as such, supports measures such as night bus fares and seasonal tickets.

9.4 Key lessons

Only a minority of local charging schemes are specifically intended to generate a surplus which can be used for reinvestment. In many instances, such as Portsmouth's Clean Air Zone, the schemes aim to solely cover the costs of operating. However, depending on charging rates and range of coverage, charging schemes can generate significant funding. These can be politically contentious. Nottingham's Workplace Parking Levy was the subject of intense scrutiny before and after its introduction. Modification to on-street car parking rates and workplace parking charges are likely to be most beneficial for bus funding. However, as with developer contributions, more rural areas will be unlikely to be able to raise a significant amount in this way.

⁴¹ Bristol County Council. *What a clear air zone is, why we need one?* 2023. <https://www.bristol.gov.uk/residents/streets-travel/bristols-caz/what-a-caz-is>

⁴² Cleaner Air Portsmouth. *Clean air zone FAQs.* 2023. <https://cleanerairportsmouth.co.uk/clean-air-zone-faqs/>

10 Fare levels and structures

The most important revenue stream to support the operation of deregulated bus services in England is fare revenue. The deregulation of bus services in the 1980s resulted in local authorities not being able to regulate the private companies running buses. Where demand and subsequently revenue is high enough, bus operations which deliver a high frequency and attractive services without external subsidy can be delivered. Further information can be found in Support Package 1: Fares and Ticketing.

There are two main avenues by which fares are paid to operators:

- Directly paying for tickets (i.e. full-fare)
- Concessionary bus travel schemes

Concessionary bus travel schemes provide older and disabled people with free, off-peak travel on all local bus services in England. Councils are responsible for reimbursing bus operators for journeys made by those with a pass.

10.1 Raising fares to support services sustainability

Raising fares would in most cases increase revenue for the operator, except where the increases in fares would reduce demand for the service. As private operators, it is expected that bus companies would look to raise fares to maximise their revenue, however, funding routes through raising fares alone is challenging and could run counter to the principles of Bus Back Better. For instance, bus fares may become unaffordable for some user groups and result in a decrease in patronage levels.

10.2 Public-Private Partnerships

Using fare revenue alone to fund investment in bus services can create a number of challenges. Unlike other sectors, such as the rail industry, the bus industry has lower barriers to entry for competing operators. Operators often have shorter-term horizons over which they seek a return on investment. The combination of these factors, in addition to the fact that bus fares are relatively low compared to rail fares, means a significant increase in patronage is needed to cover the cost of both new infrastructure and improvements to services, such as increased frequencies.

Public-Private Partnerships present a means for funding investment in bus services and can be a mutually beneficial way to overcome problems that may exist. They can be used to implement new bus infrastructure, or to upgrade existing bus infrastructure facilities, which in turn can increase bus patronage levels. An increase in patronage results in an increase in revenue, which benefits both the public and private investors of the infrastructure.

10.3 Fare structure and the impact on bus sustainability

Fare structures are generally designed by operators outside London primarily to attract passengers to their own services and maximise revenue. Reforms to fare structures which increase the total revenue through improved integrated ticketing schemes could potentially increase overall revenue. This is reliant upon if agreements on allocations could be made, and if the required demand growth is achieved.

11 Case Studies

11.1 Transforming Cities Fund: Southampton region

The Transforming Cities Fund (TCF) was launched in 2017 to improve access to jobs in English cities and encourage an increase in journeys made by low carbon and sustainable modes of transport.⁴³ This scheme provided capital funding in two streams, £1.08bn to Mayoral Combined Authorities (MCAs) and £1.28bn to shortlisted English city regions. Funding allocations were announced in 2018-19 with projects being implemented until 2023-24.

One combined funding bid was submitted to the Transforming Cities Fund from the Southampton Region, which was successful. This was the partnership between Southampton City Council and Hampshire County Council was awarded £62.6M in total.

11.1.1 Bidding process

The process emphasised the need for co-development to “ensure...schemes are of the highest quality and create the best opportunities for transformational delivery, and [are] not about simply choosing those authorities that are the best at writing bids.”⁴⁴ As such, the DfT looked to do the following:⁴⁵

1. Facilitate swift and efficient development of bids.
2. Ensure programmes were high quality and represented good value for money.
3. Ensure schemes were innovative and ambitious.
4. Ensure bids were closely aligned with Departmental priorities.

This was to ensure proposed schemes and their business case were high-quality, regardless of LAs resource capabilities.

The fund was split into two phases: tranche 1 for low-cost early-delivery schemes, and tranche 2 covering the main bulk of the funding. Both tranches of funding followed a co-development approach, but the longer process for tranche 2 funding allowed for greater collaboration between authorities and the DfT.

For tranche 2, co-development processes were initiated between DfT and local areas in January 2019. A draft Strategic Outline Business Case (SOBC) was produced and submitted in June 2019. Direct feedback from the DfT was issued within two months, to allow for further refinement under the co-development framework, with final SOBCs submitted in November 2019. Funding decisions were released in March 2020, with nine of the twelve local areas invited to bid being either fully or partially funded. The three remaining areas were unfunded and needed additional co-development to revise and resubmit their SOBC (two were resubmitted after six months, with the final area resubmitting after nine months), after which they received TCF funding.

⁴³ Department for Transport. *Transforming cities fund*. 2018. <https://www.gov.uk/government/publications/apply-for-the-transforming-cities-fund>

⁴⁴ Department for communities and local government. *Housing infrastructure fund: supporting document for forward funding*. 2017. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/625525/HIF_Forward_Funding_supporting_document_accessible.pdf

⁴⁵ B.Hiblin, T. Calvert, L. Hopkinson., R. Van Ry., L. Sloman and S. Cairns. *The co-development process: National evaluation case study 1, Transforming cities fund report to department for transport*. 2021. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1006470/tcf-co-development-process-national-evaluation-case-study-1.pdf

Southampton's bid for tranche 2 was funded successfully in March 2020, with no need for further co-development.

11.1.2 Funding

Southampton and Hampshire were awarded £56.9M in tranche 2, which covered the low funding scenario in their SOBC, as shown in Table 11.1 **Error! Reference source not found..**

Table 11.1: Proposed funding scenarios within the Southampton TCF SOBC⁴⁶

	DfT Ask (£m)	Local match (£m)	Third party (£m)	Total (£m)
Low	56.983	9.663	1.837	68.492
% of total	83.2	14.1	2.7	
Medium	93.915	13.993	1.837	109.754
% of total	85.6	12.7	1.7	
High	125.912	15.562	1.837	143.321
% of total	87.9	10.9	1.3	

Within each scenario, TCF was expected to fund the majority of the proposal, in addition to local contributions from the councils and third parties, representing around 15% for each funding level.

Local funding was proposed to be sourced from:

- Local Transport Plan (LTP) Integrated Transport
- LTP Highways Maintenance
- Local Authority capital asset funds
- Transfer of land controlled by district and borough councils
- Community Infrastructure Levy (CIL) funds

Third Party funding sources were widespread, including:

- Developer contributions (s106)
- Investment from area bus operators in new fleets and technologies
- University Hospital Southampton (UHS) Trust for new Park and Ride facilities
- University of Southampton investment in improved infrastructure near campus
- South Western Railway contributions for improvements at stations
- Other local stakeholders

The three scenarios centred on the same main transport corridors, as shown in Figure 11.1, with additional connected schemes in the city centre.

⁴⁶ Southampton City Council. *Connecting Southampton City Region*. 2019
https://www.southampton.gov.uk/media/tvtn1shq/southampton-tcf-sobc_tcm63-428998.pdf

Figure 11.1: Transport Corridors proposed for investment under TCF funding⁴⁷



Different levels of investment were proposed for the five corridors depending on the funding scenario (low / medium / high). Priority investments were included in all scenarios, with greater investment and improvements in the higher-cost scenarios. The benefit-cost ratios for the potential scenarios (Table 11.2) reflect this. Whilst each scenario had an adjusted BCR in the 'High' range, representing good value for money, the medium scenario led to the highest benefits (2.75). The low investment scenario scored second-highest, with an adjusted BCR of 2.34. Including a good range of high-benefit investment options at different funding levels leads to a better bid that is more likely to be funded.

⁴⁷ Southampton City Council. *Connecting Southampton city region*. 2019
https://www.southampton.gov.uk/media/tvtn1shq/southampton-tcf-sobc_tcm63-428998.pdf

Table 11.2: Value for money analysis of the proposed investment scenarios

	High	Medium	Low
PVB (Level 1)	£257.2m	£247.4m	£126.7m
Further PVB (Level 2)	£62m	£58m	£39m
PVC (2010 prices)	£141.3m	£111.4m	£70.9m
Net Present Value (NPV)- Level 1	£115.8m	£136.0m	£55.8m
Initial BCR	1.82	2.22	1.79
VfM Category	Medium	High	Medium
Adjusted BCR	2.26	2.75	2.34
VfM Category	High	High	High

48

11.1.3 Project proposals

Southampton's core proposals in the low funding scenario, included three of the five possible corridors: Waterside (1), Eastleigh (4), and Bursledon (5), aiming to improve connectivity, bus journey times and reliability. The proposals also included active travel improvements, through the expansion of the Southampton Cycle Network and proposed Neighbourhood Active Travel Zones (ATZs) to reduce traffic flows. Additional Park and Ride locations, local mobility hubs, and improvements to facilities at railway stations were also included in the proposals.⁴⁹

The SOBC submitted by Southampton also included three main themes to categorise and justify their proposed investment:⁵⁰

1. Transforming Mobility

- a. Improved bus corridors with greater priority measures and improved bus stops
- b. Park & Ride implementation for both city centre and hospital
- c. Mobility Hub network creating local hubs to facilitate multimodal journeys
- d. Implementing smart technology and smart traffic signals for non-physical bus priority

2. Transforming Lifestyles

- a. Develop a comprehensive Southampton Cycle Network with direct and high-quality segregated routes to as many destinations as possible
- b. Create Active Travel Zones to encourage active travel in local neighbourhoods

3. Transforming Gateways

- a. Improved station interchange facilities at Southampton Central and other stations in the area
- b. Generally improving the quality of the urban realm within the city centre

⁴⁸ Southampton City Council. *Connecting Southampton city region*. 2019
https://www.southampton.gov.uk/media/tvtn1shq/southampton-tcf-sobc_tcm63-428998.pdf

⁴⁹ Solent Transport. *Funding boost set to benefit Solent in major shift for transport*. 2023.

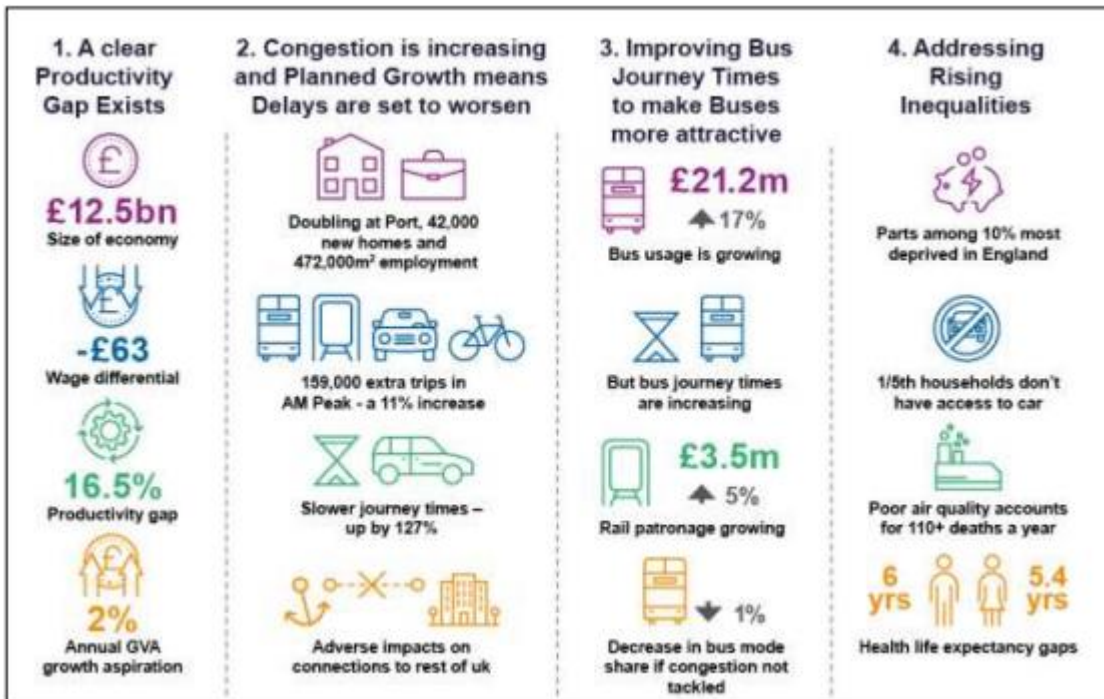
<https://www.solent-transport.com/funding-boost-set-to-benefit-solent-in-major-shift-for-transport/>

⁵⁰ Southampton City Council. *Connecting Southampton city region*. 2019
https://www.southampton.gov.uk/media/tvtn1shq/southampton-tcf-sobc_tcm63-428998.pdf

11.1.4 Justifying the need for funding and making a good case

Southampton’s bid identified four main transport challenges that the TCF could help address, as shown in Figure 11.2.

Figure 11.2: Strategic challenges identified by the Southampton TCF SOBC⁵¹



The funding justification built up across the four themes provides a strong case for investment in the region. Economic impacts are combined with social imperatives to create a cohesive rationale for TCF funding to benefit the Southampton region. Any funds received would be expected to improve the economy, reduce social exclusion, improve health impacts, and lead to a better region for everyone.

Sharing of the bid between Southampton City Council and Hampshire County Council also needed to be justified in terms of management procedures. The two councils had previously worked together on delivering high-value complex projects, therefore governance structures were already well developed. Additionally, an active approach was followed for risk management and timetable planning, with a full outline programme of all TCF works produced to identify any potential conflicts from other committed works. Ongoing stakeholder engagement and project controls plans had also been produced, indicating clear and robust programme management.

11.1.5 Projects implemented

With the TCF funding running through until 2023-24 for project completion, many of the improvements proposed in the SOBC have now been successfully completed. Implemented projects include:

- City Centre bus and rail interchange improvements
- Better provision for active travel at city centre junctions

⁵¹

Southampton City Council. *Connecting Southampton city region*. 2019
https://www.southampton.gov.uk/media/tvt1shq/southampton-tcf-sobc_tcm63-428998.pdf

- City centre to Chandler’s ford active travel and bus improvements
- City centre to Waterside cycleway and bus improvements
- Eastleigh to Southampton corridor improvements and travel hubs

11.2 Private developer funding: Oxfordshire

11.2.1 Process and operation of funding

Contributions from developers come through two main funding streams – s106 agreements and CIL (see Chapter 8 for further detail). CIL can be used by any LA to raise funds for new developments and is defined by a charging schedule set out by LAs whilst s106 contributions relate to the level of mitigation required for a new development to make it deemed acceptable in planning terms.

11.2.2 Funding received

Oxfordshire County Council receives significant contributions from developers to help complete infrastructure improvements. Three of the five district councils within Oxfordshire (Oxford City, Vale of White Horse, and South Oxfordshire) have CIL charges in place. All five district councils enter into s106 agreements with developers.

Any funding raised by developer contributions is recorded in yearly Infrastructure Funding Statements from Oxfordshire County Council. The most recent statement, from 2021-22, includes over £2M funding for supported bus services through s106. Provision of new bus shelters and other improvements to bus stops are also said to be “taking place at an exponential level”.⁵² Overall funding received in the most recent three years is shown in Table 11.3. Information on total funding obtained through CIL and spent on transport is not available, but most funding for transport from developers comes through s106.

Table 11.3: Developer funding received and spent by Oxford City Council and Oxfordshire County Council for the previous three years

Year	s106 funding received for transport	s106 funds invested in transport	s106 funds invested in bus infrastructure and operation
2019-2020	£8,630,000	£5,342,000 ⁵³	£4,814,000
2020-2021	£11,873,000	£3,723,000 ⁵⁴	£2,587,000
2021-2022	£10,990,000	£6,211,000 ⁵⁵	£3,910,000

Figure 11.3 shows overall contributions to support bus services in the Oxfordshire area. Developer contributions make up the largest portion of support, representing 83% of the total sum given to operators to continue services at a level which would not otherwise be viable.

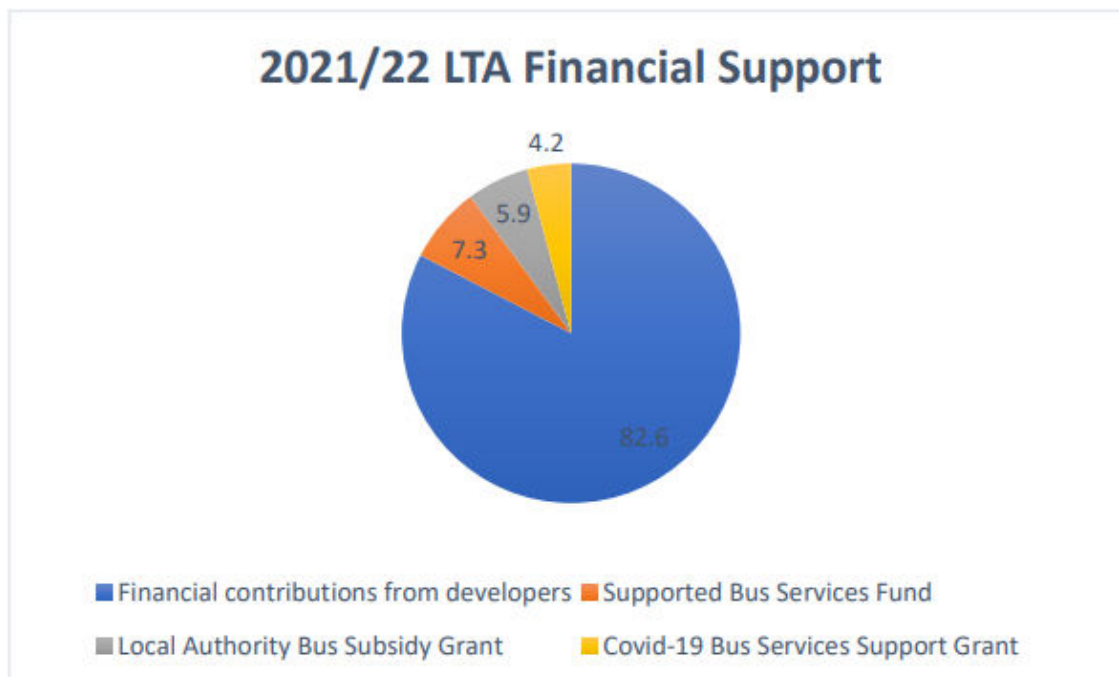
⁵² Oxfordshire County Council. *Infrastructure funding statement April 2021 to March 2022*. 2021. https://www.oxfordshire.gov.uk/sites/default/files/file/council-tax-and-finance/Infrastructurefundingstatement2021_22Cabinet.pdf

⁵³ Oxfordshire County Council. *Infrastructure funding statement 2020*. 2020. https://www.oxfordshire.gov.uk/sites/default/files/file/council-tax-and-finance/infrastructure_funding_statement_2019_20.pdf

⁵⁴ Oxfordshire County Council. *Infrastructure funding statement April 2020 to March 2021*. 2021. https://www.oxfordshire.gov.uk/sites/default/files/file/planning-planning-policy/Infrastructurefundingstatement_0.pdf

⁵⁵ Oxfordshire County Council. *Infrastructure funding statement April 2021 to March 2022*. 2022. https://www.oxfordshire.gov.uk/sites/default/files/file/council-tax-and-finance/Infrastructurefundingstatement2021_22Cabinet.pdf

Figure 11.3: Financial support to Oxfordshire bus operators by source of funding⁵⁶



The BSIP for Oxfordshire outlines previous and expected future funding from s106 and CIL. New housing developments near Oxford and in other towns within Oxfordshire are expected to bring new or extended/expanded bus services for residents. The commercial viability of these services will be ensured by developer contributions until the developments are fully built out and ridership stabilises at a sustainable level. An example of ongoing improvements funded in this way includes the Oxford to Swindon routes, which has been upgraded from one to four buses per hour through s106 contributions from continued new development along the route.⁵⁷

11.2.3 Examples of projects funded

Multiple significant major projects have been fully or partially funded by developer contributions in Oxfordshire in recent years.

Figure 11.4 shows a major project being delivered in Banbury town centre to improve bus services to and through the railway station. Section 106 funding will cover around a quarter of this investment. The design of the approach roads and car parking at Banbury station means it is currently unserved directly by local bus services. Under the proposed scheme, a through route will be opened up giving buses access to the station, improving journey times and interchange opportunities.

⁵⁶ Oxfordshire County Council. *Oxfordshire Bus Service Improvement Plan.2022.*
<https://www.oxfordshire.gov.uk/sites/default/files/file/roads-and-transport/OxfordshireBSIP.pdf>

⁵⁷ Oxfordshire County Council. *Oxfordshire Bus Service Improvement Plan. 2022.*

Figure 11.4: Proposed bus infrastructure upgrades in Banbury⁵⁸

Local authority area	Banbury
Location	Tramway Road/Station Approach
Project description	this scheme will deliver a bus and taxi link past the station to improve bus journey times and improve connectivity, and a new access into the station car park to avoid car trips travelling through one of the most congested junctions in Banbury. These improvements will provide benefit to many residents to the south of Banbury and help to unlock housing growth.
Current stage	Preliminary design
Expected delivery date	2023
Total cost	£4.2m (Housing & Growth Deal + S106)



Figure 11.5 shows Oxford’s park and ride scheme which has been partly funded by developer contributions. Oxford’s park and ride scheme has been hugely successful. Through CIL funding, the Seacourt Park and Ride in Oxford was extended by 595 parking spaces and the waiting terminal was also improved. The overall project cost was around £5M, with £1.4M coming through CIL.⁵⁹

⁵⁸ Oxfordshire City Council. *Infrastructure funding statement April 2021 to March 2022*.

⁵⁹ Oxford City Council. *IFS Schedule 2 Report 2020-2021*. 2021.
https://www.oxford.gov.uk/downloads/file/7412/ifs_schedule_2_report_2020_-_2021

Figure 11.5: New terminal building constructed with the expansion of Seacourt Park and Ride in West Oxford⁶⁰



A large new development at Oxford North, bringing 4,500 jobs and 480 new homes, is providing around £360,000 annually for seven years for bus service enhancements in the area.

Many smaller schemes are also included in the 2021-22 funding statement for bus infrastructure improvements. These range from around £1,000 up to £100,000. Contributions to bus services are also prevalent, with many services supported to ensure they remain in operation where it may not be commercially viable. Significant funding has also been received in 2021 and hypothecated for bus service improvements in future but not yet spent. Some individual s106 agreements bring in upwards of £1M for bus infrastructure.⁶¹

11.2.4 Impact of developer contributions

Funding from developers through either s106 or CIL has led to significant investment in Oxfordshire's bus network that would not otherwise be possible. Within the next decade, Oxfordshire is expected to have 136,000 new residents, for which new bus services will be funded by developers. Overall bus ridership is expected to increase by around 20% within the county as a result of that growth and investment. Developer contributions can be a valuable way of entering into a 'virtuous cycle' of investment in buses, leading to improved ridership, greater funding, and improved services.

On one specific scheme, the introduction of bus lanes on the main road towards West Oxford, this impact is clearly visible. Around 7,000 new homes are to be constructed in the decade,

⁶⁰ The Oxford and Chilterns Bus Page. *Weekly briefing issues no.152*. 2021. [https://www.oxford-chiltern-bus-page.co.uk/Weekly nr 152 250421.html](https://www.oxford-chiltern-bus-page.co.uk/Weekly%20nr%20152%20250421.html) <https://www.oxford-chiltern-bus-page.co.uk/Weekly nr 152 250421.html>

⁶¹ Oxfordshire City Council. *Infrastructure funding statement April 2021 to March 2022*. https://www.oxfordshire.gov.uk/sites/default/files/file/council-tax-and-finance/Infrastructurefundingstatement2021_22Cabinet.pdf

which would result in a standard of around 500,000 new bus journeys per year. However, with the help of developer funding, bus lane improvements are to be completed. With that added journey time benefit, an additional 1.5 million journeys are expected, more than tripling the expected increase in bus ridership.⁶²

11.3 Workplace parking levy and match funding: Nottingham

11.3.1 Process and operation of funding

Across Nottingham, any business providing parking to their employees is liable to pay a charge per parking space available. The charge only affects larger employers, with those having less than ten spaces exempt. For 2023-24, the charge is set at £522 per space per year.⁶³

The Workplace Parking Levy (WPL) was the first of its kind in Europe when introduced in 2012. There was initial criticism and concern from local businesses and residents, with fears that the WPL would cause businesses to leave the city. Nottingham City Council's goals in introducing the WPL was to encourage public transport use by balancing a carrot and stick approach, with WPL acting as a stick to support modal shift. This is part of a joined-up thinking approach, which aims to make public transport the easier and cheaper option for commuting and leisure in Nottingham.

Within the city council area, day rates at parking sites are not allowed to be less than the cost of a day ticket valid on all transport operators in Greater Nottingham. Parking rates in other towns within Nottinghamshire are not enforced by the same policy, with many still offering free parking. Ensuring that the direct cost of driving into cities and towns is greater than that to take public transport is an important tool in achieving modal shift and brings greater revenues to local councils.

Workplace Parking rates are also reviewed continually, to ensure they balance the need to be a 'stick' and be disruptive to employers, while not being so high so as to make them unaffordable. In 2019, over 42% of the city's employers were liable to pay WPL charges, and over 40% of journeys were made on public transport, much higher than the UK average.⁶⁴

11.3.2 Funding received and impact of WPL scheme

The WPL has been extremely successful to date, and has allowed for modal shift and transport investment in Greater Nottingham. Since its introduction in 2012, the city has increased the number of businesses by 25%, with an associated net increase of over 23,400 jobs. Since 2012, car usage has fallen by 7%, while public transport usage has increased by the same amount.⁶⁵ In the first ten years of the levy, around £90M has been raised.

As an extension of the WPL funding, through match-funded projects and other private investment, over £1bn has been invested in sustainable travel within the city. With WPL funding not dependent on external factors, the stream of funding is stable and predictable, allowing long-term funding plans to be developed. An estimated £15.4M is saved for the city by the parking levy each year, with annual savings of £7.7M for businesses as a result of decreased congestion.

⁶² Oxfordshire County Council. *Oxfordshire Bus Service Improvement Plan*. 2022.

⁶³ Nottingham City Council. *Guide to the Workplace Levy*. 2023. <https://www.nottinghamcity.gov.uk/information-for-residents/transport-parking-and-streets/workplace-parking-levy/cost-of-a-wpl-licence/>

⁶⁴ Nottingham City Council. *Bus service improvement Plan for the Greater Nottingham (Robin Hood) area*. 2021. <https://www.transportnottingham.com/wp-content/uploads/2021/07/Robin-Hood-BSIP-October-2021.pdf>

⁶⁵ C. Reid. Nottingham's workplace parking levy cuts jobs, cuts car use and slashes pollution. *Forbes*. 2019. <https://www.forbes.com/sites/carltonreid/2019/10/17/nottinghams-workplace-parking-levy-creates-jobs-cuts-car-use-and-slashes-pollution/?sh=244cd3a839fb>

Wider benefits from the scheme and resulting shift towards sustainable travel includes a reduction in carbon emissions of 58%. Congestion growth has been reduced by over 47% from WPL charges.⁶⁶ The parking levy has been hugely beneficial to Nottingham, both in terms of financial gain as well as in congestion reduction and health benefits from improved air quality.

11.3.3 Examples of projects funded

Matched funding in Nottingham, often coming from WPL or other council funding pots, allows more investment to take place for transport across the city. Whether attracting funding sources that would otherwise not meet the needs of an investment opportunity, or sampling extending the impact of a funding scheme, match funds are essential to transforming Nottingham's transportation network.

Some example projects funded with the aid of match funding include:^{67 68 69}

- Sustainable Workplace Travel Capital Grants: Capital funding through matched grants for local businesses to improve facilities for active and sustainable travel to work (including secure cycle parking, showers, EV charging). Over £1.2M match funding given out
- New bus vehicle purchases: Funding for new buses and investment by operators matched by developer contributions and council contributions from WPL
- Demand responsive transit: three zones of demand responsive transit set up within greater Nottinghamshire as part of the Rural Mobility Fund (£1.5M), matched by local contributions of over £4M. This service, introduced in 2022, provides connections from scheduled bus services and town centres to rural areas that cannot easily be served by commercial scheduled services.
- Low Emission Bus Scheme (LEBS): Two electric buses and charging infrastructure funded 50/50 by Department for Transport and Nottingham match funding
- Ultra-Low Emission Bus Scheme (ULEBS): Four electric buses and charging infrastructure funded 2:1 by Department for Transport and Nottingham match funding
- Expansion of the NET tram: WPL funds were partially used to fund the latest expansion of the Nottingham tram system towards the south of the city
- Bus lane and priority expansion: Over 18km of new physical bus lanes introduced in the last ten years, along with 2km of bus lanes with traffic light priority
- Bikeshare: New citywide shared cycle hire scheme introduced

⁶⁶ Nottingham City Council. *A decade of inspiring growth in our city*. 2022. <https://www.transportnottingham.com/wp-content/uploads/2022/10/WPL-10-Year-Impact-Report-Digital-Nov-22.pdf>

⁶⁷ Derby City Council and Nottingham City Council. *Derby and Nottingham Transforming cities fund tranche 2*. 2019. https://www.transportnottingham.com/wp-content/uploads/2020/03/SOBC-Derby-Nottingham-TCF2-Final_compressed.pdf

⁶⁸ Nottinghamshire County Council. *Bus service improvement plan for Nottinghamshire*. 2021. <https://www.nottinghamshire.gov.uk/media/5078214/nottinghamshirebuserviceimprovementplan.pdf>

⁶⁹ Nottingham City Council. *A decade of inspiring growth in our city*. 2022. <https://www.transportnottingham.com/wp-content/uploads/2022/10/WPL-10-Year-Impact-Report-Digital-Nov-22.pdf>
<https://www.transportnottingham.com/wp-content/uploads/2022/10/WPL-10-Year-Impact-Report-Digital-Nov-22.pdf>

