

BUS FUNDING UPDATE

1.0 INTRODUCTION

1.1 Joint Committee will be aware from previous reports and discussions that SWWITCH has implemented and managed the change to bus service support, as a result of the Welsh Government reform of bus funding, over the last twelve months. The reform included the introduction of the Regional Transport Services Grant which replaced the former:

- UK based Bus Services Operators Grant
- Wales Government Local Transport Services Grant

1.2 SWWITCH was also required to develop a Regional Network Strategy for bus services. The Regional Network Strategy (RNS) was formally approved by the four respective Local Authorities prior to formal adoption by Joint Committee at the meeting on 6th December 2013. The RNS was duly submitted to the Welsh Government in January.

1.3 Members may recall that the Welsh Government has also been undertaking a review of the All Wales Concessionary Bus Pass scheme, as the three year reimbursement to operators agreement is due to end on 31st March, 2014.

1.4 Since the Joint Committee meeting of December, the Welsh Government has made a number of announcements regarding further changes to bus funding and organisation in Wales, confirming that:

- The Regional Transport Services Grant will be replaced by a Bus Services Support Grant and the new grant will be administered by Local Authorities
- Changes to The Concessionary Fares reimbursement scheme. The Government has required authorities to notify operators of the new arrangement in order that the changes to the rate can come into effect on 1st July, 2014

2.0 REGIONAL TRANSPORT SERVICES GRANT

2.1 The transition from the former Local Transport Services Grant and Bus Services Operators Grant to the Regional Transport Services Grant (RTSG) in 2013/14 represented the largest change to bus industry funding, arguably since De Regulation arising from the 1985 Transport Act. The Consortium, working in partnership, has managed this change with minimal disruption to the bus sector and customers.

2.2 In terms of financial performance, the current out turn is forecast to be on budget. The re-imburement rate to operators for Local Kilometre Support Grant has remained consistent throughout the 2013/14 financial year for both the commercial and voluntary sector and all operators have been paid on time.

- 2.3 Service reductions have resulted in a small redistribution of grant during the year, (this amounts to £160,000), direct to the four constituent Local Authorities. Authorities were able to use this funding to help mitigate the impact of service reductions that have occurred throughout the year.
- 2.4 The end of year procedures are in place to ensure the RTSG is effectively managed to the financial year end.
- 2.5 Further transition from RTSG to the Bus Services Support Grant will need to occur in the forthcoming weeks. The latest change will require the continued commitment of all Local Authorities. It is proposed that the four authorities continue to work together on a collaborative basis to manage the further and continued period of change. This process will be managed by the current Passenger Transport Working Group which is chaired by a Head of Service.

3.0 BUS SERVICE SUPPORT GRANT

- 3.1 The Bus Services Support Grant (BSSG) will be introduced from 1st April 2014. Local Authorities are currently awaiting notification of the final conditions and guidance for the new grant. Officers have received a draft of the proposals and provided feedback to the Welsh Government. Indications are that funding related to the grant will be held at the 2013/14 level i.e. £25 million for the whole of Wales and £5,116,682 (minus allocation for Traveline Cymru) for the four South West Wales Authorities.
- 3.2 The funding will be distributed to four lead Local Authorities across Wales, the City and County of Swansea undertakes this role currently and it is proposed that this arrangement will continue until future change is required.
- 3.3 The draft conditions indicate that the grant will be used to support local authorities' expenditure, in exercise of their powers under the Transport Acts 1985, 2000 and the Local Transport Act 2008.
- 3.4 The grant can be used to support transport solutions to meet local circumstances and requirements with support for core strategic networks. The grant should be used to enhance accessibility and connectivity to communities, essential services and facilities, so promoting economic prosperity, social inclusion and well-being. In doing so Authorities should use the grant to develop close and effective partnership working e.g. Through voluntary agreements, Statutory Bus Quality Partnerships and Quality Contract schemes, involving bus operators.
- 3.5 Local authorities working collectively should allocate at least 5 percent of the new BSSG to support the provision of community transport. The Welsh Government strongly recommends a figure of 10 percent is achieved providing that sufficient, good quality community transport projects that deliver value for money and integrate with the public transport network have been identified.
- 3.6 Local Authorities should use the RNS to inform decisions that they will make in selecting which services to support and can continue to work collaboratively to administer the new grant.

3.7 Members may recall the RNS was developed on the basis of prioritising investment through the allocation of the grant to:

- Local Kilometre Support (i.e. The element of the grant based on a rate per kilometre paid to operators for operating services which were registered to collect passengers)
- Direct grant to authorities to invest in transport services i.e. on the same basis as the former Local Transport Services Grant

3.8 With the final conditions for the new grant not yet issued and the new financial year rapidly approaching, it would be prudent to continue with the methodologies and staffing arrangements, developed to manage the former RTSG. This approach will provide some much needed stability for the Local Authorities and the bus industry during 2014/15.

4.0 CONCESSIONARY FARES

4.1 The Concessionary fares scheme has been the subject of much public debate over recent months as a result of the Welsh Government review of the national concessionary fares scheme. The scheme is administered by Local Authorities and there has been widespread concern regarding a potential reduction in the amount available to fund it.

4.2 The Welsh Government commissioned consultants to undertake a review of the scheme to establish whether the current rate of re-imburement was commensurate with the fundamental principle that bus operators should be no better or no worse off as a result of revenue foregone by carrying the concessionary pass holder .

4.3 The Welsh Government consultants provided an initial view that the rate of reimbursement was not consistent with the principle of “no better no worse off,” this view was not supported by the bus operators and the Confederation of Passenger Transport (CPT). The CPT commissioned their own consultants who disputed the Welsh Government’s consultant’s figures.

4.4 Discussions between the Welsh Government, Local Authorities and the Bus Industry continued into February this year. The outcome of those discussions resulted in the Government issuing a modified scheme in late February with a requirement for Local Authorities to issue the new scheme to participating operators by 28th February, thereby providing the requisite four months’ notice for the new rates to come into effect on 1st July 2014. The new scheme was issued by the Local Authorities as required.

4.5 The scheme currently sets out the reimbursement rate of 73.59 percent for quarter one and 64 percent for quarters 2,3 and 4 of the 2014/15 financial year. A maximum budget of £65 million is available. This represents a reduction in budget of circa £9 million across Wales and is less than that originally anticipated.

4.6 The rates included within the revised published scheme, will result in expenditure

exceeding the budget available, unless demand reduces. The ongoing quarterly meetings to confirm the reimbursement rates to remain within budget will be critical unless additional funding is found within the financial year.

5.0 CONCLUSIONS AND RECOMMENDATIONS

- 5.1 The bus sector continues to experience significant year on year change with continued reductions in public funding. The 2013/14 year has been managed effectively by the four SWWITCH authorities resulting in service delivery remaining within budget. This has been achieved by partnership working with the industry and the voluntary sector.
- 5.2 The 2014/15 financial year will be another year of change. The continued collaborative working between the four local authorities will be fundamental to delivering the further change required:
- 5.3 It is **RECOMMENDED** that Joint Committee:
1. Notes the further changes that are being made to bus funding in Wales
 2. Endorses the decision made to redistribute a small amount of the grant direct to the four constituent Local Authorities to help mitigate the impact of service reductions
 3. Supports the proposal that the four authorities continue to work together to manage the further and continued period of change on a collaborative basis. This process will be managed by the current Passenger Transport Working Group which is chaired by a Head of Service, with funding distributed by the City and County of Swansea as the host authority