



Ein cyf/Our ref

Heledd Fychan MS
Chair, Climate Change, Environment and Infrastructure Committee

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Dear Chair

Thank you for the correspondence of 14 June from the Committee, regarding bus services in Wales.

Please find below, responses to the questions which the Committee has raised in your correspondence.

Funding arrangements to the end of the financial year

- Can you provide a detailed breakdown of the funding that will make up the £46 million you announced?

As a matter of course Welsh Government provides direct support for the bus industry through our £25m Bus Services Support Grant, £60m Mandatory Concessionary Fare (MCF) Scheme and £2m MyTravelPass scheme. An additional £28m has been allocated over and above business as usual budgets to specifically support the bus industry as they recover from the impacts of the pandemic. Due to depressed patronage we're not expecting to require the full £60m of funding for MCF, therefore we have reallocated a forecast underspend of £18m to fund the Bus Transition Fund. £4m from the £46m will be used to support and protect TrawsCymru services.

- How will the additional £46 million for the Bus Emergency Scheme and successor arrangements be distributed among different services?

Over the last few months, we've been working with the Regional Network Planning Teams, and operators, to plan and cost a network of bus services which can be delivered when the emergency funding ends.

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We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Indicative funding allocations have been made to each region based upon the requirement in each area for the funding required to maintain the core network of services.

- We would be grateful for further information around the timelines for this work and the discussions that are taking place with trades union representatives about the potential impact on jobs.

The current Bus Emergency Scheme is due to end on 24th of July, and the Bus Transition Fund successor scheme will commence on the 25th. The timings of this are challenging and it is our intention to have finalised details and reached formal agreement with operators and Local Authorities in the coming week.

I have met with TU representatives to keep them up to speed on developments with bus funding. I also meet TU representatives on a regular basis for a wide-ranging discussion on issues affecting their members. Transport for Wales also regularly meet with transport unions.

- What criteria will be used to determine the allocation of these funds?
- Could you please elaborate on the decision-making process for determining which bus services will continue in light of the acknowledged funding shortfall?

Local knowledge is key to determining the network which best suits any particular part of Wales. We have therefore asked local authorities to prioritise the services they wish to and need to protect.

It is however important that local authorities don't work in silo's on their plans as people don't live their lives within one local authority area, they are much more likely to need to travel around region. To this end, we established Regional Network Planning teams covering north Wales, mid Wales, south west Wales and south east Wales. These teams are made up of representatives from Transport for Wales, local authorities and bus operators to prioritise which bus routes and services should be retained using the funding provided by the Welsh Government's Bus Transition Fund.

The Regional teams have focussed on protecting key essential services that serve hospitals, work destinations, education centres as well as minimising duplication in service provision. The priority has been around maintaining geographical coverage versus frequency of services.

These Regional teams are now collaborating well and working at pace to finalise their plans by the end of July, and whilst plans for the revised networks have not yet been finalised, initial indications do point to likely changes to some local bus networks across Wales.

Within this context, bus companies are responsible for deciding on what changes they need to make to commercial bus services to ensure their continued commercial viability, and local authorities retain the responsibility for prioritising which tendered routes should be retained, withdrawn or amended based on an updated assessment of post Covid travel patterns and service / operational costs.

We have encouraged local authorities to engage with local communities especially if these communities are likely to be impacted by significant service changes.

- Could you please provide further details on your intentions for successor arrangements to the Bus Emergency Scheme in the 2024/25 financial year to provide assurance that the current situation will not be repeated in the next financial year?

- What are the initial plans for funding bus services in the 2024/25 financial year?

The Bus Transition Fund will be used as a further mechanism to support the work of the Regional teams and transition the industry away from emergency funding to locally tendered services from April 2024. As a mid-term solution my Officials are also reviewing existing grant funding mechanisms such as the Bus Services Support Grant (BSSG) and other funding streams to provide a more stable and effective funding support package going forward.

This will act as a stepping stone to our plans to franchise the bus network through our Bus Reform Bill.

- Local government representatives have suggested it might be beneficial to look at replacing some concessionary fares with a fixed price. Is this something you are exploring? Can you provide further information on any analysis that has been undertaken of this option?

We have undertaken a comprehensive assessment over the last twelve months on a range of other options to make bus travel more affordable and accessible for those residents and visitors to Wales who do not qualify for free travel under the concessionary travel scheme. Options looked at included:

- *the introduction of a capped flat fare similar to the current £2 cap trial in England;*
- *deeper discounts for younger people as part of the existing 16-21 'My Travel Pass' scheme which currently entitles card holder to a third discount on the equivalent adult fare;*
- *discounted bus and rail tickets; and,*
- *new discounted multi operator zonal tickets.*

Our current funding priority is to secure the most number of services we possibly can, avoiding mass cancellations, and ensuring there is a bus network in place that people can rely on.

- How is this wider impact of bus service provision reflected in the Welsh Government's budget-setting process? What work has the Welsh Government undertaken to consider the positive impact of investment in public transport on other policy areas, such as health, and has the Welsh Government considered the merits of redirecting funding from other portfolios in that context?

I'm extremely proud of the record of this government in supporting bus services throughout the pandemic and the recovery period thereafter. We have made over £150m of additional funding available to the industry through this period. This has kept vital services running.

Looking to the remainder of this year we will be able to protect the vast majority of bus services in Wales with the funds that were initially allocated to bus.

We will of course review the position during the next budgetary cycle to ensure that the funding allocations reflect the priorities of this Government.

Funding from the UK Government

- Could you provide more information about discussions you have had about the lack of "Barnett" consequential funding for Wales following the UK Government's investment announcement?

- What are the Welsh Government's next steps regarding this issue?

My officials have been in contact with the UK Department for Transport and I understand there is no “new money” being used by the UK government for its investment in bus services. Welsh Government is therefore not owed a “Barnett” consequential.

Bus franchising proposals

- In light of the urgency of the current situation, can you indicate when the Senedd Bill on bus franchising will be introduced?

The First Minister confirmed in his legislative statement on 27 June that we are planning to introduce a Senedd Bill on bus reform in the third year of this Senedd.

- What is the planned process for transitioning to a bus franchising model, and how will you ensure minimal disruption to services during this transition?
- What is the planned timeline for the transition to a bus franchising model?
- What steps are being taken to prepare local authorities for this shift?

Transport for Wales are working on transition plans to both minimise disruption during the transition and to franchise bus services as effectively as we can. We intend to publish further detail about these plans alongside the Bill. They are currently working with local authorities to explore what progress can be made towards franchising in the meantime, so that for example where services are being contracted by local authorities, this is aligned with network planning work to minimise the scale of change over a transition to franchising.

- Given your intention that the Welsh Government will be the franchising authority and carry the revenue risk for all franchised bus services across Wales, can you outline how the planned arrangement will ensure this risk is managed and that the current funding challenges and uncertainty are not repeated and amplified by franchising?

We have seen throughout the COVID-19 pandemic and now beyond, that ultimately the public purse already carries the revenue risk if we want services to continue. Franchising better structurally recognises where this risk sits and gives us much greater control over how the funding we do have available to invest in buses is spent so we can manage that risk directly. That doesn't mean it resolves all funding challenges, we will still have to navigate market conditions, cost inflation, budget settlements and passenger demand to deliver the best services we can within the funding available to us. However franchising allows us to do so in the public interest, rather than leave those challenges to the industry with a public service at stake.

Rail funding

- How will this cost increase will be funded? Where in the Welsh Government budget will the funding to meet this shortfall be found and what will not be delivered as a result?

Meeting the increased costs of the CVL Transformation Programme is clearly a challenge for Welsh Government, but this is a critical programme for meeting many of our wider ambitions of decarbonisation and improving connectivity for our communities.

In the first instance we will look to manage the increases through our usual financial management processes. Additionally, TfW have been successful in securing some additional EU Funding from WEFO to help meet the increased costs.

We are working closely with Transport for Wales to manage and prioritise our portfolio of rail infrastructure investments seeking efficiencies where possible and considering the timing and profiling of expenditure. We will ensure lessons have been understood from the cost increases experienced with the CVL transformation programme and apply these to other infrastructure projects being delivered for the Welsh Government.

- You will be aware from previous reports that we have ongoing concerns about the TfW budgeting process, particularly its complexity and lack of transparency. With this in mind, why was the increase in delivery costs not identified in time to be considered during the process of scrutinising the Welsh Government's draft budget?

The work to revise the Anticipated Final Cost of the CVL Transformation Programme has been ongoing for some time. The identification of increasing costs resulting from a combination of Brexit, the global pandemic and material cost inflation required substantial work to be undertaken on the options available to the Welsh Government. Alongside TfW we have applied rigorous challenge to minimise the increases including consideration of alternative delivery options, restructuring of contract packages and phasing of works. This process was on-going during the draft budget process and therefore while the costs of the delivery programme were under review the value of any variance was not confirmed at that time.

More generally, in order to ensure that TfW's budget is transparent and reflects all of its (current and future) responsibilities and functions, we will be undertaking an exercise in advance of the publication of the draft 24/25 budget to review the structure of the transport activities within the Climate Change MEG to ensure that they align with our programmes and priorities.

To ensure that these are publicly available in good time, we are progressing work to update Transport for Wales' Articles of Association and Management Framework. This will include publishing an annual timetable for working with TfW to produce and publish the Welsh Government's funding letter and TfW's business plan which better aligns with the publication of the Welsh Government's budgets and the Committee's scrutiny process.

- How have the increased costs for the Core Valleys Lines modernisation influenced the distribution of funding in relation to bus services?
- What measures are being taken to ensure that bus services do not suffer due to the increasing costs arising from rail projects?

Increased costs of CVL modernisation has not influenced the distribution of funding in relation to bus services. I have been pleased to be able to protect the budgets that support our vital bus services. This means that we have not cross subsidised rail with bus budgets, and the funding allocated to supporting bus services will be spent on just that.

20mph speed limits

- What modelling has been undertaken to assess the impact of the default 20mph speed limit policy on the bus network?

Transport for Wales engaged City Swift (one of the world leaders in data modelling for buses) on behalf of Welsh Government, to measure the effect on the bus service if urban speed limits were reduced to 20mph. It found that there were unneeded dwell times on some of the routes as they were currently running and if routes were optimised, two of the three routes analysed would require an additional vehicle to keep the existing service, another showed no change.

- Do local authorities have the flexibility, in deciding on exceptions to the default 20 mph limit, to determine that a major arterial route should be an exception under the policy, if it believes a 20mph speed limit on the route would have a significant adverse impact on the bus network, particularly on its financial viability?

Highway authorities have the flexibility to set local speed limits that are right for individual roads, reflecting local needs and considerations. Where their decision deviates from the guidance highway authorities should have a clear and reasoned case. Financial considerations are not part of the guidance, as the default national speed limit on restricted roads from 30mph to 20mph primarily aims to reduce the number and severity of collisions, which in turn will reduce casualties and those killed on Welsh roads.

School transport

- How will funding for local authority provision of school transport be affected in light of the changes to bus service funding?

The Welsh Government provides funding to local authorities for school transport mainly through the Local Government Revenue Settlement in the form of the Revenue Support Grant (RSG). The RSG is not ring-fenced; the funding allocated to each authority is available to the authority to spend as it sees fit on the range of services for which it is responsible, including school transport. This is in line with the Welsh Government's policy that local authorities are best placed to judge local needs and circumstances and to fund schools accordingly. Local authorities are accountable to their electorates for the decisions they make.

Local authorities report on the elements spent within education in their section 52 returns. Local authorities reported £137m spend on home to school transport in 2021-22. Funding will continue to be provided through the RSG.

Local authorities have been key to the partnership working to agree the terms of the Bus Transition Fund and ensuring learner access to education has remained a priority throughout the negotiations in establishing regional bus networks.

- What options are being considered to integrate school transport with wider bus support to improve the sustainability and effectiveness of both?

The proposed legislation on regulating the bus industry will not affect the duties placed on local authorities by the Learner Travel Measure but the Bus Bill provides us with an opportunity to harness the benefits of a new operating model where local authorities will be able to play a role in informing and influencing future bus networks based on their learner travel requirements.

- What measures are in place to ensure that school transport services remain adequately funded?

As outlined above the Welsh Government provides funding to local authorities for school transport through the Revenue Support Grant (RSG). Funding is allocated following

extensive consultation and partnership working with the local authorities. The 2023-24 local government core revenue funding was set at £5.5 billion; an increase of 7.9% on a like for like basis compared to the previous year. No authority received less than a 6.5% increase.

Promotion of bus use

- What strategies does the Welsh Government plan to implement to encourage more people to use bus services, particularly in the context of new housing developments?

Through planning guidance, we actively encourage local authorities to ensure new development is closely aligned and integrated with strategic transport provision and that new housing developments can be served by public transport and active travel routes.

- Have you considered the impact of the reduction in bus services on your ability to achieve the Welsh Government's modal shift targets?

I'm pleased that we have been able to protect bus services throughout the COVID pandemic and thereafter. We are set to do the same for the majority of services in this financial year. We are already working on next year's funding scheme to enable us to continue the trend.

We however must confront the reality that the current bus system is broken, and without government intervention we would see wholesale reduction of bus services. It is for that reason that we're bringing forward legislation to reform the bus system in the next term of this Senedd.

Finally, thank you for advising of the research undertaken by Professors Mitchel Langford and Gary Higgs at the University of South Wales on their development of a Welsh Access to Bus Indicator.

Yours sincerely



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Y Dirprwy Weinidog Newid Hinsawdd
Deputy Minister for Climate Change