

24th February 2023

BUS FUNDING 2023-24

Purpose

- 1 To provide an update on the latest position regarding the Welsh Government's support for bus services in 2023-24 and the implications.

Background

- 2 Funding for bus services in Wales comes from a complex array of sources. Some services are operated primarily on a commercial basis whereas others are subsidised. Under Section 63 of the Transport Act 1985, councils are under a duty to secure the provision of public transport services they feel are necessary for their communities but would not otherwise be available. The Bus Services Support Grant (BSSG) from the Welsh Government has provided £25m p.a. over recent years to help councils in subsidising non-commercial local services and to provide support for commercial operations on a 'live kilometre' basis.
- 3 On all routes, including commercial ones, operators have received reimbursement for concessionary fares (CF) under the Mandatory Concessionary Fares Scheme. The concessionary fares budget itself is a combination of Welsh Government funding and some (legacy) CF contributions by councils. There is a close interrelationship, too, between public bus services and home to school transport (HTS) provision, the nature of which varies from one place to another. In a number of council areas, some of the HTS transport requirements are met by public transport services, so there is an element of cross-subsidy.
- 4 During the Covid pandemic, bus passenger numbers dropped dramatically, schools were closed and operators were at serious risk of failure. The Welsh Government and councils worked together to support the industry through the crisis. Underspend on claims against the CF budget were combined with BSSG and other funds to form a Bus Emergency Scheme (BES). This provided payments to bus operators based on their historic passenger numbers. Councils agreed to continue paying bus and coach operators at 75%+ of contract value for HTS services. Without such support there were very real fears there would be fewer, or in some areas no, operators left to offer services post-pandemic.
- 5 Councils and the Welsh Government worked together to manage the BES funding, which has been through a number of iterations. Support under the most recent version, BES3, was due to finish at the end of March 2023. During this financial year, an additional £28m was made available by WG for BES3, together with £20m of underspend channelled back in from the CF budget. BES3 has now reverted to a payment system based on actual passenger numbers rather than historic. (Upfront payments are made based on historic levels to support operators with their cash flow. There is then a reconciliation once actual numbers are known).
- 6 The experience of operators since the pandemic is that passenger numbers have not recovered to previous levels. BES3 payments have therefore been vital in terms of them

being able to keep many current services running. This puts operators in a difficult position as they need a level of certainty over likely income when forward planning their services. They are normally required to give 56 days' notice to the Traffic Commissioner should they wish to deregister routes they are currently operating. Given that there has been uncertainty over post-BES3 support after 1 April, there were concerns the 56-day notice period would trigger a round of de-registrations by operators. For next financial year, the date for giving notice would have been 3rd February. However, the Traffic Commissioner, recognising the uncertainties over bus funding (not just in Wales) has temporarily reduced the notice period in Wales to 28 days, slightly easing the immediate pressure on operators.

Implications

- 7 Discussions with the Welsh Government and operators over financial support for the industry in 2023/24 have been ongoing at officer and political levels. Given the financial situation facing councils, it has been made clear that councils are not in a position to step in and subsidise services operators can no longer afford to operate. It means that, if and when services are de-registered across Wales, these services will be lost to local communities. There is a cumulative effect here too, as the last service on any day tends to lose custom as passengers fear 'missing the last bus'. If passenger numbers fall, that service then becomes the next one 'at risk'. There have already been some reports of operators deregistering services and, if that is repeated at scale, it could result in severely reduced networks across all parts of Wales. Given statutory responsibilities, the risk is that the finger of blame will be pointed at councils who, due to financial constraints will be unable to step in to support services being withdrawn.
- 8 It also creates issues on a number of other fronts. First, one of the primary objectives of the Wales Transport Strategy is to achieve a **modal shift** from cars to public transport and active travel. If there are fewer bus services, that goal clearly will not be met. Second, one of the main reasons for striving for modal shift is to reduce **carbon emissions**. If there is no longer a suitable bus service, or if there is felt to be a *risk* to local services, the chances of persuading people out of their cars diminish rapidly. Unless car journeys are reduced, though, the prospects of achieving significant carbon emission reductions from transport will also recede.
- 9 Thirdly, there are important **social justice** considerations. The quality of access to bus services has a disproportionate impact on women, ethnic minority groups, disabled people, older people, children and young people and people living in rural areas and/or areas of high deprivation¹. Furthermore, with one in five household in Wales having no access to a car, the absence or loss of a bus service has serious implications in terms of their ability to access work, shops, health services, family and friends.
- 10 Fourthly, WG has **legislative proposals** for the bus industry, as previously reported to the Executive Board: see [White Paper consultation response WLGA Exec Board July 2022](#). The proposals centre on franchising of bus services. Whilst franchised services have the potential to develop networks in ways that help to address the issues in the above paragraphs, that will come at a cost. If *current* services cannot be sustained, it raises doubts over the ability take forward those much more ambitious plans.

¹ [People in Wales facing transport poverty reality, says Sustrans report - Sustrans.org.uk](#)

Current position

- 11 The WLGA Leader (who is also the WLGA's Transport Spokesperson) and a number of other Leaders, have had discussions with WG Ministers. They pressed for urgent confirmation of the funding situation for 2023/24 and encouraged WG to work with councils and operators to agree the best way forward.
- 12 On 10th February, the Minister and Deputy Minister for Climate Change met with representatives from the Confederation of Passenger Transport (CPT), the Coach and Bus Association Cymru (CABAC) and the WLGA. They explained that their budget is under significant pressure and that, in any case, they cannot continue indefinitely to provide support via BES (an emergency scheme). However, they have agreed to extend BES3 for a further three months in the first instance to help stave off the risk of significant levels of deregistration of services.
- 13 In doing so WG want to use the coming months to work with councils, operators and Transport for Wales (TfW) to find a sustainable way forward, stressing it can't be a case of 'carry on as you were'. They acknowledge that unless passenger numbers pick up it is inevitable that networks will have to be streamlined. However, they want to see this done in an agreed, coherent way and not left to a series of individual, uncoordinated decisions. If good progress is being made, it is possible that financial support might be extended, provided more funding can be secured.
- 14 No specific figure was quoted in relation to the support to be provided. However, given that the 'burn rate' under BES3 has been approximately £4m a month, it suggests around £12m is being made available in the first instance. Further funding potentially could be available later on next financial year if, for example, there is continued underspend from the CF budget on operator reimbursement. However, that cannot be guaranteed at this point and will depend on whether number of CF passengers increase. (Should those numbers increase, though, that in itself would equally help to sustain service levels).
- 15 Some concerns were expressed by operators around the role of TfW to date in terms of efforts at network planning and there was also discussion around the portal they have developed. The portal was intended to assist with the management of BES3 and the reconciliations required, but it is widely felt by councils not to be working effectively. WG have invested heavily in the portal and are keen to make it a success but appear willing to discuss as part of the wider dialogue on the steps needed to eliminate waste and make every pound count.
- 16 Whilst the three month extension period is very short and many of the underlying problems remain, there was nevertheless a cautious welcome for the announcement that BES will continue in the short term. There was also a willingness to work together. A joint announcement was issued after the meeting: see <https://www.gov.wales/joint-statement-bus-emergency-scheme>
- 17 The Welsh Government plan to establish a small advisory group to work with them, TfW and operators to ensure a joined-up approach. Local government representation will be included on that group. Before the 2022 local elections there was a WLGA Bus Member Group which met from time to time with the Deputy Minister for Climate Change. It included WLGA's Leader and Transport Spokesperson, the Deputy Transport Spokesperson, the chairs of each of the four Regional Transport bodies and the chairs of the WLGA Rural Forum. Given the ongoing issues around bus services, consideration

could be given to re-establishing such a group to ensure political oversight of this important service area over the coming months.

Recommendations

18 Leaders are asked to:

- 18.1 Note the update and share information on any impacts already being experienced on bus services in their areas; and**
 - 18.2 Consider re-establishing the WLGA Bus Member Group to ensure political oversight and enable ongoing dialogue with WG Ministers over the future of the bus industry/bus services in Wales.**
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