

Report To: Cabinet

Date of Meeting: 19th February 2013

Lead Member: Councillor David Smith, Lead Member for Public Realm

Report Author: Rebecca Maxwell, Corporate Director: Economic & Community Ambition

Title: Changes to Bus Funding Arrangements

1. What is the report about?

In January 2012, the Minister for Local Government and Communities announced his intention to change the grants system used to support bus travel in Wales. Following detailed examination, the changes have now been finalised. This report advises Members of those changes and highlights their implications.

2. What is the reason for making this report?

The report seeks approval for the revised management arrangements needed to deliver the new bus funding scheme via TAITH, the Regional Transport Consortium. The report also seeks approval for a change to the Constitution of TAITH to allow the delivery of the new scheme.

3. What are the Recommendations?

- a) Note the new arrangements for bus funding that will be in place from the 1 April 2013 following the approval of the bus funding report by the Minister for Local Government and Communities.
- b) Approve the proposed amendments to the TAITH Constitution set out in Appendix 1
- c) Note that further work will be progressed to identify new management arrangements for the delivery of the new scheme during the initial implementation and transitional period for Regional Transport Services Grant.

4. Report details.

Background

- 4.1 There are two grant schemes currently provided in support of bus services by the Welsh Government. These are Bus Services Operators Grant (BSOG) and Local Transport Services Grant (LTSG). BSOG is

provided directly to bus operators by the Welsh Government and is based on fuel use. LTSG is provided to Local Authorities to support local bus networks and these are tendered by Local Authorities and procured from bus companies on a route by route basis. The total combined value of these grants in 2011/12 was £33 million. In January 2012, the Minister for Local Government and Communities announced a proposed reduction of 25 - 27% in the two schemes.

- 4.2 Subsequent to the announcement, the Minister agreed a transitional funding period whilst the grant was maintained, subject to a review of the future funding of bus services across Wales. A first phase of reduction of around 9.5% was implemented from 1 October 2012 with local reductions in supported bus routes agreed by Cabinet on 25 September 2012.
- 4.3 The Minister for Local Government and Communities also established a steering group to finalise arrangements, comprising the Welsh Government and the Regional Transport Consortia, with significant input from the Confederation of Passenger Transport.

Revised bus funding arrangements

- 4.4 A report from the Steering Group has now been approved by the Minister. The key principles of the new arrangements to be in place from 1 April 2013 are:
 - a) Regional Transport Consortia will be responsible for administering the new Regional Transport Services Grant (RTSG) scheme, which will take over from BSOG and LTSG;
 - b) Consortia will develop a Regional Bus and Community Transport Network Strategy in 2013/14, setting out outcomes consistent with national and regional transport priorities;
 - c) Consortia will monitor performance against outcomes, and publish results in their Annual Progress Report;
 - d) Consortia will be responsible for administering the reimbursement paid to operators under the concessionary bus travel scheme in their area from 1 April 2013.
 - e) The new scheme will have a total budget of £25m in 2013/14.
- 4.5 Substantial work needs to be undertaken to ensure that the consortia, local authorities and operators are ready to operate the new system by 1 April. Plans for managing and resourcing these new responsibilities are being developed locally by a Task and Finish Group of the North Wales Transport Managers. A small number of staff have been seconded into TAITH to develop the implementation work, using additional funding allocated by Welsh Government.
- 4.6 There remain issues to be addressed about the timing, resources and joint working arrangements. As the redirection and reduced level of funding will have a major impact on the commercial network and local

authority supported services, their apportionment will need to be determined and understood in advance of 1 April 2013. Substantial work needs to be undertaken to understand the current levels of BSOG support for commercial and supported services, to determine the actual levels of funding for the commercial mileage element of the new grant and funding levels available to local authorities for supported services.

- 4.7 To mitigate these risks, the Minister has agreed that introduction of the new system can take place on a phased basis. Regionalisation of the LTSG will proceed as scheduled on 1 April 2013, whilst the changes to BSOG will be introduced over a 12 months period.
- 4.8 This allows more time to fully understand and implement the administrative procedures necessary to undertake the proposed changes. It allows development and agreement of the quality outcomes of the new scheme, and more importantly, ensures that the effects of the reduced funding levels, and the impact, specifically of BSOG on the commercial network, can be fully understood and taken into account when the Regional Bus and Community Transport Network Strategies are produced.
- 4.9 There is a risk that the new proposals will have impacts on existing bus networks during the transition period. There will inevitably be a reduction in the number of commercial services operated across North Wales as a whole, which will place pressure on the supported network. The level of unhyphenated funding allocated by Local Authorities will also come under pressure as the changes and reduced budget impact on networks. A close working relationship between TAITH and the Local Authorities will be essential to manage the potential changes and minimise the impact as far as possible.

Administration of revised arrangements

- 4.10 The current TAITH Constitution limits the role of TAITH to the aims and objectives set out on paragraphs 3.1 and 3.2 of its Constitution. It is proposed to amend the Constitution by the insertion of the additional objective below into paragraph 3.2 of the document,

“To administer manage and deliver bus funding grants and bus network strategies for the region.”

The proposed amendment is set out in full in Appendix 1.

- 4.11 The current TAITH constitution also defines the TAITH area as excluding the Meirionnydd area of Gwynedd. As revenue budgets for bus services are difficult to disaggregate, it is also proposed that the constitution is amended to allow TAITH to deliver bus funding in Meirionnydd, if this is what Gwynedd Council prefer. The proposed amendment is also shown in Appendix 1.
- 4.12 No further changes are proposed and the intention of the change is only to enable the delivery of the new scheme approved by the Minister to take place. Any additional changes to the role of TAITH would require the further approval of the partner Authorities. As a Joint

Committee, all 6 North Wales Local Authorities are required to approve changes to TAIH's constitution before they can be implemented.

- 4.13 The work to prepare for the implementation of the new scheme is currently being managed by two Officers seconded from the North Wales Councils, working with the TAIH core team using additional budget provided by Welsh Government. As implementation of the new scheme progresses alternative arrangements will need to be developed.

5. How does the decision contribute to the Corporate Priorities?

- 5.1 Local bus services contribute greatly to developing the local economy by providing access to jobs and services for those who otherwise are unable to access them. Bus services also provide significant local employment. Any withdrawal is therefore likely to have a negative impact on this corporate priority.

6. What will it cost and how will it affect other services?

- 6.1 There are significant financial consequences from the report for North Wales as a whole, and further work needs to be carried out to develop a full analysis of the issues. The reduction in LTSG and BSOG may make it more difficult to achieve Regional Transport Plan objectives and may impact on the level and provision of bus services across North Wales.
- 6.2 Payment of future bus revenue grants to TAIH will have implications for TAIH and for the workload of the financial host authority, currently Flintshire County Council.
- 6.3 As well as changes to the bus funding grants themselves, under the Minister's changes, administration of concessionary fares will transfer from local authorities to TAIH. Concessionary fares administration currently accounts for around 1 FTE in Denbighshire. Welsh Government currently funds Denbighshire directly for the administration of free travel (including staffing, equipment, hardware & software) at approximately £75,000 p.a. This funding exceeds the cost of staffing & equipment and its withdrawal is likely to require a commensurate saving from within Denbighshire's core budgets.
- 6.4 Additionally, it is possible that the BSOG element of RTSG may no longer be available to support school services in future. This may result in an increase in school transport prices for a small number of contracts.
- 6.5 Members should be aware that although the changes will, for the first time, give an element of control over commercial bus services, this will progressively be at a regional rather than local level.

7. What consultations have been carried out and has an Equality Impact Assessment Screening been undertaken?

The proposals announced by the Minister were developed by a steering group comprising representatives from Welsh Government, the Regional Transport Consortia and the Confederation of Passenger Transport. Locally discussions have been held with Passenger Transport Managers from the 6 Councils and the matter has been considered at a meeting of the TAITH Board.

As the impact and implications of the reduced funding levels become clear, there is likely to be an impact on local bus services. Should bus services require withdrawal, either supported or commercial, full impact assessments and consultations will be required. This will form part of the forward work plan for implementation of the bus funding changes.

8. Chief Finance Officer Statement

While the biggest financial implications are clearly around the grants paid for bus services, these cuts will not fall directly on Council services.

The immediate financial impact is the loss of the administration grant. However the responsibility will transfer and the service should be able to absorb any other costs that have previously been funded by the grant.

The potential loss of support for school transport will not be clear until 2013/14.

9. What risks are there and is there anything we can do to reduce them?

Current understanding of potential risks is:

- Staffing - this may be subject to TUPE.
- Loss of core funding/budget implications – in relation to both funding available to support bus services, both commercial and supported, and core funding currently received to support administration of concessionary fares
- Likely further withdrawal of local bus services – where these cannot be managed within existing reducing budgets.
- Taith being unable to deliver in the required timescales or equitably among the six authorities

Engagement in the regional discussions, both at officer and TAITH Board level will be essential to mitigate the above risks.

10. Power to make the Decision

S101(5) Local Government Act 1972

Local Authorities (Executive Arrangements) (Discharge of Functions) (Wales) Regulations 2002

TAITH Constitution – Proposed Amendments

1. DEFINITIONS

Area means the Local Government area of each Authority as defined in Part 1 of Schedule IV to the Local Government Act 1972 (as amended) but excluding the Meirionnydd area of Gwynedd Council.

(Addition) ***Gwynedd Council and TAITH may agree for operational purposes that the whole of the Gwynedd Council area should be included in the defined area, for the delivery of specific objectives.***

3.2 To achieve the above aims, TAITH will undertake to complete the following objectives:

- 3.2.1 the development, review and implementation from time to time of a Regional Transportation Strategy or strategies setting the framework for Regional and Local transport investments to be made,
- 3.2.2 the development, review and implementation of subsidiary strategies to address specific transport issues,
- 3.2.3 the maximisation of benefits obtainable from all financial and grant aided sources for Regional and Local transport projects and initiatives,
- 3.2.4 to support each Authority in the delivery of projects and initiatives contributing to the aims as set out in clause 3.1 above,
- 3.2.5 (New clause) ***To administer, commission and deliver bus funding grants and bus network strategies for the region***
- 3.2.6 to respond to the Welsh Assembly Government's transport initiatives for the benefit of the Region,
- 3.2.7 to represent the Region in the lobbying and the making of representations on all transport issues within and beyond the Region which affect or relate to the aims as set out in clause 3.1 above.