

**BUS**

Pages 19 - Bus – Funding in 23/24 budget

£421.8 – bus services and concessionary travel

Of this

- £359 million on concessionary travel allowing (drawn down over 13 reporting periods during the financial year – with circa £37.2m drawn down in Older and Disabled Persons Scheme and circa £31.7 for YPs to recent date. But expect entire allocation to be drawn down.)
- £62.5 for Support for Bus services of which £45m RDEL allocated this year for Network Support Grant (which has been returned to pre-covid levels following ceasing of Network Support Grant Plus) and £5m CDEL for Community Bus Fund (which will be distributed to local authorities once launched. The CBF is still in development, and there has been no spend to date.)
- Bus Partnership Fund – committed £500m over [ x years] of which, at June 2023, £26,467,406 had been awarded to Bus Partnerships.

The 2023-24 published budget allocated £62.5 for Support for Bus services of which:

- £45m RDEL has been allocated this year for Network Support Grant which is a direct to subsidy to bus operators to keep fares lower and services more extensive than they otherwise would be. It is provided at the rate of 14.4 pence per kilometre (returning support to pre-covid levels following the ceasing of Network Support Grant Plus)
- £5m CDEL and £0.75 RDEL has been allocated for the Community Bus Fund (which will be distributed to local authorities once launched)
- [Redacted]

**Support for Bus Services**

- The 2023-24 published budget allocated £62.5 for Support for Bus services of which:
  - £45m RDEL has been allocated this year for Network Support Grant which is a direct to subsidy to bus operators to keep fares lower and services more extensive than they otherwise would be. It is provided at the rate of 14.4 pence per kilometre (returning support to pre-covid levels following the ceasing of Network Support Grant Plus)
  - £5m CDEL and £0.75 RDEL has been allocated for the Community Bus Fund (which will be distributed to local authorities once launched)
  - There is a circa £10 million underspend forecast on this line.

Bus Partnership Fund

[Redacted] [Redacted]

[Redacted] Info added in section below

[Redacted] [Redacted]

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[Redacted] [Redacted]

[Redacted] [Redacted]

[Redacted] Updates below

**To date up to £26.47m of bus priority funding has been awarded through Transport Scotland's Bus Partnership Fund to eleven partnerships covering 28 local authorities across Scotland.**

- This initial funding has been awarded to local authorities, working in partnership with operators, to identify, develop and deliver bus priority measures. The awards made through the Bus Partnership Fund to date are the first step towards delivering long term investment in bus priority infrastructure.
- These measures will tackle congestion, making bus journey times shorter and services more reliable for passengers. This will encourage people to leave their cars, get onto buses and help meet our climate change targets.
- In the short term this is delivering bus priority traffic light equipment to help buses get through junctions more quickly, bus lane cameras and is making temporary bus measures permanent.
- There were not many construction ready bus priority projects identified in applications to the Fund. Transport Scotland funded Partnerships to undertake studies to identify more measures, including ensuring alignment with active travel and wider transport strategies.
- Appraisal is an essential part of good financial management as recognised by the Scottish Public Finance Manual.
- Transport Scotland continues to work with Partnerships and stakeholders to understand how collectively they can identify and overcome barriers to increase the pace of delivery.
- The Scottish Government remains committed to funding further bus priority projects once business cases are completed.

**Network Support Grant Plus**

The Network Support Grant Plus (NSG+) was a temporary scheme introduced on 1 April 2022 providing higher funding for bus services while patronage and networks recover and adapt from the effects of the pandemic. Stronger conditionality was attached to NSG+ to reflect the higher levels of support being provided, including expectations on service levels, enhanced data reporting, and controls on fares, including a freeze on fare increases during the last six months of the scheme.

From 1 April to 14 August 2022, an additional 65 pence per kilometre (ppkm) was available, reducing to 36 ppkm between 15 August to 9 October 2022, and finally down to 24.8 ppkm from 10 October 2022 to 31 March 2023. The NSG+ ended on 31 March 2023. After this date, support for bus services reverted to pre-COVID levels of 14.4ppkm through NSG.

**Community Bus Fund**

The Community Bus Fund (CBF) was allocated £0.75 million RDEL and £5 million CDEL for 2023-24. As it is to be distributed to local authorities, the fund is currently progressing through the formal COSLA governance process, so has not yet been approved.

Our proposal is for the £5 million CDEL to be distributed to all local authorities based on levels of Transport Poverty, and for the £0.75 million RDEL to be distributed to local authorities wishing to begin preparations to explore the Transport (Scotland) Act 2019 powers once in force. Local authorities would submit an expression of interest to TS to access the RDEL funding.

Pending the outcome of the formal COSLA governance process, we are aiming to launch the fund in August 2023. There has been no spend to date, as the fund has been in development.

Network support grant plus total - ??

Won't be known until August 2023. NSG plus included a profit sharing arrangement. A reconciliation exercise with participating operators is currently being carried out.

What is the bus taskforce looking at and when will it report?

[Redacted] Info added

The Taskforce was established by Ms Gilruth in October 2022 to look at the immediate challenges facing the industry of patronage, driver shortages and community engagement. Three subgroups looked at each of these challenges in more detail and provided updates to the Bus Taskforce.

The final meeting of the Bus Taskforce is scheduled for 28 June 2023, and a collaborative report from the taskforce is due to be published later this year.

## 20KM REDUCTION

I had better see a copy of the 20 km reduction route map please.

[Redacted] Added below

- Version published in draft on 13 January 2022: [A route map to achieve a 20 per cent reduction in car kilometres by 2030 | Transport Scotland](#)
- Updated post-consultation version (May 2023) on the draft route map as shared with First Minister (not yet published) - please refer to the attached document.

[Redacted] as attached Please see the latest version

High level figures on patronage trends across rail, bus and car traffic from Covid.

[Redacted] Added below

Data for the week ending 18 June 2023:

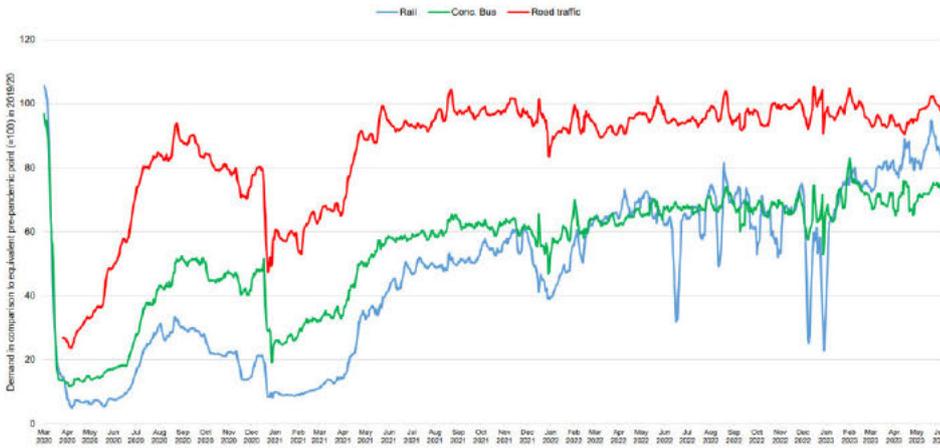
- [Rail patronage was down 15% on the equivalent period in 2019 and down 2% on the previous week.](#)
- [Concessionary bus travel patronage excludes travel with the new under 22 free bus travel pass. It was down 28% on the equivalent week in 2019 and down 3% on the previous week.](#)
- [Car traffic was down 4% on the equivalent week in 2019, but up 1% on the previous week.](#)
- [HGV traffic was up 1% on the equivalent week in 2019, but down 1% compared](#)

Transport Trends Data – week ending 18 June 2023				
Mode	Demand compared to recent weeks			Demand compared to equivalent 2019 pre-pandemic period
	One week ago	Two weeks ago	Four weeks ago	
Rail	↓2%	↓6%	↓1%	↓15%
Concessionary bus	↓3%	↓1%	↓2%	↓28%
Car	↑1%	↓4%	↑1%	↓4%
HGV	↓1%	↑3%	↓1%	↑1%

Please note that concessionary bus figures are presented as a proxy for all bus travel due to the delay in receiving commercial patronage data. Recent data suggests total bus patronage is 15 to 20 percentage points higher relative to 2019.

**Date: 18 June 2023**

**Baselines:** Road, Rail and Concessionary Bus compared with equivalent point in 2019-20.



**ACTIVE TRAVEL**

Are the Active Travel lines on budgets public – i.e that to this month £120m approved and £95m distributed?

As of this month, almost £120m of grants have been approved, with over £100m of that already distributed from the Sustainable and Active Travel budget'

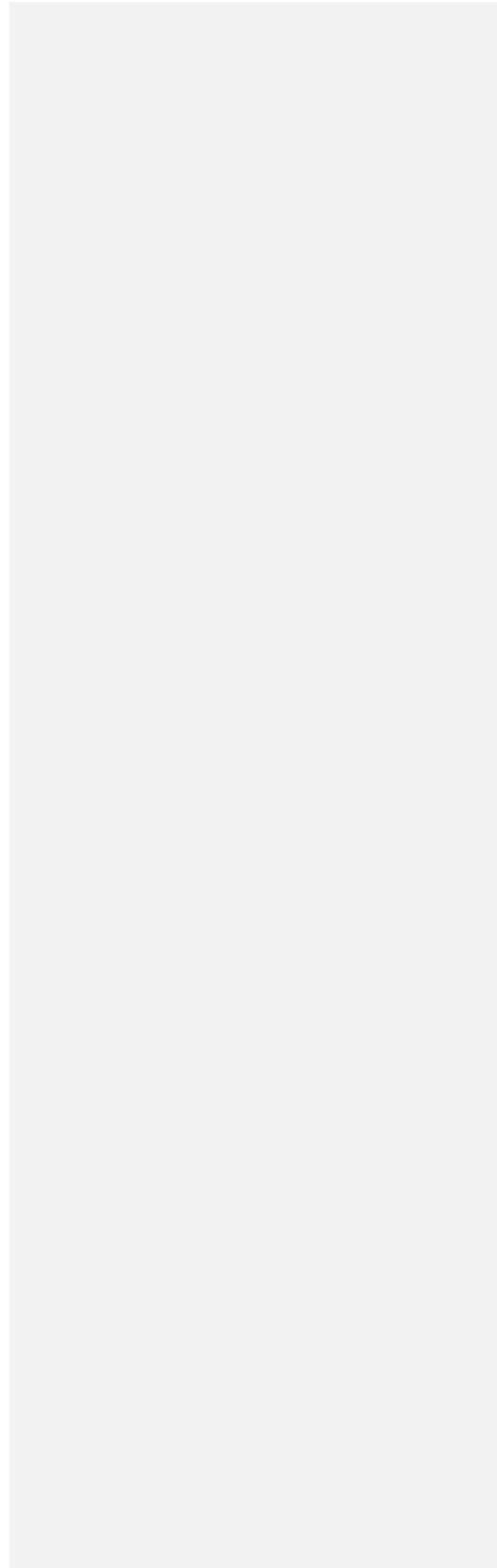
Transport Scotland has not used the line publicly yet, but have included it as background in Minister's briefing. It is likely to change daily over the next week or so however, as we have AO templates reaching final stage approval and Grant offer letters being prepared.

Active Travel FMQs have been provided separately.

[Redacted]  
[Redacted]

[Redacted] Updates from Active Travel  
colleagues

[Redacted]



[Redacted]

[Redacted]

Warmer Homes Scotland Scheme – details of scheme and new contract etc.

[A Warmer Homes Scotland \(WHS\) will relaunch from October with more help for households to receive a climate-friendly heating system.](#)

- Deliver heating improvements and energy efficiency retrofits for those in fuel poverty. Provides energy saving home improvements, including central heating systems and insulation, to eligible households who are struggling to keep warm or with the cost of their energy bills.
- The current scheme closed to new applications in March. Improvements will continue to be installed up until the end of the current contract and all new applications will be assessed under the criteria for the successor scheme, for delivery when the new contract goes live on 2 October.
- We have now signed the contract with the successful bidder to manage the scheme, Warmworks, who will begin mobilisation over the next 4 months ahead of the 'go live' date.
- The WHS successor scheme has a significantly increased maximum contract value of more than £700m over up to 7 years, so it can provide even more support for fuel poor households over its lifetime.
- We delivered measures in 5,478 households during 2022/23, a record number of installs through WHS.
- We have widened the eligibility criteria to the Warmer Homes Scotland scheme, allowing a further 100,000 households to become eligible.
- Households who receive improvements through Warmer Homes Scotland are expected to save an average of £152 per year on their energy bills.

[Additional line on HiB Bill consultation:]

- We will consult during 2023 on a Heat in Buildings Bill to phase out fossil fuel boilers in Scotland's homes and buildings and move to clean heating systems.

[Redacted] - as discussed, grateful if this could be added to HiB section at top of document.

[Redacted] Updates from Ferries colleagues

**FERRIES**

Update on lochboisdale situation (including Finlaggan expected return to service, exploration of funding support and when MfT due to meet)

- The MV Finlaggan's overhaul is going to plan. She was re-floated in the dock on Thursday and carried out sea trials over the weekend. She is on schedule to be back in service 1 July. This will allow the MV Lord of the Isles to resume service on the Lochboisdale service.
- Ministers have heard clearly the messages from communities and business around the call for compensation as a result of ongoing and repeated ferry disruption. The First Minister has been clear that he understands the

reasoning behind this call and further advice is being sought across Scottish Government on the possible options available.

Info on ferry fares please including background on RET.

#### **FARES FREEZE**

##### **Fares on the Northern Isles and Clyde & Hebrides ferry networks have been frozen for six months until October 2023.**

- This fares freeze is the right thing for our island communities and I hope it will go some way to encouraging tourism this Summer as island businesses continue to recover from the pandemic.
- The Scottish Government is acutely aware of the particular challenges faced by our island communities, where the ongoing cost of living impacts are arguably more challenging than in any other part of the country.
- Additionally, Ministers are mindful of the disruption on the ferry network in recent times - particularly in relation to the Clyde and Hebrides network.
- Fares beyond October are being considered and decisions will be taken as soon as possible to allow bookings to be made over the winter.

#### **ISLANDS CONNECTIVITY PLAN – FARES REVIEW**

##### **Ferry fares policy is being reviewed through the Islands Connectivity Plan, alongside our wider Fair Fares Review, and will consider issues raised by stakeholders such as dynamic pricing and demand management.**

- Any new measures considered would need to take account of the needs of islanders.
- There are no immediate plans to change Road Equivalent Tariff and its principles of a single, consistent fare.
- The Islands Connectivity Plan will be subject to stakeholder engagement and consultation before any decisions are taken on future ferry fares policy.

#### **BENEFITS OF RET**

##### **The roll out of Road Equivalent Tariff (RET) on the Clyde & Hebrides Ferry Service network, completed in October 2015, continues to deliver significant reductions in ferry fares for passengers, cars, small commercial vehicles and coaches.**

- These reductions delivered an estimated average fare reduction of 34% for passengers and 40% for car traffic and continues to save travellers around £25m a year.

#### **LACK OF RET ON NORTHERN ISLES**

##### **The Scottish Government remains committed to lower fares on Northern Isles ferry services.**

- It has not yet been possible to introduce RET on Pentland Firth ferry services due to the presence of a commercial ferry service.
- The current Subsidy Control rules following the UK's exit of the European Union do not present any opportunities to introduce RET at this point in time.
- Long term ferry fares policy is being reviewed as part of the Islands Connectivity Plan.
- Significant fare reductions have been introduced in recent years on routes from Aberdeen to Orkney and Shetland, including a 20% discount on cabins and a 3 year fares freeze for islanders.

- The Scottish Government is fully funding local authorities to operate inter-island ferries and keep fares low.

Generally feels like I need more info – is there an FMQ?

- Ferries FMQ provided separately as an attachment.

Lines on Fergusons story over weekend re procurement in 2014. Largely I can say this isn't my portfolio but better see the position.

### **CMAL AND FMEL 2014 DISCUSSIONS**

- Ministers and CMAL have always been clear that they wanted to maximise competition for these contracts, including from FMEL as a local shipyard that had very recently been saved from closure by the action of the Scottish government and Mr McColl's investment company.
- The recent BBC article states a leading procurement law expert confirmed that "It would be good practice to enter discussions with a range of potential suppliers..." and that "it could be possible for CMAL to contact Fergusons as a potential supplier at that stage of the process - but that the yard should not be given an unfair advantage."
- FMEL still had to take part in an open and transparent procurement process against a number of rival bidders in order to win the contracts to build hulls 801 and 802.

### **CALLS FOR PUBLICATION OF THE 2015 CONTRACT FOR HULLS 801/802 CMAL have provided PAC with a copy of the contracts for Hulls 801/802.**

- Minor redactions relating to GDPR info etc material has remained.
- An extract from the contract had been published on the SG website and we plan to update the links with the full versions.
- An independent QC was commissioned by the Scottish Government and was provided with the full contract plus other supporting documentation that they requested and drew the conclusions noted.
- Both CMAL and FMEL were invited to share any relevant details with the QC at the time and extensive material was shared by both.
- In total three QC opinions were sought into the matter; by CMAL, the Scottish Government and FMEL Administrators.
- All three QC reports made the same conclusion – there was no validity to the claim.
- I understand Mr Jim McColl has also shared copies of the contracts with the committee.
- Neither CMAL or Scottish Ministers have ever denied there were mechanisms to agree changes in the contract and indeed these were used to enable a series of changes requested by the yard and by CMAL.
- These were not extensive changes as has been claimed; they resulted in about £1.5m extra costs. The claim was a separate matter.
- Richard Leonard MSP, convener of PAC, wrote to the Scottish Government on 16 June asking for the publication of the 2015 Contract in full.

## CLAIMS THAT THE 2015 CONTRACT WAS NOT A FIXED PRICE CONTRACT

**Ministers and CMAL have been consistently clear that a fixed price contract does not prevent increased payments to the contractor in respect of approved contract variations.**

- There were clear and established mechanisms in the contract to enable changes to be mutually agreed and costed.
- This is well-explained in the Committee's report on the new vessels: paragraph 257 notes that:
- CMAL also highlighted in its written evidence that "the contracts specifically guard against the Builder being out of time or money for design changes that are instructed by the Buyer"
- And paragraph 261 refers to the evidence from CMAL – which has not been disputed – that:
- "There are formal variations to contract... There were 111 discussions and 81 actuals, 46 of which were proposed by the yard and 35 of which were proposed by us, resulting in the £1.55 million."
- Given the scale of FMEL's initial £17.5m and further potential claims, the Scottish Government encouraged FMEL to pursue them through the courts but, as Audit Scotland makes clear, FMEL chose not to do so. And of course CMAL had refuted the claim in its entirety.
- Audit Scotland reported that the independent view on FMEL's claim, commissioned by the Scottish Government, concluded in June 2019 that there was no legal basis for CMAL to pay more than the contract's £97m fixed price.
- It was not for Ministers to direct either party – though we did encourage CMAL and FMEL to work proactively to resolve the dispute
- The options for dispute resolution were set out in the contract, including for FMEL to take the claim to court.
- CMAL exercised as much flexibility as they could under the contracts to support FMEL's cash flow position. However, there were limits to the support that could be provided under that mechanism.
- Scottish Ministers separately gave direct financial support available to FMEL, but this was done outwith the CMAL contracts for vessels 801 and 802.

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#### **The status of the work currently**

Whilst the majority of the interviews are complete, we understand that the BBC has indicated to CMAL that it may make further allegations as a result of new material released through FOI by TS. The BBC ran with the following - [New documents spark fresh concerns over Ferguson's ferry contract - BBC News](#). This relates to the release of exchanges between the former CEO of CMAL and FMPG that were shared with TS prior to commencement of the process. TS have shared unredacted copies of the related FOI release with the KC.

#### **The likely timing of the report**

As noted above, the interviews are intended to complete in the next few weeks. It is likely that the report will be with CMAL by the end of July for consideration.

#### **LAs/Inter-Island Ferries**

##### **LOCAL AUTHORITY FERRIES - TOP LINES**

##### **Revenue Funding**

- The Scottish Government recognises the importance of the other ferry services in Scotland, including those internal ferries which are the responsibility of our local authorities.
- We recognise the challenge for the 4 local authorities that have responsibility for ferries, and have provided more than £136m over the last 5 years to support the running of these services.
- We are aware of the growing need for local authorities to replace aging ferry fleets and infrastructure, and while responsibility for funding replacement infrastructure does remain wholly with the councils, we are committed to continuing engagement.

- For 2022-23, we, with the agreement of Cosla, have also met local authorities' request for the elements of ferries revenue support to be brought together into the 'Support for Inter-Island Ferries' Specific Grant. A total of £33.095 million has been made available to support local authority ferries, including over £13m for Orkney Islands Council.
- The revenue funding distribution for 2023-24 will be confirmed as soon as possible and the DFM will write to all 4 LAs.

#### **Capital Funding**

- We are aware of the growing need for local authorities to replace aging ferry fleets and infrastructure, and while responsibility for funding replacement infrastructure does remain wholly with the councils, we are committed to continuing engagement.
- The previous Deputy First Minister already committed as part of the budget process to further work to support both Shetland and Orkney in developing their fleet replacement plans, recognising the financial challenges for both SG and these islands .  
Where opportunities are identified to work together to deliver efficiencies, we will give them due consideration. In this regard we have made an offer to all 4 local authorities to share learning from CMAL's Small Vessel Replacement Programme.
- Shetland Islands Council has been awarded £27m through the UK Governments Levelling Up fund which, although welcome, needs to be set in context of the overall need and the significant annual funding already provided to Local Authorities to support the running of services (over £33m per year).

#### **Local Authority Ferry Replacement Task Forces**

- In late 2022, the previous DFM, John Swinney MSP, agreed to set up Task Forces to look at possible solutions for LA ferry replacements.
- So far, two Task Forces have been established – Shetland and Orkney. Both LAs have met once with the previous DFM and MfT.
- The new DFM and MfT will continue to meet with SIC and OIC to identify solutions, processes and plans for the future, including fixed links and ferry replacements.

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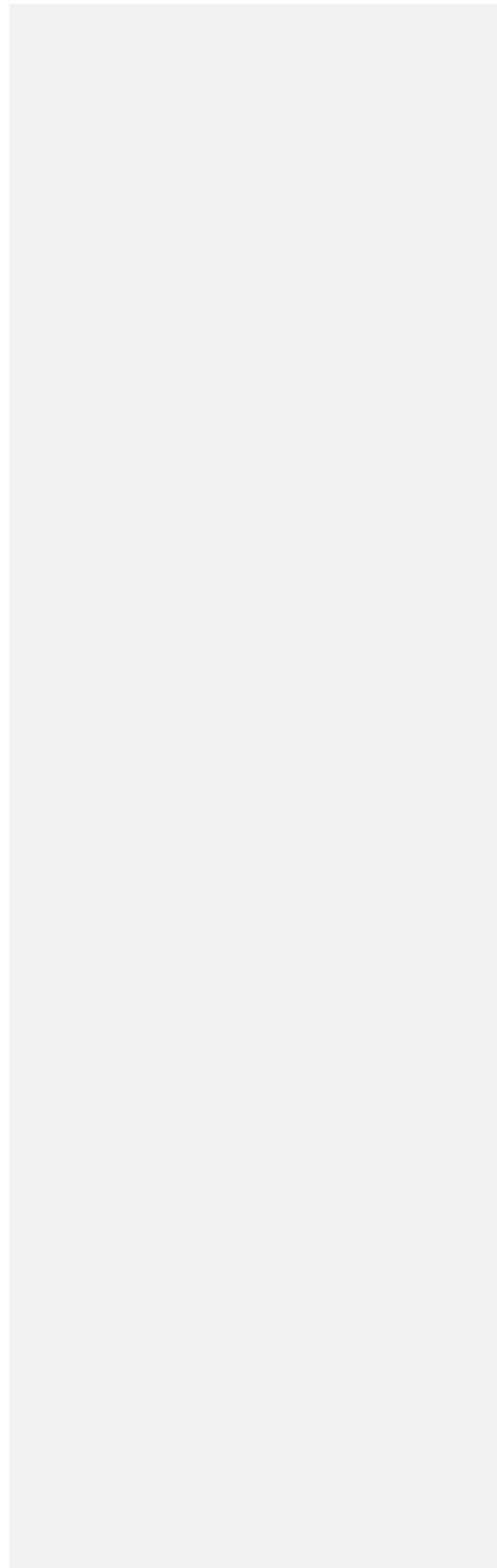
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[Redacted] An oral briefing will be provided at the prebrief call. Lines are below

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Oral update on [Reda (because I don't think I've had this to date)

[Full FMQ provided]

[Redacted] Oral update will be provided at prebrief. FMQ provided and top lines below

[The second Strategic Transport Projects Review \(STPR2\) will inform the Scottish Government's transport investment programme in Scotland over the next 20 years \(2022-2042\).](#)

- Publication of this suite of final reports on the 8 December 2022 marked the completion of the **Second Strategic Transport Projects Review (STPR2)**, which has been undertaken over the past three years.
- This concluded the detailed technical appraisal process, undertaken by Transport Scotland and their consultants, with a set of **45 recommendations** for the future of transport infrastructure in Scotland.
- **These far reaching and wide-ranging recommendations**, covering the whole of Scotland, will enable us to take climate action; to address inequalities and improve accessibility; to improve health and wellbeing; to support sustainable and inclusive economic growth; and to improve safety and resilience on our transport network.
- This is a 20-year plan of both essential and transformational infrastructure, which will help us meet our aims of protecting our climate and improving lives.
- **Stakeholder engagement and consultation have been at the heart of this work since the very outset.** The draft reporting was subject to 3 months' statutory public consultation in 2022 – with the feedback provided during this has been considered in detail and fed into the final reporting.
- Publication of the final STPR2 report does not itself commit the Scottish Government to funding or delivery of any proposed schemes. The 45 recommendations are based on outcomes from the appraisal work, which provides a robust Strategic Case for investment.