

Archwilydd Cyffredinol Cymru  
Auditor General for Wales

# The Welsh Government's youth discounted bus fare scheme – 'MyTravelPass'



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SWYDDFA ARCHWILIO CYMRU



This report has been prepared for presentation to the National Assembly under the Government of Wales Act 2006.

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**Mae'r ddogfen hon hefyd ar gael yn Gymraeg.**

# Contents

	<b>What this report is about</b>	<b>5</b>
	The MyTravelPass scheme	5
	Our audit work	6
	Key findings	7
<b>1</b>	<b>The introduction of MyTravelPass in September 2015</b>	<b>11</b>
	Welsh Ministers initially announced plans for a discounted bus fare scheme for 16 and 17 year olds to cover travel to and from work or training and with a budget of £5 million for 2015-16 and £9.75 million for 2016-17	12
	Later, Ministers approved an enhanced discount scheme for 16 to 18 year olds regardless of the journey purpose, but based on the same budget assumptions for 2015-16 and 2016-17	14
	Officials told Ministers that although the scheme gave funding to private bus companies, the level of compensation would comply with ‘state aid’ rules	16
	Initial costings assumed that 80% of 16 to 18 year olds would take up passes and use them on average twice a week	17
<b>2</b>	<b>The operation of MyTravelPass between September 2015 and March 2017</b>	<b>20</b>
	The Welsh Government compensated operators based solely on a formula allocation, rather than taking account of actual take-up and journeys, but officials did not seek Ministerial approval for this change	21
	While the overall budget remained unchanged, uptake of the scheme was much lower than estimated, with less than 10% of eligible young people applying for passes by the end of March 2017	23
	In February 2017, officials told Ministers formally that expenditure had not been based on actual discounted journeys, but said that the funding had also helped stabilise the bus network	25

<b>3</b>	<b>The operation of MyTravelPass since April 2017</b>	<b>27</b>
	The Welsh Government determined that the scheme would continue in 2017-18 but with a budget of £1 million and compensation for operators taking account of actual use	28
	During 2017-18, the Welsh Government spent £1.09 million on the scheme with 1,343,659 discounted journeys estimated	31
	The scheme continued into 2018-19 on the same basis as in 2017-18 until the Welsh Government decided recently to extend the eligible age range	32
	<b>Appendices</b>	<b>34</b>
	Our audit approach and methods	35
	Early estimates of the costs for discounted bus travel for young people	36
	Costs reported by the Welsh Government for the MyTravelPass scheme – September 2015 to March 2018	39
	Data on the number of pass applications and estimated journeys	41
	Timeline of key events/decisions	45

# Summary report

## What this report is about

### The MyTravelPass scheme

- 1 **MyTravelPass** is the Welsh Government's youth discounted bus fare scheme. The scheme, which is managed on the Welsh Government's behalf by PTI Cymru Ltd<sup>1</sup> under the MyTravelPass brand, aims to improve young people's access to education, employment, training and leisure opportunities. Through the scheme, 16 to 18 year olds<sup>2</sup> have been able to receive a discount of a third off the price of any bus journey that they make wholly or partly within Wales<sup>3</sup>. Operators are eligible for the Welsh Government's Bus Services Support Grant<sup>4</sup> providing they offer this discount through the scheme<sup>5</sup>. The MyTravelPass scheme applies to local bus services and the longer distance 'TrawsCymru' network. It does not cover coach services, such as National Express and Megabus.
- 2 In September 2014, Welsh Government Ministers had announced plans for a pilot discounted bus fares scheme for young people aged 16 and 17 for the purposes of training and employment. The announcement of the scheme was part of a political agreement with the Welsh Liberal Democrats in advance of the draft 2015-16 budget. The Welsh Government confirmed a £14.75 million budget for the pilot period. MyTravelPass initially ran as a pilot between September 2015 and March 2017 but with an enhanced offer covering 16 to 18 year olds regardless of the journey purpose.

- 1 PTI Cymru Ltd is a not-for-profit company, primarily funded by the Welsh Government. Its core function is the provision of impartial, comprehensive public transport information. Its remit was extended to administer the youth discounted bus travel scheme in advance of the scheme's launch. Consequently, a separate division was established which operates under the 'MyTravelPass' brand.
- 2 Eligibility expired on a young person's 19th birthday.
- 3 We have described MyTravelPass as a 'discounted' scheme throughout this report to reflect the basis of the scheme and distinguish it from the concessionary (free travel) scheme for older and disabled persons. However, some Welsh Government documentation that we have reviewed has referred to it as a concessionary fares scheme.
- 4 The Bus Services Support Grant is allocated annually to Wales' local authorities and is used to subsidise socially necessary bus and community transport within their areas. The grant supplements local authorities' own expenditure on bus and community transport services.
- 5 Some operators have maintained their own discounted ticket arrangements despite the introduction of the scheme.

- 3 In February 2017, the Cabinet Secretary for Economy and Transport announced that the scheme would continue while a new enhanced scheme was determined. Between October 2017 and January 2018, the Welsh Government ran a consultation<sup>6</sup> on the scheme's future and possible changes. Those possible changes included reviewing the age of eligibility and the level of discount, monthly or annual fees, as well as extending the scheme to other groups, such as carers and volunteers. The consultation document noted that encouraging young people to use bus transport could deliver wider social, economic and environmental benefits.
- 4 The Welsh Government published a summary<sup>7</sup> of responses to the consultation in June 2018. In October 2018, the Welsh Government's draft budget for 2019-20 included provision for an increased £2 million budget to enhance the scheme. In November 2018, the Cabinet Secretary for Economy and Transport confirmed that the scheme would be extended to cover 16 to 21 year olds with effect from early December 2018. However, technical issues have delayed the official launch.

## Our audit work

- 5 In October 2017, the [then] Auditor General for Wales received correspondence from an Assembly Member raising concerns about the scheme. Specifically, the correspondence questioned the scheme's value for money during 2015-16 and 2016-17. Those concerns stemmed from published information about the scheme's costs, relative to take-up of the passes and the costs of other commercially available discounted bus travel options.
- 6 In May 2018, following preliminary enquiries with the Welsh Government, the Auditor General wrote to the National Assembly's Public Accounts Committee explaining plans to report on this topic. The Auditor General indicated that the issues raised through that audit work merited further consideration by the Committee.
- 7 This report is deliberately limited in its scope. It sets out the key facts about budget announcements made and decisions that the Welsh Government took in setting up the MyTravelPass scheme and then continuing it beyond its initial pilot phase. It also considers the costs of the scheme and its uptake by young people.

<sup>6</sup> Welsh Government, **Discounted Bus Travel for Younger Persons in Wales**, October 2017.

<sup>7</sup> Welsh Government, **Consultation – summary of response, Discounted bus travel for younger people in Wales**, June 2018.

- 8 We have not examined the wider administration of the scheme or the overall outcomes it has delivered, recognising that the future of the scheme was already under review by the Welsh Government itself. We have limited our evidence gathering to the Welsh Government. We have not sought the views of bus operators, local authorities, service-users or any other interested parties on the design or operation of the scheme. We make no comment about the future of the scheme and its merits, which is a policy matter for the Welsh Government.
- 9 **Appendix 1** sets out our audit approach. **Appendix 2** describes early costings by the Welsh Liberal Democrats and later Welsh Government estimates that underpinned the scheme's budget in 2015-16 and 2016-17. **Appendices 3** and **4** set out the scheme's actual costs and data on uptake and estimated journeys. **Appendix 5** provides a timeline of key events and decisions.

## Key findings

- 10 The **MyTravelPass** scheme has cost significantly less to operate since the start of 2017-18 compared with the initial 19-month pilot period between September 2015 and March 2017, even accounting for any up-front implementation costs (**Figure 1**). The lower costs since the start of 2017-18 reflect the fact that the compensation being paid to operators is now taking account of actual use. The scale of the difference raises obvious questions about the value for money of the £14.74 million of expenditure during the initial period.
- 11 Welsh Government officials have suggested that this expenditure needs to be seen in the context of additional benefits secured from the funding provided in the period to March 2017 amid wider concerns about the financial resilience of the bus industry. The overall take-up of the scheme has been significantly lower than suggested by early Welsh Government estimates.
- 12 The £14.75 million budget for the pilot period was announced as part of a political agreement in September 2014. Welsh Government officials were unable to provide any documentary evidence to show how the budget figures set out in autumn 2014 were arrived at, as they were not involved in the decision-making about those figures.

- 13 Welsh Government officials have explained to us that negotiations with the bus industry about the scheme were made difficult by the fact that the budget for the scheme had already been declared publicly. In that context, officials have emphasised that these negotiations were successful in securing an enhanced scope for the scheme when compared with the original announcement in September 2014, and all-Wales coverage.
- 14 In advice to Ministers in March 2015 – seeking formal approval to take forward the scheme – officials explained that although the scheme gave funding to private bus companies, the level of compensation would comply with ‘state aid’ rules. The expectation set out in the advice was that arrangements for compensating bus operators would be supported by the introduction of a smartcard system to record actual journeys, although this later proved not to be possible. Initial costings set out in that advice assumed that 80% of 16 to 18 year olds (90,000 young people) would take up passes and use them on average twice a week, making 9 million journeys per year.
- 15 Because smartcard systems were not enabled, the Welsh Government compensated operators based solely on a formula allocation, rather than taking account of actual take-up and journeys, but officials did not seek Ministerial approval for this change. Officials have suggested that the formula approach agreed with bus operators mitigated any state aid risk to some extent by ensuring no operator in Wales (existing or potential new entrant) obtained a competitive commercial advantage during the pilot phase.
- 16 While the overall budget for the pilot period remained unchanged, uptake of the scheme was much lower than estimated, with less than 10% of eligible young people applying for passes by the end of March 2017 (9,867 applications in total to that point)<sup>8</sup>. In February 2017, officials told Ministers formally that expenditure had not been based on actual discounted journeys but said that the funding had also helped stabilise the bus network, supporting services that would have been withdrawn otherwise.
- 17 The Welsh Government determined that the scheme would continue in 2017-18 but with a budget of £1 million and compensation for operators taking account of actual use. Since April 2017, the Welsh Government has been able to monitor ticket sales data through on-board electronic-ticketing machines. During 2017-18, the Welsh Government spent £1.09 million on the scheme with 1,343,659 discounted journeys estimated. By the end of 2017-18, there had been a total of 19,503 applications since the commencement of the scheme. These figures remained significantly less than the Welsh Government’s original estimates.

8 Some of these applications were not completed so the number of actual passholders by this point would have been lower (Figure 1). In addition, some passholders would have seen their cards expire by this point on their 19th birthday.



- 18 The scheme continued into 2018-19 on the same basis as in 2017-18. In April 2018, the Cabinet Secretary agreed the £1 million total budget for 2018-19 to meet the cost of compensation of operators in 2018-19 and for the marketing and promotion of the new scheme. The cumulative number of applications had increased to 26,181 by the end of September 2018, with 14,939 live passes in circulation as at 13 August 2018.
- 19 The data currently available for 2018-19 shows 362,221 estimated journeys for the first quarter of the financial year (to 30 June 2018 inclusive). This compares with 458,083 estimated journeys in the equivalent period in 2017-18, although the figure for 2018-19 may still be subject to amendment to reflect delayed claims.

Figure 1: key facts about the Welsh Government's 'MyTravelPass' scheme

Financial year	Total cost of scheme (£ million)	Number of journeys estimated <sup>1</sup>	Number of applications for passes <sup>2</sup>	Cumulative applications for passes <sup>2</sup>
2015-16 <sup>3</sup>	5.00	Not recorded	5,647	5,647
2016-17	9.74	Not recorded	4,220	9,867
2017-18	1.09	1,343,659	9,636	19,503
2018-19	1.00 <sup>4</sup>	362,221 <sup>5</sup>	6,678 <sup>6</sup>	26,181 <sup>6</sup>

Notes:

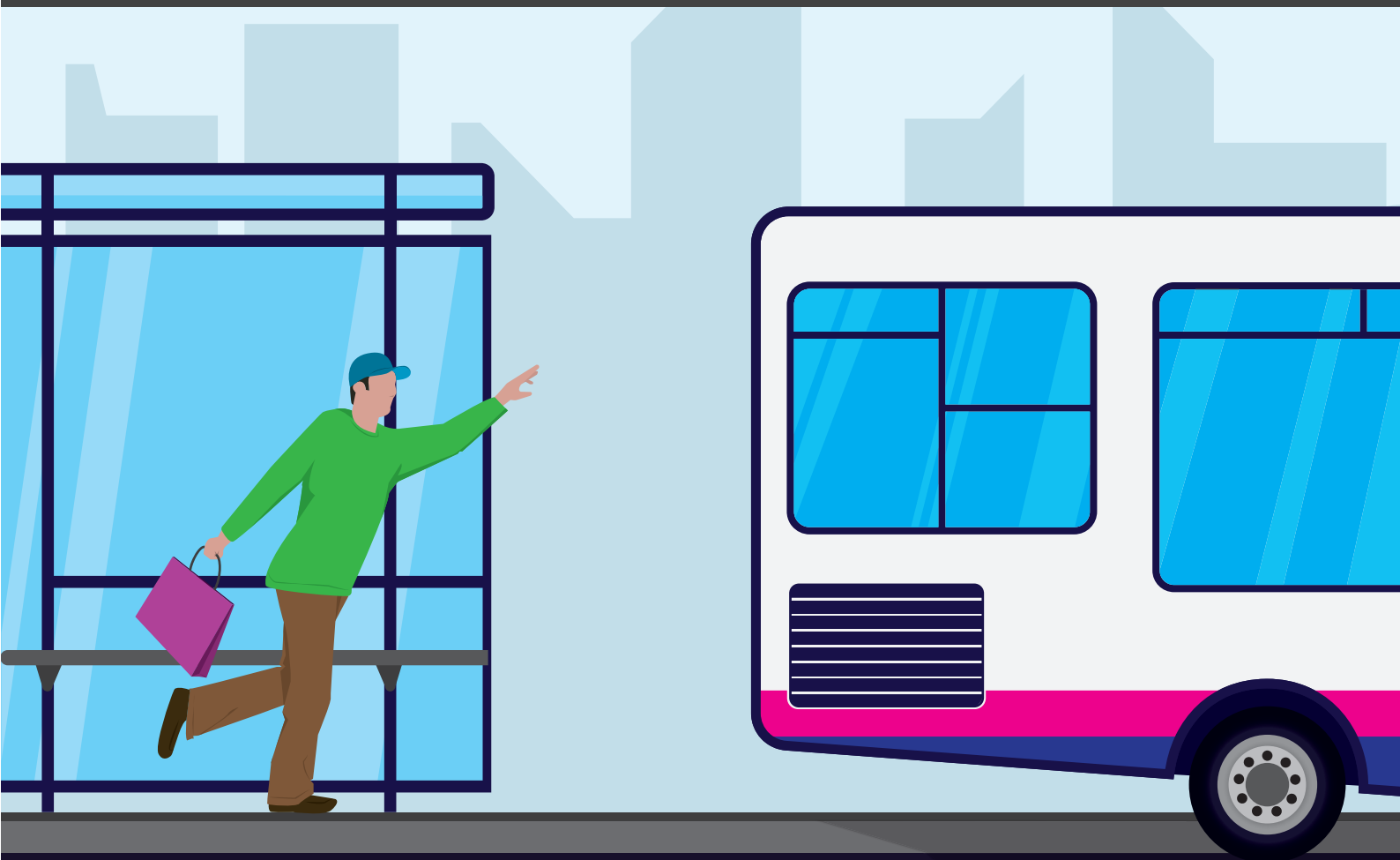
1. The number of journeys is an estimate based on the number of discounted tickets sold of different types (including four journeys for day tickets, 10 journeys for weekly tickets and 40 journeys for monthly tickets). In practice, some journeys made with weekly or monthly tickets may occur in a later period to the one that they are counted against.
2. The number of applications includes young people who passed through the age and residency checks but where the application process was not completed. This may have been because a suitable photo was not supplied and attempts to contact the applicant to obtain a suitable photo were not successful. We understand that this may have been a particular issue during the first period in 2015-16. As at 13 August 2018, there were 14,939 live passes in circulation, from a total of 20,953 passholders since the commencement of the scheme and 21,940 recorded applications. We do not have the equivalent data to compare at earlier points in time.
3. The scheme ran from September 2015 to March 2016 and not for the full financial year although young people could apply for passes in August 2015.
4. Budgeted costs for 2018-19 (prior to the announcement that the scheme will be extended to cover 16 to 21 year olds).
5. Up to and including 30th June 2018, although this figure may be subject to amendment to reflect delayed claims.
6. Up to and including 30th September 2018.

Source: Welsh Government

- 20 In response to issues that we raised during our review, the Welsh Government's internal audit service initiated a review of controls around the scheme expenditure, focused on arrangements for the 2017-18 financial year. The internal audit service reported its findings in November 2018. The report provided only a 'limited assurance' rating in respect of the controls in place. The internal audit service will follow up in due course on the actions that are being taken to respond to the findings in its report.
- 21 As part of the response to the internal audit review, Welsh Government officials have discussed with Wales Audit Office staff opportunities for further audit certification to validate that funds received by local authorities have been passed on to the bus operators. Such work would complement existing certification arrangements for the concessionary fares scheme for older and disabled people and the Bus Services Support Grant.

## Part 1

# The introduction of MyTravelPass in September 2015



## Welsh Ministers initially announced plans for a discounted bus fare scheme for 16 and 17 year olds to cover travel to and from work or training and with a budget of £5 million for 2015-16 and £9.75 million for 2016-17

- 1.1 In March 2014, the Welsh Liberal Democrats published a policy report<sup>9</sup> that recommended introducing a discounted bus fare scheme for young people aged 16 to 18, or possibly even up to 24 years of age. The policy report suggested that such a scheme would improve access for young people to education, employment and training opportunities. It estimated that the scheme would cost between £2.4 million and £40.6 million per year depending on the level of discount and age-range eligibility (Figure A1, Appendix 2). The Welsh Liberal Democrats' cost estimates were based on the costs of the existing concessionary fare scheme for older and disabled people in Wales.
- 1.2 In June 2014, a report by the Bus Policy Advisory Group<sup>10</sup> made recommendations on the availability of good quality, commercially sustainable transport services in Wales. The group had been asked by the Minister for Economy, Science and Transport to review the costs and benefits of different types of concessionary travel schemes for young people. The group supported the principle of such a scheme. However, it recommended that the policy be developed through further research and consultation, before a specific course was decided upon. To our knowledge, those actions were not taken forward at the time. Welsh Government officials have noted that the political funding decision took precedence over the normal policy formulation process.
- 1.3 In an oral statement on the Welsh Government's draft budget for 2015-16, delivered in September 2014, the Minister for Finance and Government Business outlined plans for a discounted bus fare scheme for 16 and 17 year olds for travel to and from work or training. At this stage, the Welsh Government did not confirm the level of discount that it was proposing for individual journeys. However, the draft budget provided for £5 million of expenditure on the scheme in 2015-16<sup>11</sup>.

9 Welsh Liberal Democrats, **A Concessionary Fare Scheme for Young People in Wales**, March 2014.

10 Bus Policy Advisory Group, **Report of the Bus Policy Advisory Group**, June 2014. The report notes that the group 'brought together bus operators, local authorities, a health board representative and bus users. Welsh Government officials provided a secretariat function.

11 Welsh Government, **Draft Budget 2015-16, Priorities for Wales**, September 2014.

- 1.4 The Welsh Government's commitment to the scheme was part of a wider two-year political agreement with the Welsh Liberal Democrats<sup>12</sup>. Welsh Government officials have emphasised to us that the announcement came at a time when the Welsh Government's core Bus Services Support Grant allocation had been held at £25 million annually since 2013-14, reflecting wider pressures on the Welsh Government's budget. The scheme therefore provided an unexpected opportunity to boost the bus industry at a time of limited resources, promoting use by young people and contributing potentially to a longer-term modal shift from cars to buses. The Bus Policy Advisory Group's June 2014 report had noted that bus services in Wales were facing considerable challenges, including reductions in financial support for services from public bodies and a decline in the number of fare paying passengers.
- 1.5 As part of the National Assembly's scrutiny of the Welsh Government's draft budget proposals for 2015-16, the Welsh Government submitted a memorandum<sup>13</sup> to the Enterprise and Business Committee on 16 October 2014. The memorandum confirmed a £5 million budget for the youth discounted fare scheme in 2015-16 and a £9.75 million budget for 2016-17. This funding announcement was made prior to agreeing with bus operators the scope of the scheme and how they would be compensated.
- 1.6 We have not explored the political negotiations that led to the budget agreement between the Welsh Government and the Welsh Liberal Democrats. However, we asked Welsh Government officials for any underpinning analysis of the estimated costs of the scheme. Welsh Government officials were unable to provide any documentary evidence to show how the figures set out in the draft budget were arrived at, as they were not involved in the decision-making about those figures.
- 1.7 In December 2014, the Welsh Government's final budget for 2015-16<sup>14</sup> confirmed a new £5 million budget line to support the youth discounted fare scheme but did not provide any further detail for 2016-17.

<sup>12</sup> Other measures covered by the agreement related to the Pupil Deprivation Grant, apprenticeships, support for childcare costs, and transport projects.

<sup>13</sup> Welsh Government, **Memorandum on the Economy, Science and Transport (EST) Draft Budget Proposals for 2015/16**, October 2014.

<sup>14</sup> Welsh Government, **Final Budget 2015-16**, December 2014.

## Later, Ministers approved an enhanced discount scheme for 16 to 18 year olds regardless of the journey purpose, but based on the same budget assumptions for 2015-16 and 2016-17

- 1.8 In March 2015, Welsh Government officials submitted initial advice to the Minister for Economy, Science and Transport on discounted bus travel for young people. The advice sought approval for a scheme that differed from that proposed in the budget announcement of September 2014 ([paragraph 1.3](#)). In that announcement, the intention was for a scheme limited to 16 and 17 year olds travelling to and from work or training. The new scheme described in March 2015 enhanced the total offering. It covered all 16, 17 and 18 year olds and all journeys across Wales regardless of the journey purpose<sup>15</sup>. The scheme would offer a one-third discount on fares, to commence in September 2015.
- 1.9 Welsh Government officials have explained to us that negotiations with the bus industry about the scheme in advance of this advice to the Minister were made difficult by the fact that the budget for the scheme had already been declared publicly. Specifically, that the industry had made clear that it expected those undertakings about funding levels to be met in full if its members were to participate and fulfil the Welsh Ministers' public commitments. In that context, officials have emphasised to us that these negotiations were successful in securing an enhanced scope for the scheme when compared with the original announcement in September 2014 and all-Wales coverage<sup>16</sup>. The advice to the Minister did not articulate the difficulties of negotiating with operators when they were aware of the amount of funding that was available to the scheme.
- 1.10 In addition to the flat-lined budget for the Bus Services Support Grant ([paragraph 1.4](#)), Welsh Government officials have noted that concerns about a potential budget shortfall against previous commitments for the older and disabled persons scheme in 2016-17 influenced the negotiations. In the event, the Welsh Government was able to meet that commitment<sup>17</sup>.

15 The proposals set out in the Ministerial advice had followed discussions between Welsh Government officials, local authority officers and the Confederation of Passenger Transport (CPT). The CPT is the trade association representing the bus and coach industry.

16 Officials have explained that a key consideration in extending the scope of the scheme to cover all journeys was that discussions with the industry concluded that fewer restrictions would speed up boarding and make it easier to record journeys. Also, that it would be difficult in practice to prove the purpose of a journey.

17 The Welsh Government is under a statutory obligation to compensate operators under the older and disabled persons scheme with the objective that they are no worse off.

- 1.11 The advice to the Minister in March 2015 explained that the funding for the scheme would be allocated through the Bus Services Support Grant, a mechanism familiar to both local authorities and bus operators<sup>18</sup>. The Welsh Government had made clear to operators that any payments under the grant would be contingent on their participation in the young persons discount scheme, although it had no powers to compel operators to participate<sup>19</sup>. All bus companies providing local bus services in Wales are eligible to seek compensation from the Welsh Government for carrying 16 to 18 year olds at a one-third discount.
- 1.12 The advice recognised that there were already discounts available to some young people through certain bus operators<sup>20</sup>. However, it noted that because these discounts were not universal, this created complexity for young people. The advice also suggested that the scheme had the potential to offer an alternative to discretionary post-16 years home-to-school transport services that were increasingly being withdrawn by local authorities.
- 1.13 Welsh Government officials have explained to us that the standard discount for child fares was one-third of the equivalent adult fare. Therefore, although consideration was given to offering a higher discount for eligible young persons, this would have led to a situation where a person in full-time employment could receive a higher discount than school pupils under the age of 16. There was a concern that operators would have been under pressure to reduce all commercial fares for persons under 16, with severe financial consequences.
- 1.14 Consistent with indications in the 2015-16 budget ([paragraph 1.7](#)), the advice recommended that £5 million should be committed to the scheme in 2015-16 and with an estimated £9.75 million requirement in 2016-17. The advice made clear that the £5 million sum for 2015-16 included costs for implementing the scheme, ongoing marketing/management as well as compensation for the cost of discounted travel between September 2015 and March 2016. The Minister for Economy, Science and Transport approved the introduction of discounted bus travel for young people aged 16 to 18 on the basis set out in the advice.

18 The advice noted that new legislation would have been required to empower the Welsh Ministers to administer concessionary travel directly rather than through local authorities.

19 The advice had noted that there was the option of developing new legislation to make the provision of discounted travel for young people a mandatory requirement but noted that this would take some time.

20 The advice stated that many large bus operators were providing discounted travel for 16 to 18 year olds. It did not quantify more specifically the coverage of discounted fares or describe the level of discounts provided (or the range).

## Officials told Ministers that although the scheme gave funding to private bus companies, the level of compensation would comply with ‘state aid’ rules

- 1.15 The advice from Welsh Government officials to the Minister in March 2015 highlighted state aid risks under European Union rules. Specifically, it emphasised the need to demonstrate compliance with regulation 1370/2007/EC on public passenger transport services by rail and by road<sup>21</sup>.
- 1.16 Under this regulation, public funding to bus operators could constitute unlawful state aid by creating a competitive advantage for the recipients. However, the regulation allows for funding to be provided as a Public Service Obligation (PSO). PSOs can be established to compensate an operator for a deficit incurred in providing a service that would not otherwise be commercially viable.
- 1.17 The advice included an assurance that the calculation of compensation payments was underpinned by sound financial analysis to support compliance with the PSO rules. The Welsh Government has not provided us with any further financial analysis other than that set out within the Ministerial advice itself (paragraphs 1.20 to 1.25).
- 1.18 The advice explained that compensation payments to bus operators would be assessed against actual take-up and use of the scheme, as well as the costs of marketing and card production. It was intended that funding allocations to bus operators would be provided in proportion to the number of discounted journeys recorded and adjusted to take account of rural/urban characteristics. The advice noted that this approach would ensure that no more of the budget than necessary would be spent and that operators would be no better and no worse off.
- 1.19 The expectation set out in the advice was that arrangements for compensating bus operators would be supported by the introduction of a smartcard system, although this later proved not to be possible (paragraphs 2.2 to 2.3).

21 Regulation (EC) No 1370/2007 of the European Parliament and of the Council of Europe 23 October 2007 on public passenger transport services by rail and by road and repealing Council Regulations (EEC) Nos 1191/69 and 1107/70.



## Initial costings assumed that 80% of 16 to 18 year olds would take up passes and use them on average twice a week

1.20 The March 2015 Ministerial advice provided an indication of how the £5 million budget for 2015-16 might be allocated (Figure 2). The advice made clear that these were estimated figures, with the assumptions based on certain but limited evidence, for example, about take-up and use.

Figure 2: costs estimated by the Welsh Government for the MyTravelPass scheme in 2015-16

**£3.96 million in compensation to bus operators for discounted journeys in the period September 2015 to March 2016 – with the advice explaining that other costs would need to be constrained within the remainder of the budget.**

**£1.0 million in other costs including**

- **£240,000 for the purchase of 20 new electronic-ticketing machines<sup>1</sup>.**
- **£60,000 for the reconfiguration of software as some existing electronic-ticketing machines would not have been able to accommodate a new category of concession.**
- **£50,000 for marketing and promotion.**
- **£400,000 for the production of 100,000 passes<sup>2</sup>.**
- **£250,000 for the assessment of applications, provision of a helpline and monthly monitoring to be undertaken by Traveline Cymru.**

### Notes:

1. Welsh Government officials have explained to us that these estimates included both the purchase of machines and other changes to back-office equipment, such as additional system categories to differentiate youth discount cards from mandatory concessionary fare cards.
2. Welsh Government officials have explained to us that the estimated costs per pass were based on local authorities' reported costs for passes they provide for older or disabled concessionary bus pass holders. Although the estimated cost accounted for 100,000 passes, the estimated sum for compensation for discounted journeys assumed 90,000 pass holders in 2015-16.

Source: Welsh Government estimates, March 2015

1.21 **Figure A2** in **Appendix 2** provides more detail about the assumptions<sup>22</sup> underpinning the estimated £3.96 million compensation allocation for discounted journeys in the period September 2015 to March 2016. The calculation was based on the anticipated number of journeys per passholder and the average compensation contribution to meet the fares shortfall:



1.22 The Welsh Government’s initial calculation assumed that 90,000 young people would engage in the scheme during 2015-16. This represented 80% of the 113,000 people aged 16 to 18 in Wales. The basis for that assumption was not explained, although the advice also stated that 83% of young people used a bus three or more times a week<sup>23</sup>.

1.23 The advice assumed that passholders would make 100 journeys on average over a full year but assumed 50 journeys on average for the seven-month period from September 2015 to March 2016. The advice referenced the number of journeys each year under the concessionary fares scheme for older and disabled people<sup>24</sup>. It suggested that although not free, younger passholders would be more active and likely to use their passes more often. The Welsh Government’s compensatory amount of £0.88 for each journey was based on a third of the average fare reimbursed under the concessionary scheme for older and disabled people.

22 The Welsh Government calculated its estimates on a different basis to the approach applied by the Welsh Liberal Democrats in their March 2014 policy paper and applied different assumptions. These differences mean that the two sets of estimates cannot be compared directly.

23 Welsh Government officials have indicated that this figure on bus use would have included home-to-school travel but have been unable to clarify the source.

24 The advice cited an expectation of around 40 million journeys in 2015-16 across around 730,000 passholders, which would have been equivalent to around 55 journeys per passholder.

- 1.24 The estimates in the Ministerial advice provided an indication of the maximum level of demand that could be accommodated within the budget allocation. The advice did not provide details of any sensitivity analysis to assess the impact of different levels of uptake, journeys or average discounts on the scheme budget. As noted in [paragraph 1.17](#), the Welsh Government has not provided us with any further financial analysis other than that set out within the Ministerial advice itself.
- 1.25 The advice acknowledged the previously estimated budget provision of £9.75 million for 2016-17. It stated that, while 2016-17 would not require the full start-up costs incurred in 2015-16, there was likely to be a continued need for some marketing and that the number of journeys was likely to increase proportionately because of favourable experiences during 2015-16. The advice did not provide any further explanation of the basis of the 2016-17 budget figure but noted that the actual sums allocated would be based on data collected during 2015-16 and actual achievements in 2016-17.

## Part 2

The operation of MyTravelPass  
between September 2015 and  
March 2017



## The Welsh Government compensated operators based solely on a formula allocation, rather than taking account of actual take-up and journeys, but officials did not seek Ministerial approval for this change

- 2.1 As noted in paragraphs 1.15 to 1.18, Ministerial advice in March 2015 had provided assurances about the management of state aid risks. In particular, the advice emphasised that the compensation to operators would be assessed against actual take-up and use of the scheme, and the costs of marketing and card production, to ensure operators were not over-compensated.
- 2.2 At that time, Wales Audit Office staff had been in contact with Welsh Government officials after the Chair of the National Assembly's Public Accounts Committee raised concerns with the Auditor General about the concessionary fare scheme for older and disabled people. As part of those enquiries, Welsh Government officials had advised us in summer 2015 that the proposed young persons' scheme would not use smartcard passes from the outset, as had been hoped (paragraph 1.19). Rather, the passes would be enabled so they could be activated as smartcards<sup>25</sup> at a future time when rigorous testing of the ticketing machines' compatibility had been completed.
- 2.3 Although activation of the smartcard facility was expected, Welsh Government officials have explained that it was later concluded that the associated transaction costs would be too expensive and disruptive, with a risk of abortive costs reflecting the 'pilot' status of the scheme. Smartcards are used for the concessionary fares scheme for older and disabled persons. However, the compensation arrangement for that scheme is based on an average adult single fare. The intention was that the MyTravelPass scheme would apply to all journeys and the bus industry had agreed to provide the one-third discount to all journeys regardless of ticket type. While benefiting all users, Welsh Government officials have explained that this approach increased the complexity of recording, as there was considerable variation in the purchase price. With a finite number of fares that can be stored on electronic-ticketing machines, it became evident that a technical solution could not be delivered in the timescale without diluting the offer to users.

25 Each eligible person would be provided with a pass on application to join the scheme. Pass holders would show the pass to drivers when boarding buses to show they were eligible for the discounted fare and, once smartcard enabled, the pass would allow the discounted fare to be recorded on the buses' electronic-ticketing machines.

- 2.4 We were informed as part of our previous enquiries in 2015 that Welsh Government funding would be allocated not based on actual journeys, but instead on a formula agreed between the Welsh Government, the bus industry and local authorities, that took account of registered mileage and journeys recorded under the existing concessionary scheme for older and disabled people and the profile of the 16 to 18 year old population. However, the formula applied did not include any consideration of the profile of the 16 to 18 year old population. Welsh Government officials have explained that it was decided that the number of eligible young people in an area might not reflect actual trip patterns and could have resulted in a less equitable solution.
- 2.5 These arrangements for the allocation and distribution of the funding differed from the expectations set out in the Ministerial advice from March 2015<sup>26</sup>. During this latest review, we therefore asked Welsh Government officials whether there had been any formal approval for this change in arrangements.
- 2.6 Despite potential state aid risks, there was no further Ministerial advice at that stage. The March 2015 advice had indicated that further advice would be submitted on the arrangements for the smartcard passes, but this was not done. Welsh Government officials have recognised that, in hindsight, the revised compensation mechanism should have been reported to the Minister once negotiations with the bus industry about the arrangements had been completed. They have also suggested that the formula approach that was agreed mitigated any state aid risk to some extent by ensuring no operator in Wales (existing or potential new entrant) obtained a competitive commercial advantage during the pilot phase.
- 2.7 In December 2015, the Welsh Government's draft budget for 2016-17 showed an allocation of £9.75 million for the scheme in line with the political agreement with the Liberal Democrats. The final budget in March 2016 confirmed the allocation. In March 2016, Welsh Government officials asked the Minister for Economy, Science and Transport to approve the continuation of the scheme in 2016-17. The advice to the Minister reiterated that this was a pilot scheme, with funding committed to the end of 2016-17. The advice stated that there were no issues of regularity or propriety. The advice made no mention of the way in which the funding was being allocated, other than confirming that the payments would be made via grant to local authorities. It did not provide any information about take-up of the scheme to that point.

26 We had not seen the March 2015 Ministerial advice at the time of those previous enquiries.

## While the overall budget remained unchanged, uptake of the scheme was much lower than estimated, with less than 10% of eligible young people applying for passes by the end of March 2017

- 2.8 Journeys supported by the scheme commenced in September 2015<sup>27</sup>. **Figure A4** in **Appendix 3** shows how the 2015-16 and 2016-17 funding was distributed on a regional basis. The Welsh Government started making payments in the second quarter of the financial year (July to September 2015). Draft guidance for bus operators had been created for the pilot period. However, there is no record of it having been issued. There has also been an absence of any formal documentation between the Welsh Government and related parties to ensure that accountability, roles, responsibilities and duration of duties were clear, right through to the end of 2017-18. This issue has now been rectified for 2018-19 by issuing grant award letters. Fresh guidance is being prepared for 2019-20.
- 2.9 The Welsh Government had initially estimated compensation costs of £3.96 million for discounted journeys in 2015-16 and £0.3 million for other costs that would fall to operators in respect of electronic ticketing machines (**Figure 2**). However, it paid out a total of £4.74 million of the available budget to operators under the revised compensation arrangements, with the majority of that funding provided in the second and third quarters of the financial year (**Figure 3**). At £0.26 million, other central management costs were substantially lower than the £0.7 million estimated in March 2015. One key difference being the much lower number of passes needing to be issued than estimated (**paragraph 2.13**). To secure their participation in the scheme, the Welsh Government had agreed to allocate all the remaining budget to operators under the agreed formula rather than reducing the budget in light of the lower management costs, with the same arrangement applying in 2016-17.
- 2.10 Welsh Government officials have confirmed that the compensation payments were front-loaded to account for the likely profile of any one-off implementation costs but also to reflect concerns about operators' cashflow. In addition to purchasing any new electronic ticketing machines, it was expected that existing machines would have to be reconfigured to accept what was a new product. Operators did not have to evidence actual expenditure in respect of these costs. Rather, the Welsh Government was expecting these costs to be absorbed as part of the compensation determined by the agreed formula. In 2016-17, the Welsh Government distributed the funding on a more even basis through the year. In practice, the investment required to put the infrastructure in place to provide discounted fares data was not completed until the end of 2016-17.

27 Young people were able to apply for passes in the previous month and there was public information about the scheme in July 2015.

Figure 3: quarterly breakdown of the Welsh Government's compensation of operators in 2015-16 and 2016-17

	2015-16 <sup>1</sup>				2016-17		
	Jul-Sept	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sept	Oct-Dec	Jan-Mar
£ (millions)	2.0	2.0	0.74	2.44	2.44	2.44	2.16
% of total for financial year	42	42	16	26	26	26	23

**Note:**

1. The scheme ran from September 2015 to March 2016 and not for the full financial year, although young people could apply for passes for a six-day period at the end of August 2015 to enable those persons to travel at a discount as soon as the scheme began.

Source: Welsh Government

- 2.11 We do not have a full breakdown of the funds provided to individual operators. Bus operators received 96% of the budget for the scheme during the period. Spending on other areas such as publicity and marketing only accounted for a very small proportion of the overall budget. Overall, the scheme cost £14.74 million in the period to March 2017, with a small amount of the 2016-17 budget unspent (Figure A3, Appendix 3).
- 2.12 On 14 January 2016, the Minister for Economy, Science and Transport gave evidence to the Enterprise and Business Committee as part of the National Assembly's scrutiny of the Welsh Government's draft 2016-17 budget. During that evidence session, the Committee heard that only around 4,000 young people had applied for passes at that time, although there was no acknowledgement that this figure would have included some applications that were not completed.
- 2.13 By the end of March 2016, 5,647 young people had applied for a MyTravelPass (Figure A7, Appendix 4). This represented 6% of the estimated 90,000 uptake estimated in the Welsh Government's March 2015 costings (paragraph 1.22 and Figure A2, Appendix 2). By the end of 2016-17, with the scheme operational for 19 months, there had been 9,867 applications, or 11% of the previous estimate. The overall number of applications represented just 9% of the young people potentially eligible based on the 113,000 estimate in the March 2015 advice.



- 2.14 Some of the passes issued will have expired as passholders reached 19 years of age. In addition, the number of applications includes young people who passed through the age and residency checks but where the application process was not completed. This may have been because a suitable photo was not supplied and attempts to contact the applicant to obtain a suitable photo were not successful. We understand that this may have been a particular issue during the first period in 2015-16. We have not obtained a figure for the number of actual passholders in the period to or as at March 2017. However, comparisons based on more recent cumulative data suggest that the figure would have been at least 5% lower than the number of applications ([paragraph 3.20](#)).
- 2.15 Electronic-ticket machines were not used to record the number of discounted journeys across the whole of Wales until April 2017. We have seen no evidence that the Welsh Government carried out any analysis of the actual usage of passes during the pilot period through other means. This is despite assurances in the initial March 2015 Ministerial advice that this would be undertaken to ensure no more of the budget was spent on the scheme than was necessary.
- 2.16 There is no data available centrally to confirm the extent to which young people taking up passes were already frequent bus users and/or were already able to benefit in their locality from discounted fares that may have been offered previously by commercial operators. Welsh Government officials have noted that operators were reluctant to withdraw commercial discount schemes because they remained unconvinced that MyTravelPass would continue. This may have affected take-up. Welsh Government officials have also noted that the application rate has been seen to be higher in some areas where dominant operators have removed their own products.

**In February 2017, officials told Ministers formally that expenditure had not been based on actual discounted journeys, but said that the funding had also helped stabilise the bus network**

- 2.17 In February 2017, Welsh Government officials submitted advice to the Cabinet Secretary for Economy and Infrastructure about the continuation of the scheme into 2017-18. The advice reprised the history of the scheme. It referred to the fact that it had not been possible to negotiate an agreement governing the pilot phase with the bus operators and local authorities based on the actual number of recorded journeys, and which would have ensured the scheme was introduced by the (September 2015) deadline announced by the Minister for Finance and Government Business in September 2014.

- 2.18 The advice pointed to the state aid risk and the need to ensure that bus operators were not overcompensated. It described the alternative payment arrangements that had been put in place for the period to March 2017 but did not set out explicitly how this risk was managed in the context of those alternative arrangements. As noted in [paragraph 2.6](#), the alternative payment arrangements that the Welsh Government subsequently put in place for the period to March 2017 were not subject to Ministerial approval.
- 2.19 The advice acknowledged that although highlighted as a new discounted bus travel scheme for younger people, it had achieved additional indirect benefits. These indirect benefits included assisting in stabilising and supporting the bus network, which was said to have been experiencing relatively modest profitability. Welsh Government officials have emphasised to us that, in their view, the expenditure on the scheme during the period to March 2017 needs to be seen in the context of the other benefits referred to in the advice. They also highlighted again the wider funding pressures that provided the context to negotiations with the bus industry about the scheme ([paragraph 1.4](#)) and their belief that state aid risks were mitigated to some extent through the reimbursement formula, with new entrants to the market also eligible.
- 2.20 The advice suggested that the funding had allowed services to be supported that would have been withdrawn otherwise. The advice went on to emphasise the extent of the bus network's overall vulnerability by highlighting the termination of three small to medium sized bus operators. The advice did, however, recognise that some of the responsibility for this was caused by poor management decisions. Welsh Government officials have emphasised to us that the failure of bus operators for reasons of poor management or fraud reduces the bus network and competition for local authority contracted services. Few operators are keen to step in to fill gaps left by what are perceived to be unviable bus service networks, especially during a time of very limited public funding<sup>28</sup>.
- 2.21 The Ministerial advice from March 2015 that confirmed the funding for the period to 31 March 2017 made little reference to these wider benefits; nor did the March 2016 advice about the funding for 2016-17. However, the March 2015 advice did acknowledge that the scheme could generate more journeys by fare-paying passengers, thereby generating additional revenue for the industry. The level of uptake to date suggests that any such benefits are likely to have been marginal at best so far, and it is not known how many of those taking up the pass may already have been frequent bus users.

28 The advice noted that it was in response to the demise of these operators that the Minister/ Cabinet Secretary had announced in September 2016 a 'Five Point Plan' for the bus industry in Wales.

## Part 3

# The operation of MyTravelPass since April 2017



## The Welsh Government determined that the scheme would continue in 2017-18 but with a budget of £1 million and compensation for operators taking account of actual use

- 3.1 Towards the end of the pilot period, organisations including the National Union of Students, called for the Welsh Government to retain the scheme. The Welsh Government's draft budget for 2017-18 published in October 2016 had shown a reduction of £9.75 million to zero for the scheme. Welsh Government officials have explained that negotiations with the bus industry for continuing the scheme started in autumn 2016. There was still no clear commitment to continuing the scheme by the time of the final Welsh Government 2017-18 budget in December 2016.
- 3.2 In February 2017, Welsh Government officials submitted advice to the Cabinet Secretary for Economy and Infrastructure ([paragraph 2.17](#)). The advice set out various discount and eligibility options for a future legacy scheme<sup>29</sup>. The discount options included a one-third discount, a 50% discount and a 100% discount/free travel. The age-range options included 16 to 18 years, 16 to 22 years and 16 to 24 years.
- 3.3 The advice invited the Cabinet Secretary to agree the continuation of the scheme from 1 April 2017 and retain the one-third discount for 16 to 18 year olds. However, the advice indicated that the scheme could be supported with a significantly reduced budget of up to £1 million in 2017-18. As part of that total cost, the advice indicated that the estimated requirement to compensate bus operators for the number of journeys carrying discounted young people could range from £589,000 and £805,000 during 2017-18. There was a discrepancy between the formal advice and the underpinning spreadsheet tables provided with the advice which highlighted a range from just under £539,000 to £805,000.

<sup>29</sup> The advice indicated that the Cabinet Secretary had already expressed a wish to see an affordable legacy scheme operate.

- 3.4 The costings underpinning the advice adopted a baseline assumption of an average fare of £2.25, lower than the £2.64 figure used for the assumptions in the March 2015 advice. Welsh Government officials have suggested to us that this lower figure reflected the actual pattern of take-up of ticket options by MyTravelPass holders based on data available at the time from some operators. The figure used in the March 2015 advice was based on the older and disabled persons' free concessionary bus travel scheme, which reflects the cost of a single fare (paragraph 1.23)<sup>30</sup>. Similarly, the assumptions about the number of passholders were lower, accounting for take-up to that point, as was the assumption about the number of journeys per pass (paragraph 2.13 and Figure A7, Appendix 4).
- 3.5 The costings assumed that passes would be used by 10% of eligible young people (11,100 passes) making a total of 888,000 journeys in a year (80 per passholder)<sup>31</sup>. The range in costs presented in the advice modelled the combined effect of a 10% increase or decrease from the base assumptions for the average fare and in the number of journeys per pass. Again, Welsh Government officials have suggested to us that the estimate of 80 journeys per passholder in a year – lower than the 100 journeys assumed in March 2015 – was based on the data available from some operators at the time. However, they have been unable to provide supporting evidence. In addition, assurances given about the basis for the financial analysis were not relevant as they related to reviews of the concessionary fares scheme for older and disabled people.
- 3.6 The February 2017 advice also outlined that, from 1 April 2017, local authorities would compensate bus operators based on the actual number of journeys recorded via electronic ticketing machines on buses. Compensation would be based on a formula taking account of the number of recorded journeys multiplied by a 'representative fare' and 'reimbursement rate'.

30 Negotiations with operators meant that the one-third discount applies to all tickets, including, for example, day, weekly or monthly tickets which already have an element of discount built in when compared with single fares.

31 Even for the option of free travel for 16 to 18 year olds, the underpinning analysis estimated costs from a baseline assumption of 49,950 passholders making 5.49 million discounted journeys a year. These estimates for free travel were considerably lower than the March 2015 estimates for a one-third discount (paragraph 1.22).

- 3.7 The representative fare was the fare that 16 to 18 year olds would have been required to pay in the absence of the scheme – the equivalent adult fare for the ticket purchased. The reimbursement rate made allowance for extra costs incurred by bus operators such as fuel, extra vehicles or higher insurance. It also made allowance for the number of additional journeys generated by the existence of the scheme, which would otherwise have not been undertaken. The advice explained that the mechanism would broadly mirror that used to compensate bus operators under the concessionary fares scheme for older and disabled people.
- 3.8 On 21 February 2017, the Cabinet Secretary for Economy and Transport announced his intention to launch a new youth travel pass in 2018 following a consultation exercise. He confirmed that he had reached agreement with local authorities and the bus industry that the existing discounted bus travel arrangements would continue to be available to 16 to 18 year olds throughout Wales from 1 April 2017.
- 3.9 The advice to the Cabinet Secretary about the compensation mechanism for 2017-18 had noted that it was being refined. In the end, the Welsh Government agreed to compensate operators based on the actual discounts applied to individual tickets rather than applying a formula based on the representative fare and reimbursement rate. The Cabinet Secretary was not informed of this change in any later advice.
- 3.10 The Cabinet Secretary also noted that he had asked the Confederation of Passenger Transport to come forward with proposals for a new marketing campaign to increase the take-up and use of passes<sup>32</sup>. Evidence presented by the Welsh Government to the National Assembly's Economy, Infrastructure and Skills Committee in July 2017<sup>33</sup> indicated that £120,000 (including VAT) had been set aside as part of the scheme budget to meet the cost of that campaign.

32 The advice from officials in February 2017 cited some findings from market research work commissioned on the Welsh Government's behalf in late 2015-16. However, it noted that no further active marketing had been undertaken to that point because of the uncertainty about the funding of the scheme beyond 31 March 2017.

33 Welsh Government, **Memorandum on the Economy and Infrastructure, 2017/18 In-Year Financial Scrutiny Session**, Economy, Infrastructure and Skills Committee – 13 July 2017.

- 3.11 Welsh Government officials have explained that marketing activity in the early period of the MyTravelPass scheme focused on social media, according to Welsh Government marketing recommendations. The second phase was developed by the Confederation of Passenger Transport and undertaken on its behalf by MyTravelPass. It focused more on face-to-face contacts. The campaign has continued, but at a lower level, pending Ministers' decisions about what a new scheme should include. The Confederation has submitted a report to the Welsh Government on its marketing campaign that is being evaluated by officials alongside options for a new scheme. There was a notable increase in MyTravelPass applications in the second half of 2017 (Figures A7 and A8, Appendix 4).
- 3.12 There has been no formal agreed marketing contract and plan against which performance could be evaluated, and with departure requests needing to be made retrospectively to address the fact that the marketing work has not been put out to open tender.

## During 2017-18, the Welsh Government spent £1.09 million on the scheme with 1,343,659 discounted journeys estimated

- 3.13 Since April 2017, the Welsh Government has been able to monitor ticket sales data through on-board electronic-ticketing machines. Drawing on that information, figures provided by the Welsh Government estimate that the total number of journeys made during 2017-18 was 1,343,659 (Figure A5, Appendix 4). This figure was significantly less than the Welsh Government's original estimate of 9 million journeys per year, based on 90,000 passholders (Figure A2, Appendix 2).
- 3.14 There was substantial variation in the number of journeys estimated from month to month, and in the type of tickets sold that supported those figures (Figure A6, Appendix 4). The overall number of journeys estimated ranged from 54,331 in November 2017 to 166,404 in May 2017. Day tickets accounted for the largest single proportion of the total estimated journeys across the year (42%).

- 3.15 The evidence presented by the Welsh Government to the National Assembly's Economy, Infrastructure and Skills Committee in July 2017 (paragraph 3.10) indicated that 9,250 passes had been issued since the commencement of the scheme and against an age cohort of 110,000. There had been a total of 10,908 applications by the end of June 2017 (Figure A7, Appendix 4). Some of these applications will not have been completed (paragraph 2.14). However, we have been unable to confirm with the Welsh Government the exact basis of the passes-issued figure reported to the Committee. By the end of 2017-18, there had been a total of 19,503 applications.
- 3.16 The Welsh Government has confirmed that 109% of the £1 million budget for 2017-18 was spent. That expenditure included £792,308 in compensation to bus operators (Figure A3, Appendix 3). The Welsh Government's internal audit review has highlighted some discrepancies from a sample of claims reviewed – with examples of both under and over payments. The review also highlighted weaknesses in the documentation of claims monitoring.

### **The scheme continued into 2018-19 on the same basis as in 2017-18 until the Welsh Government decided recently to extend the eligible age range**

- 3.17 In June 2018, the Welsh Government published a summary of responses to its October 2017 to January 2018 consultation about the future of MyTravelPass. The summary reported that there was strong agreement among respondents that lower bus fares influence young people's choice of transport. A large proportion of respondents felt that current discount levels were not enough and there was strong support for increasing the age range and number of people eligible for the scheme such as those in recognised apprentice schemes or undertaking voluntary work.



- 3.18 While it highlighted potential funding pressures, the summary made clear that the Cabinet Secretary for Economy and Transport had indicated his hope that the age range of the scheme would be increased to those aged 21 years during 2018. In July 2018, the Welsh Government began negotiations with the bus industry for a new voluntary Youth Travel scheme, with an extended age range up to 21 years old based on actual use. In October 2018, the Welsh Government's draft budget for 2019-20 included provision for an increased £2 million budget to enhance the scheme. In November 2018, the Cabinet Secretary for Economy and Transport confirmed the extended age range and indicated that this would take effect from early December 2018. However, technical issues have delayed the official launch.
- 3.19 In the meantime, the scheme continued on the same basis as in 2017-18. In April 2018, the Cabinet Secretary agreed the £1 million total budget for 2018-19 to meet the cost of compensation of operators in 2018-19 and for the marketing and promotion of the new scheme. The advice to the Cabinet Secretary explained that the 2018-19 budget included an indicative £150,000 for ongoing marketing and administration for the existing scheme and any replacement (which could be targeting a wider group for a possibly different offer).
- 3.20 As at 13 August 2018, there were 14,939 live passes in circulation, from a total of 20,953 passholders since the commencement of the scheme and 21,940 applications<sup>34</sup>. The total number of applications since the commencement of the scheme had increased to 26,181 by 30 September 2018 (Figure A7, Appendix 4).
- 3.21 The data currently available for 2018-19 shows 362,221 estimated journeys for the first quarter of the financial year (to 30 June 2018 inclusive). This compares with 458,083 estimated journeys in the equivalent period in 2017-18 (Figure A5, Appendix 4), although the figure for 2018-19 may still be subject to amendment to reflect delayed claims.

34 We do not have the equivalent data to compare at earlier points in time.

# Appendices



# Appendix 1 – Our audit approach and methods

## Scope

The scope of this report is limited and focuses on the decisions that the Welsh Government took in setting up and continuing to fund the MyTravelPass scheme. It also considers the costs and uptake between September 2015 and March 2018.

We focused on the underpinning analysis and advice that supported the Welsh Government's decision-making about the funding of the scheme in the period to March 2017, although our report comments on arrangements for 2017-18 and 2018-19. The Welsh Government's internal audit service has completed a review that examined the controls around expenditure on the scheme in 2017-18 (paragraphs 20 to 21).

We have not examined the wider administration of the scheme nor the overall outcomes it has delivered. We make no comment about the future of the scheme and its merits, which is a policy matter for the Welsh Government.

## Methods

In undertaking the review, we:

- met with Welsh Government officials currently responsible for the administration of the scheme and the Welsh Government's internal auditors;
- reviewed documentary evidence provided from the Welsh Government, including formal Ministerial advice and information on the take-up of the scheme<sup>35</sup>;
- made further enquiries of current Welsh Government officials based on our review of that information; and
- prior to publication, we agreed the factual accuracy of our report with the Welsh Government.

Because of the limited scope of our review, we have not sought the views of bus operators, local authorities, service-users or any other interested parties on the way the scheme has operated, nor their engagement in decisions about the design of the scheme.

35 Full trend data to show the number of passholders over time is not readily available. We focused on the data that the Welsh Government had been tracking on the number of recorded applications and, since the start of 2017-18, estimated journeys based on ticket sales.

## Appendix 2 – Early estimates of the costs for discounted bus travel for young people

### The Welsh Liberal Democrats' cost estimates – March 2014

The introduction of MyTravelPass was part of a budget agreement between the Welsh Government and the Welsh Liberal Democrats in September 2014. This agreement came ahead of the publication of the Welsh Government's draft 2015-16 budget (paragraph 1.3). In March 2014, the Welsh Liberal Democrats published a policy paper that explored various policy options and estimated costs for the provision of additional subsidy so that bus operators could offer discounted travel.

The report did not seek to estimate any upfront implementation costs. However, it suggested that administration costs would be low as it could operate without the need for dedicated eligibility cards. The report suggested that discounts could be offered on the basis of official proof of age cards already in operation such as PASS (Proof of Age Standards Scheme) cards, driving licences and student ID cards, in addition to visual verification where possible.

Figure A1: Welsh Liberal Democrats' cost estimates for different policy options – March 2014<sup>1</sup>

	1/3 discount	50% discount	100% discount
16 to 18 year olds <sup>2</sup>	£2.4 million- £2.8 million	£3.7 million- £4.2 million	£7.3 million- £8.4 million
16 to 24 year olds <sup>3</sup>	£11.7 million- £13.4 million	£17.7 million- £20.3 million	£35.4 million- £40.6 million

#### Notes:

1. These costings were based on estimates of the per person costs for the all-Wales concessionary bus fare scheme for older and disabled people over the previous three years. Although the exact basis of the calculation is not clear from the report, it estimated a range in costs of between £95 and £109 per person.
2. Although the report was calling for a scheme covering 16 to 18 year olds and presented the costings in this way, the cost estimates for 16 to 18 year olds applied the range of per person costs to the 77,100 people aged 16 and 17 in Wales.
3. The cost estimates for 16 to 24 year olds were based on there being 372,515 people aged 16 to 24 in Wales. The report recognised that not all of this number would be in full-time education, but that the costings would provide an approximate calculation of the maximum extent of funding required to include students and young people studying an apprenticeship.

Source: Welsh Liberal Democrats, **A Concessionary Fare Scheme for Young People in Wales**, March 2014.

## Welsh Government cost estimates – March 2015

Advice submitted by Welsh Government officials to the Minister for Economy, Science and Transport in March 2015 set out the assumptions underpinning the estimated costs that the Minister was asked to approve. The Welsh Government calculated its estimates on a different basis to the approach applied by the Welsh Liberal Democrats in their March 2014 policy paper and applied different assumptions. These differences mean that the two sets of estimates cannot be compared directly.

**Figure A2** sets out some of the key assumptions underpinning the 2015-16 estimate for the cost of compensation for discounted journeys (£3.96 million). **Figure 2** in the main report shows how the other estimated costs of £1 million in 2015-16 were broken down. **Paragraphs 1.5** and **2.7** comment on the estimated £9.75 million cost of the scheme for 2016-17.

**Figure A2: some key assumptions underpinning the Welsh Government's 2015-16 estimate of £3.96 million for the compensation of discounted journeys**

Item	Figures	Explanation
Average cost per journey	£2.64	Based on expectations of some 40 million journeys under the mandatory scheme for persons resident in Wales aged 60 and over or who are disabled at an average fare of £2.64.
Average discount per journey	£0.88	One-third of the average cost per journey for young persons' travel.
Persons resident in Wales aged 16 to 18 years	113,000	
Number of young people taking up passes	90,000	80% of the 113,000 persons resident in Wales aged 16 to 18 years.
Frequency of bus use by young people	83% travelling three or more times a week	The advice noted that 83% of young people use a bus three or more times a week (data source not referenced).

Item	Figures	Explanation
Average number of journeys per person and per year under the scheme	100	<p>Compared with figures showing that people travelling under the mandatory scheme for those aged 60 and over who are disabled were taking on average 55 journeys per year.</p> <p>Advice noted that although the young persons' scheme would not be free, younger passholders would be likely to be more active. The advice did not specify how the figure of 100 was arrived at.</p>
Average number of journeys per person in the period September 2015 to March 2016	50	Half of the annual figure estimated above, but for seven of 12 months of the year.

Source: Wales Audit Office review of Welsh Government Ministerial Advice, **Discounted Bus Travel for Young People**, March 2015.

## Appendix 3 – Costs reported by the Welsh Government for the MyTravelPass scheme – September 2015 to March 2018

Figure A3: annual cost breakdown for scheme (September 2015 to March 2018)

	Total budget	Compensation to bus operators	Management costs	Unspent	Overall proportion of expenditure allocated to bus operators
2015-16	£5 million	£4.74 million	£0.26 million	£0.001 million	95%
2016-17	£9.75 million	£9.47 million	£0.27 million	£0.007 million	97%
2017-18	£1 million	£0.79 million	£0.30 million	Not applicable	79%

**Note:**

Management costs include marketing and administration of pass applications and technical support. The main body of our report explains why these costs were greater in 2015-16 and 2016-17 than in 2017-18.

Source: Welsh Government

Figure A4: regional distribution of funding for compensation of bus operators, 2015-16, 2016-17 and 2017-18

	2015-16				
	Quarter 1 <sup>1</sup>	Quarter 2	Quarter 3	Quarter 4	Year
South East Wales <sup>2</sup>		£970,760	£970,760	£359,181	£2,300,701
South West Wales <sup>3</sup>		£400,980	£400,980	£148,362	£950,322
North Wales <sup>4</sup>		£505,360	£505,360	£186,983	£1,197,703
Mid Wales <sup>5</sup>		£122,900	£122,900	£45,473	£291,273
<b>Wales</b>		<b>£2,000,000</b>	<b>£2,000,000</b>	<b>£740,000</b>	<b>£4,740,000</b>

	2016-17				
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Year
South East Wales <sup>2</sup>	£1,175,265	£1,175,265	£1,175,265	£966,290	£4,492,085
South West Wales <sup>3</sup>	£507,804	£507,804	£507,804	£455,056	£1,978,469
North Wales <sup>4</sup>	£604,013	£604,013	£604,013	£587,582	£2,399,620
Mid Wales <sup>5</sup>	£150,418	£150,418	£150,418	£153,144	£604,398
<b>Wales</b>	<b>£2,437,500</b>	<b>£2,437,500</b>	<b>£2,437,500</b>	<b>£2,162,072</b>	<b>£9,474,572</b>

	2017-18				
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Year
South East Wales <sup>2</sup>	£15,625	£17,675	£25,274	£24,565	£83,138
South West Wales <sup>3</sup>	£19,524	£27,453	£22,674	£38,592	£108,243
North Wales <sup>4</sup>	£180,970	£78,293	£178,281	£157,268	£594,812
Mid Wales <sup>5</sup>	£1,254	£266	£973	£3,621	£6,114
<b>Wales</b>	<b>£217,373</b>	<b>£123,686</b>	<b>£227,202</b>	<b>£224,047</b>	<b>£792,308</b>

**Notes:**

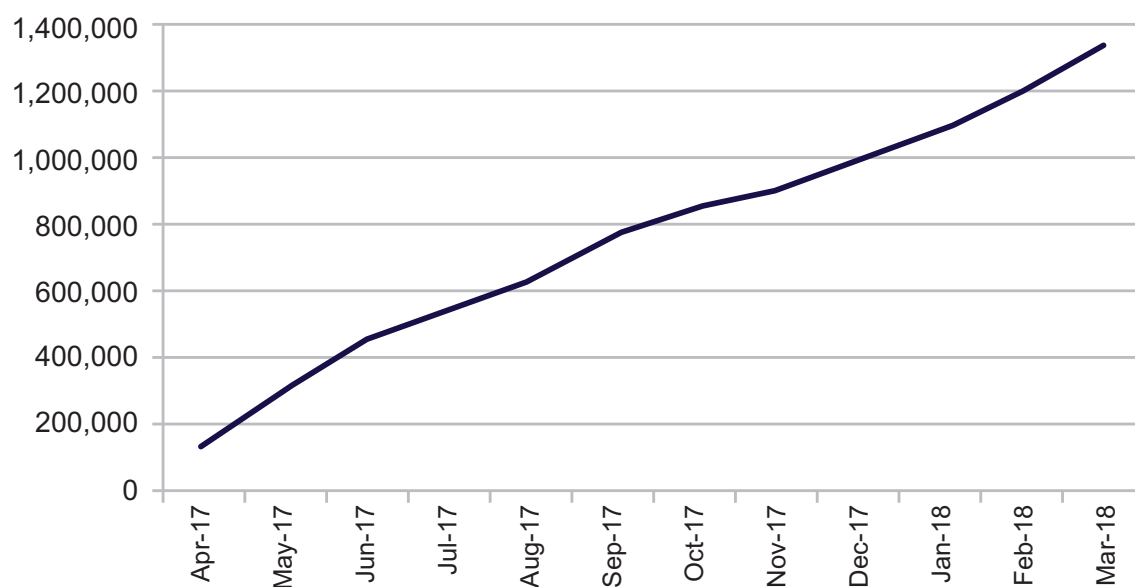
1. Scheme commenced in Quarter 2 2015-16.
2. Blaenau Gwent, Bridgend, Caerphilly, Cardiff, Merthyr Tydfil, Monmouthshire, Newport, Rhondda Cynon Taf, Torfaen and the Vale of Glamorgan.
3. Carmarthenshire, Neath Port Talbot, Pembrokeshire and Swansea.
4. Anglesey, Conwy, Denbighshire, Flintshire, Gwynedd Wrexham.
5. Ceredigion and Powys.

Source: Welsh Government



## Appendix 4 – Data on the number of pass applications and estimated journeys

Figure A5: the cumulative number of journeys estimated through the MyTravelPass scheme during 2017-18

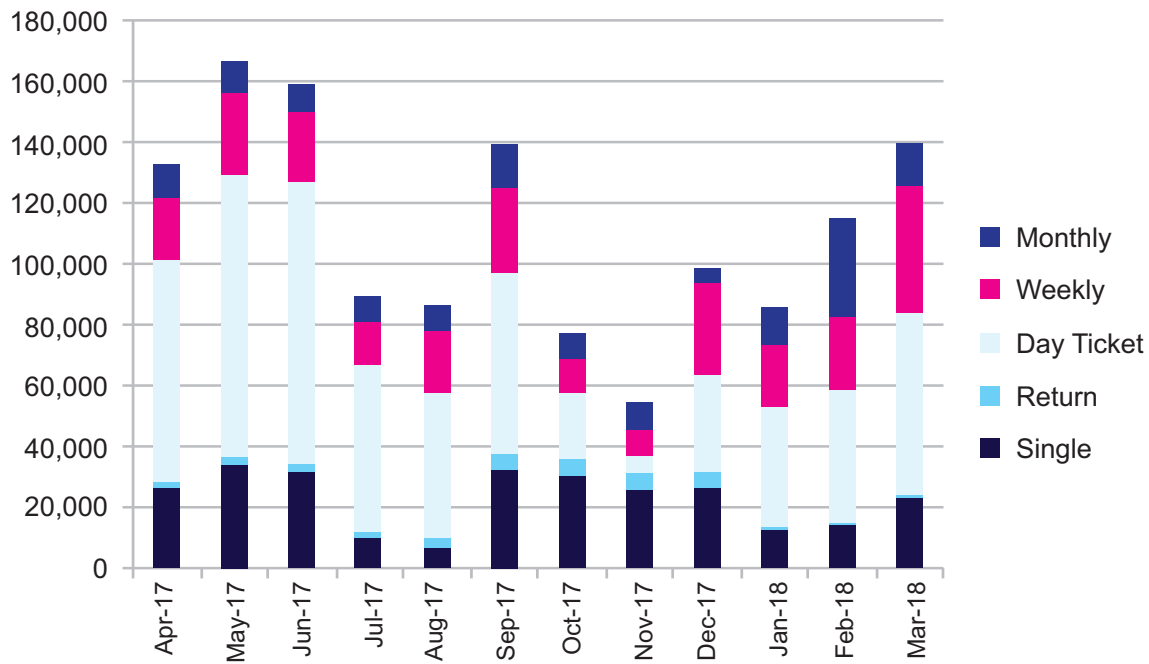


**Note:**

The number of journeys is an estimate based on the number of discounted tickets sold of different types (including four journeys for day tickets, 10 journeys for weekly tickets and 40 journeys for monthly tickets). In practice, some journeys made with weekly or monthly tickets may occur in a later period to the one that they are counted against.

Source: Welsh Government

Figure A6: number of journeys by ticket type estimated through the MyTravelPass scheme during 2017-18

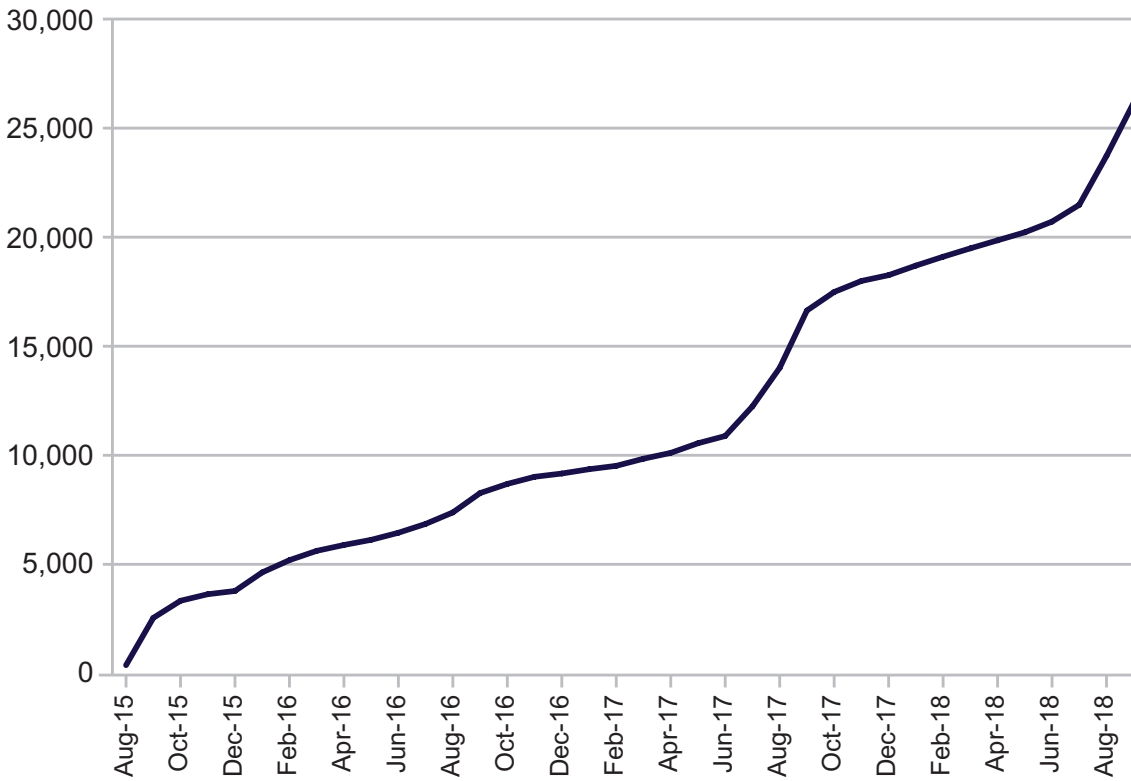


Note:

The number of journeys is an estimate based on the number of discounted tickets sold of different types (including four journeys for day tickets, 10 journeys for weekly tickets and 40 journeys for monthly tickets). In practice, some journeys made with weekly or monthly tickets may occur in a later period to the one that they are counted against.

Source: Welsh Government

Figure A7: the cumulative number of MyTravelPass applications recorded since the introduction of the scheme, August 2015 to September 2018

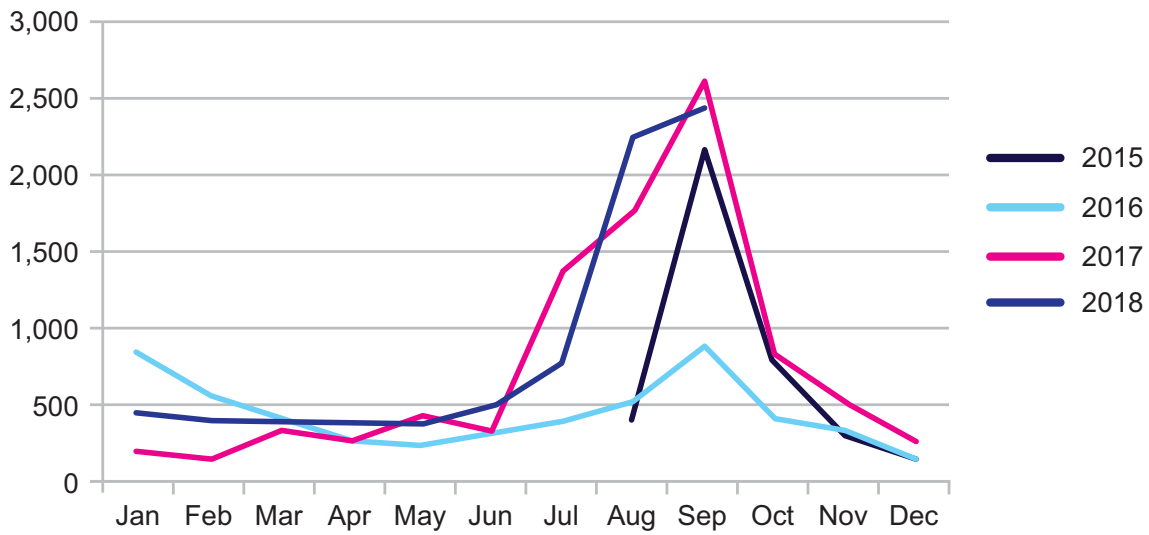


Notes:

1. This is the cumulative number of passes that have been applied for overall rather than the number of valid passes issued or in circulation at a particular time. The passes expired on the passholder’s 19th birthday. In addition, the number of applications includes young people who passed through the age and residency checks but where the application process was not completed. This may have been because a suitable photo was not supplied and attempts to contact the applicant to obtain a suitable photo were not successful. We understand that this may have been a particular issue during the first period in 2015-16. As at 13 August 2018, there were 14,939 live passes in circulation, from a total of 20,953 passholders since the commencement of the scheme and 21,940 applications. We do not have the equivalent data to compare at earlier points in time.
2. August 2015 covered a six-day period only.

Source: Welsh Government

Figure A8: the number of MyTravelPass applications by month on common axes, August 2015 to September 2018

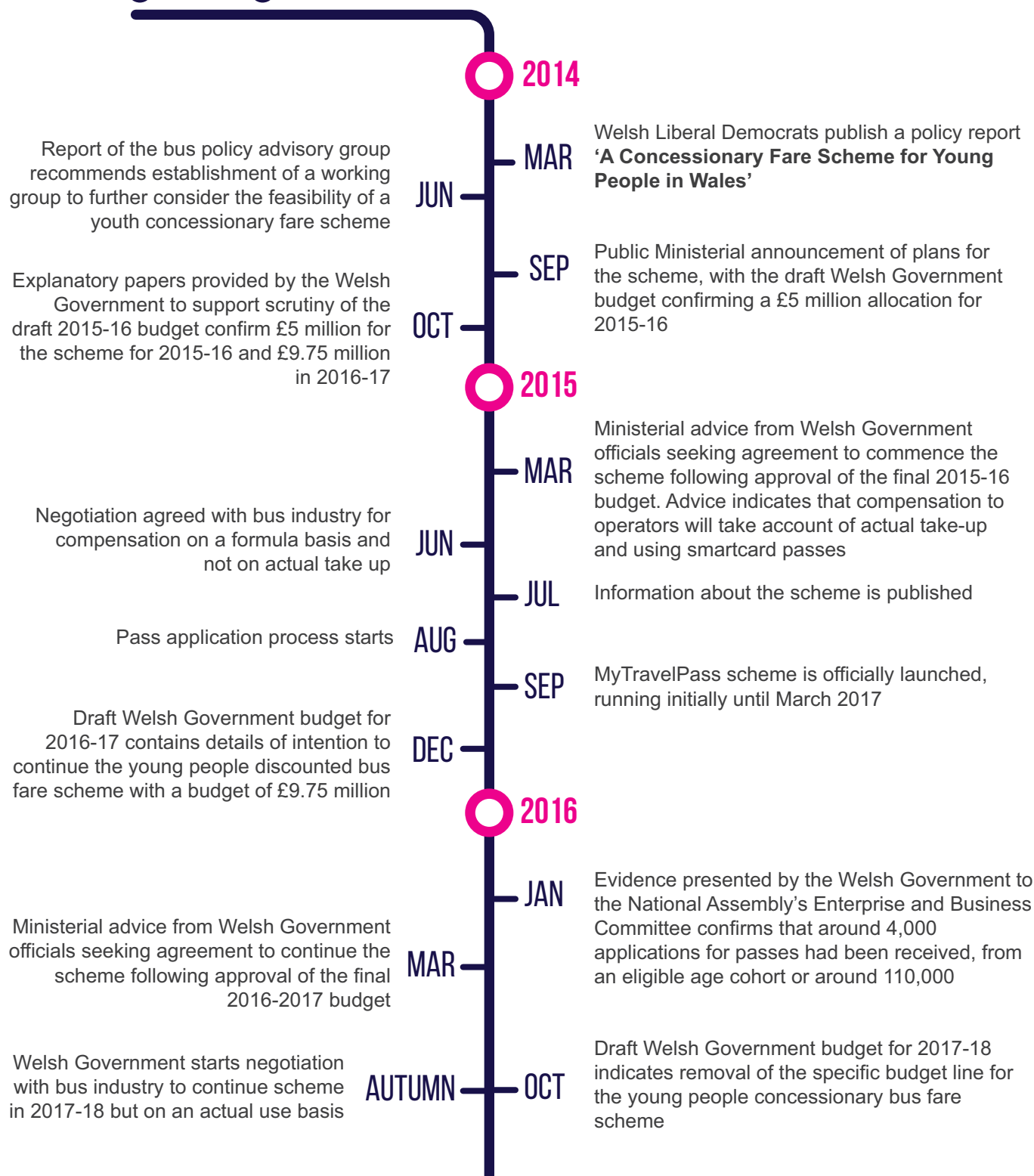


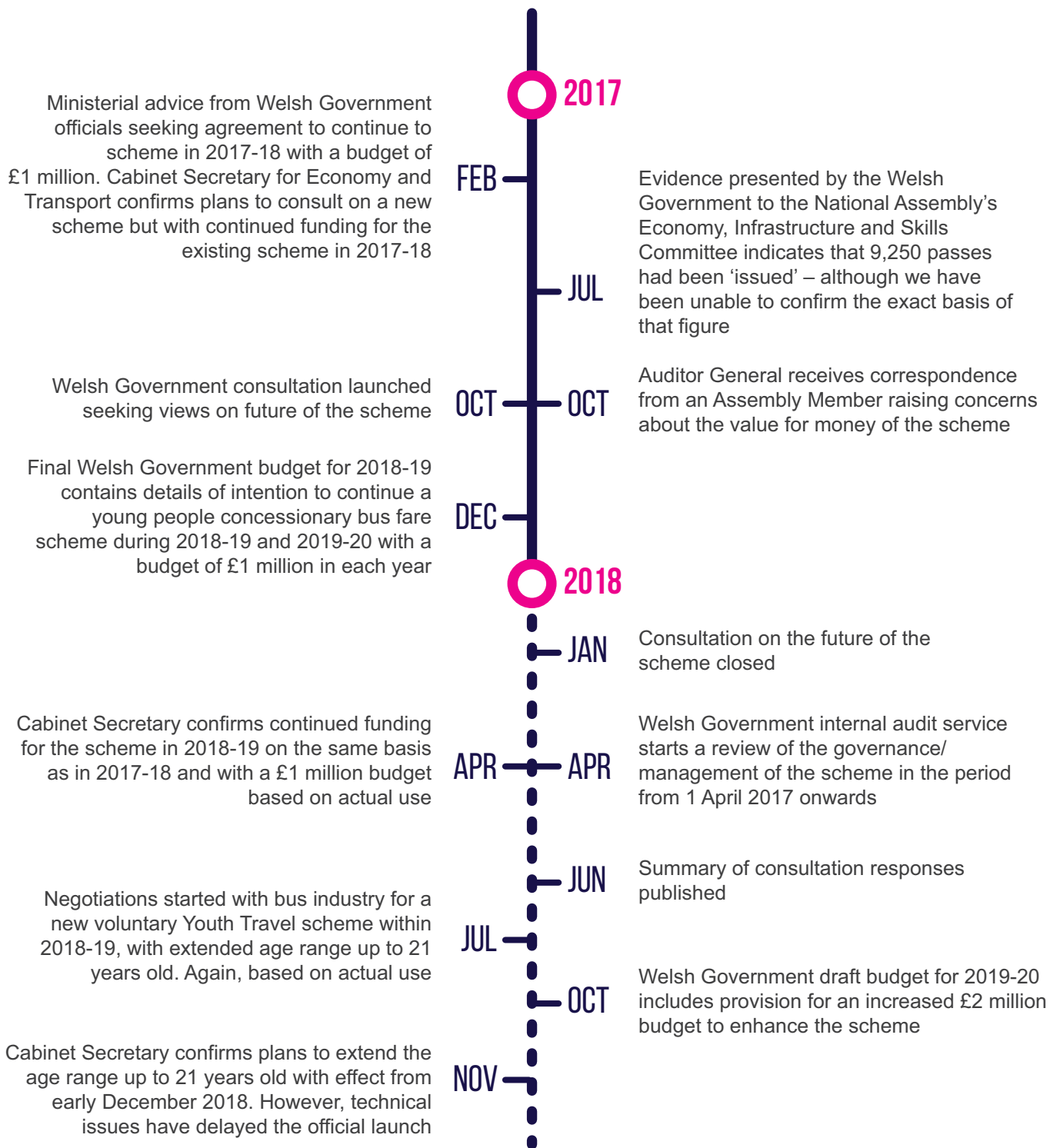
**Note:**

August 2015 covered a six-day period only.

Source: Welsh Government

# Appendix 5 – Timeline of key events/decisions







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