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Report

Subject : Concessionary Travel Scheme 2008-09

Report to : The Cabinet

Date : Wednesday 05 December 2007

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Cabinet Member for Transport: Councillor Mrs Helena McKeown

1. **Report Summary:**

- This report seeks a decision from Cabinet with regards to the discretionary aspects of the 2008-09 England wide concessionary travel scheme for those aged 60 years and over, and the disabled.

2. **Background:**

- 2.1. A briefing paper on concessionary travel was sent to all Members in October 2007. The paper detailed the background to the concessionary travel scheme locally, the legislative context, and the funding and reimbursement complexities of concessionary travel. This report is intended to be brief, so reference should be made to the mentioned briefing paper as an explanatory note.
- 2.2. The current **statutory minimum** travel concession is for free local bus travel **within** the area of the administering authority, between the hours of 09:30 and 23:00 Monday to Friday and all day at weekends and on public holidays.
- 2.3. Local Authorities known as Travel Concession Authorities (TCAs) are afforded the ability to enhance the provision above the statutory minimum. These enhancements are available to tailor local schemes to local circumstances. For example, extending the provision to cover travel outside of the statutory minimum hours or enabling travel into contiguous local authority areas.
- 2.4. Salisbury District Council works jointly with the other District Councils of Wiltshire and Swindon Unitary Authority to save costs on scheme administration. The scheme is managed by a firm of transport consultants named MCL. MCL manage or have an advisory role with over 100 District Councils across England. They bring significant skills and knowledge to the table in this complex field. Furthermore, being such a dominant player in concessionary travel, there are considerable economies afforded by using MCL's services (for example, defending legal challenges from bus operators). The scheme is called the "*Wiltshire Bus Pass Scheme*".

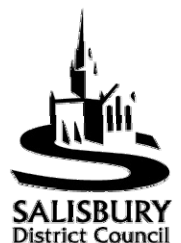


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- 2.5. The present Wiltshire bus pass scheme – in addition to the statutory minimum concession outlined in para. 2.2 - provides eligible residents with a concessionary bus pass that affords holders free **all day county-wide** travel. In addition, holders can use their pass to undertake any local bus journey that starts and / or ends in the county. This enhancement is to provide those who live in border areas of the scheme to access their local service centres, which may be “over the border”.
- 2.6. The District Council also provides companion passes to those eligible residents who are unable to travel unassisted, due to a severe disability. These passes are double the cost of a normal pass, as they afford travel for two.
- 2.7. From April 1st 2008, the statutory minimum concession will be improved to afford free travel **anywhere in England** on local bus services between 09:30 and 23:00. This means that pass holders, irrespective of their origin, will be able to get on a local bus anywhere in England and travel for free. A further change will relate to scheme funding. Presently TCAs have to reimburse operators for all travel undertaken by their **pass holders**. From April 1st 2008, TCAs will have to reimburse bus operators for all travel that takes place within **their area**. Therefore, all concessionary bus travel undertaken in the District – whether by District residents or not – will have to be funded by the District Council.
- 2.8. It is worth noting that the 2008-09 scheme year will be the last scheme that the District Council can influence. From 2009-10 the new unitary council will become the TCA.

3. Scope of scheme for 2008-09

- 3.1. As a minimum from April 1st 2008 the Council is legally compelled to provide eligible residents with a plastic pass that affords free local bus travel anywhere in England between the hours of 09:30 and 23:00 Monday to Friday and all day at weekends and bank holidays. In addition, a TCA must reimburse bus operators for concessionary travel that takes place in its jurisdiction – irrespective of the home TCA of the pass holder (so long as it is an English concessionary bus pass).
- 3.2. The DfT has made £212m of additional funding available to cover the costs of the enhancement to free nationwide travel. It is likely the Council will receive in the region of £297,000¹ (best case scenario) of this money – on top of the estimated £780,000 that it already receives annually through the RSG for concessionary travel².
- 3.3. To provide the statutory minimum concession (see para. 3.1) in 2008-09 the cost to the Council will be £1,648,347. This figure includes variables such as continued increases in passes issued and pass use, along with the impact of non-Salisbury District eligible residents using buses in the District.
- 3.4. It should be noted that due to the unpredictable nature of demand in the concessionary market, the figures provided by the scheme manager are only best estimates. Whilst the resultant cost to the Council could fall, it could also rise.
- 3.5. For several years the District Council – like the other District Council's in Wiltshire - has offered a concessionary pass to eligible residents, which affords a wider concessionary travel scheme above that required by the statutory minimum. This has seen eligible residents issued with a

¹ DfT consultation ended on November 23rd regarding the funding of the additional burden imposed on TCAs by the England-wide concession. The worst case scenario would see the Council receive £224,000.

² The funding presently received from central government for concessionary travel is some £350,000 short of the cost of the concessionary travel scheme.

bus pass that entitles them to free travel at all times of day anywhere in the county. This extension in pass utility has been offered in recognition of the rural nature of the District. In rural areas bus services are somewhat rudimentary with first buses running before 09:30, with the next bus not running until much later in the day. As such, a pass that restricted travel to after 09:30 (i.e. the statutory minimum concession) would be useless to many rural inhabitants – often the exact people who suffer from transport related social exclusion. Furthermore, there will be a number of concessionaires who will still be in full time employment, and so will use their pass to get to work (before 09:30).

- 3.6. Despite the pass being usable England-wide (as opposed to only County-wide) between the hours of 09:30 and 23:00 from 1st April 2008, to remove the local add-on of free bus travel anywhere in the county before 09:30 would likely be seen by pass holders as providing a pass with less utility than the one they have presently.
- 3.7. The cost of continuing to offer a pass that provides the local enhancement of free county-wide travel before 09:30 is projected to be £40,667 (on top of the £1,648,347 to fund the statutory element) for 2008-09.

4. Companion Passes

- 4.1. The Council has provided a further enhancement to those eligible residents whose disability is so acute that they are unable to travel on buses unassisted. In such instances, a companion pass is issued. This is a pass that affords travel for the pass holder plus one. The pass can only be used if the pass holder is travelling.
- 4.2. The Council has 113 companion pass holders.
- 4.3. The cost of continuing to offer this enhancement is projected to be £7,100 for 2008-09.

5. Reimbursement Parameters

- 5.1. The cost of the statutory minimum scheme outlined in 2.9.3 above is predicated on the assumption that an effective reimbursement rate of 56.9% is agreed with bus operators, along with a continuation of current scheme principles. Operators have appealed against the current scheme (see section 4) and it likely that the appeals will determine that at least some minor amendments to the scheme principles are incorporated. These may have financial implications for the Council.
- 5.2. If a 56.9% effective reimbursement rate is used, bus operators are certain to appeal – as is their right. An appeal brings with it defence costs and the possibility of defeat, which will result in an increased cost of the scheme. To reduce the risk of defending yet another operator appeal, it may be preferable to agree an effective reimbursement rate which is acceptable to operators. The options proposed by the scheme manager are detailed in table 1 below.

Table 1 – Options for reimbursement rate for the 2008-09 scheme year

Option	Reimbursement Rate	Cost
A	56.9%	£1,648,347
B	62.5%	£1,810,811
C	67.0%	£1,941,189
D	73.6%	£2,132,411

- 5.3. As it is felt that bus operators will appeal against all options other than option D, the scheme is to be published using option A. As this is the lowest cost option it will be used to initiate negotiations with bus operators. However, it is likely that the 2008-09 scheme will once again

be appealed against and that the reimbursement rate will be decided upon by the Department for Transport (DfT) appointed decision maker.

6. Risks to the District Council

- 6.1. All figures detailed in this report for the 2008-09 scheme year are projections. The scheme manager has advised that substantial contingencies should be held in reserve to enable additional payments to be made should usage grow in advance of projections. The likely final cost for the 2007-08 scheme has seen an increase on the original cost estimate of 13.3%³.
- 6.2. Just like the 2006-07 scheme, the present scheme for 2007-08 has been appealed against by bus operators. Bus operators have the right to appeal if they believe that they are not being fairly compensated for carrying concessionary passengers. The appeals are determined by a “decision maker” appointed by the Secretary of State for Transport. Last year the “decision maker” determined a number of points in favour bus operators.
- 6.3. A key feature of the 2007-08 appeal is operators’ belief that they should be reimbursed for each concessionary passenger that they carry. Presently operators are reimbursed for those passengers that they would have carried in the absence of a concessionary scheme and are thus not reimbursed for the generated volume of travel. This is in accordance with the obligation for reimbursement to leave operators “no better, no worse off”. If operators are successful in this principle of the appeal, it is estimated that this would cost the Wiltshire & Swindon scheme £2,240,000 on top of the present 07-08 estimate of £5,057,903. Salisbury’s existing forecast contribution for 07-08 is £1,128,859. Using the same proportional contribution, Salisbury District Council would be liable for an additional £499,968 of the £2,240,000⁴.
- 6.4. The projected £1,696,113 cost of the 2008-09 scheme (assuming that the local enhancements are included) represents an increase of £567,254 from the £1,128,859 (the minimum amount the Council will have to pay for the present 2007-08 scheme year). Whilst the Council hope to receive an additional £297,000 from DfT to fund the new requirements of the England-wide statutory minimum concession, the Council will still need to fund an additional £270,254 from the 2008-09 budget to cover the all-day countywide pass, over and above the amount that will be spent in 2007-08. Again, the £270,254 is a best case scenario. In reality it is likely that a higher reimbursement rate will be agreed and thus a higher cost. The additional expenditure on concessionary travel required in 2008-09 above the best case scenario for 2007-08 is detailed in table 2.

Table 2 – Increased cost of 2008-09 scheme over 2007-08 scheme at varying reimbursement rates.

Option	Reimbursement rate	Total scheme cost (Statutory minimum)	Increase in cost over 2007-08*
A	56.9%	£1,648,347	£567,254
B	62.5%	£1,810,811	£681,952
C	67%	£1,941,189	£812,330
D	73.6%	£2,132,411	£1,003,552

* Does not include the additional funding that will be received for the England-wide concession (best case scenario £297,000).

7. Options for consideration:

³ The 13.3% assumes that the final cost of the 2007-08 scheme year will be £1,128,859. However, if the 2006-07 apportionment basis is used, the increase on the original estimate will be 33%. Negotiations are proceeding between officers to agree an apportionment somewhere between the two options.

⁴ As per footnote 3.

- 7.1. Provide the statutory minimum – total scheme cost £1,648,347.
- 7.2. Provide the local enhancement of county-wide travel between 23:00 and 09:30 – total scheme cost £1,689,014.
- 7.3. Provide the local enhancement of companion passes – total scheme cost £1,655,447.
- 7.4. Provide the local enhancement of county-wide travel between 23:00 and 09:30, along with companion passes - total cost of scheme £1,696,114.

8. Consultation Undertaken:

A large survey was undertaken of concessionary pass holders in March – April 2007. However, this addressed usage characteristics and travel habits associated with concessionary pass use. No consultation has been undertaken with regards to whether pass holders would prefer an all day scheme or the statutory minimum. However, this would be a pointless process as users would resoundingly opt for the wider concession (all day scheme).

Furthermore, with pass holders used to having an all-day pass, despite the 09:30 – 23:00 statutory minimum from 2008-09 providing them with free travel anywhere in England, it is likely that a pass restricted to the statutory minimum would have the perverse effect of being seen as having less utility than the existing pass.

9. Recommendation:

- 9.1. That Members decide which of the four options outlined in section 7 will form the scope of the 2008-09 concessionary bus pass scheme for Salisbury District eligible residents.

10. Background Papers:

A paper titled “Concessionary Travel” and dated 13th September 2007 was sent to all Members in October. This provided a synopsis of the legislative and funding frameworks concerning concessionary travel provision in England. The paper also detailed the specifics of the concessionary travel scheme locally.

A further paper titled “Concessionary Travel” and dated 7th November 2007 was sent to the Cabinet distribution list in November. This paper sought approval from Cabinet for officers to provisionally advise the scheme manager of the preferred scheme for 2008-09.

11. Implications:

Financial:

- Financial services will be presenting a paper to Cabinet in January 2008 outlining the 2008-09 Council budget. This will make clear the significant financial implication that the provision of concessionary travel imposes on the Council. However, in summary it is pertinent to once again highlight the following:
 - Operators have appealed against the present 2007-08 scheme. One of their arguments is that they believe they should be reimbursed for all passengers carried (as opposed for only those that they would have carried in the absence of a concessionary scheme). If operators are successful, it is estimated that this would cost the District Council an additional £499,968 on top of the present 07-08 estimate of £1,128,859. This will have a significant impact on the council’s finances and will require considerable cuts elsewhere.
 - The cost of the 2008-09 scheme is contingent upon the extent of the scheme offered (see section 7) and the reimbursement rate applied (see section 5).
 - All figures detailed in this report for the 2008-09 scheme year are projections. The scheme manager has advised that substantial contingencies should be held in reserve to enable additional payments to be made should usage grow in advance of projections.

- **Legal:** None.
- **Human Rights:** None.
- **Personnel:**
 - The issuing of smartcards will reduce the burden on Customer Services and free up staff for other duties.
- **Community Safety:** None.
- **Environmental:**
 - In accordance with the Salisbury Transport Plan, the growth of concessionary travel will assist in improving access to the transport system.
- **Council's Core Values:**
 - This report supports the core values listed below:
 - Communicating with the Public
 - Excellent Service
 - Fairness and Equality
 - Open, Willing Partner
 - Protecting the Environment
 - Supporting the Disadvantaged
- **Wards Affected:** All.