Purpose of report:

- To inform members on the outcome of the Concessionary Fare responses requested at the last meeting;
- To briefly describe the latest position in respect of the Concessionary Fare scheme; and
- To invite Members of the Forum to provide an update at the meeting on their respective positions.

Recommendations:

- This report has been prepared for information only. RTF members are asked to note its contents and provide an update if required.

1. Background

1.1 During the previous RTF meeting on 10th September concessionary fares were discussed under the AOB item. An action from this discussion was for the Local Authorities to send their responses on concessionary fares to Southend BC to collate the responses and prepare a report for the next FTF meeting.

1.2 The detailed responses have previously been sent out to RTF members and further copies will be available at the meeting.

2. Summary of responses

2.1 In summary, the main points brought out from this exercise are set out below:

  Funding

- The general consensus is that the scheme has, and remains, underfunded. Local authorities are left frustrated as the majority follow DfT guidelines to determine repayments, and in a number of cases the appeals process has ordered them to pay more.

- The Revenue Support Grant (RSG) element has been controversial, with a strong belief amongst authorities that it both underestimates the true cost and misallocates the funding, creating structural deficits within the funding of the scheme that persist to this day. In the past there was some argument for awarding grant through an estimating mechanism (however faulty) since no one knew what the cost of the scheme actually was going to be. Now we do understand the cost as a result of several years worth of claims, it should be relatively easy for the government to give this as direct, ring-fenced grant on
an ‘as costs basis’, ending the problem of under-funding once and for all. However, there always remains uncertainty over the final cost due to the “no better, no worse” criteria, which is in the legislation. The only certainty is if the reimbursement is “capped” as part of the Concessionary Fare Scheme. There are legal issues however with this approach.

• The RSG formula seems likely to divide the funding using a different basis at County level than at District level; it is possible that not all the funding the Districts lose will go to the Counties. Districts will also wish to minimise their loss of funding. In addition, under the Government review of these costs it is anticipated that the current fund will be included within the RSG formula, removing any evidence that the additional funding has been included.

• Hence from the above, Authorities have regularly lobbied the Government to fully fund the scheme.

** Patronage growth **

• The scheme has a natural level of growth. The increase in the number of qualifying older people means that Schemes can grow organically each year, whilst increases in fares, over which Local Authorities have no control, means that the overall cost could rises by around 7% each year.

• Local Authorities have seen an increase in the number of concessionaires over the last 3 years. There has also been significant growth in concessionary travel since the introduction of free travel on all local bus services in England in 2008. The increase in pensionable age just reduces the effect of the growth in pensioner numbers (and marginally at that), it does not eliminate it.

• There is a higher reimbursement in some cases due to tourism and visitors and proximity to large regional shopping centres, airports and bus services over which the Local Authority has no control, this is not reflected adequately in the grant.

** Efficiency savings and overall effect on services **

• The Government has announced that as a result of the ‘efficiencies’ that would be realised from the move to upper tier authorities they will be saving £180m from the national budget. As this will be immediate, they could cut the national budget by up to 18%. DfT have indicated a further £100m saving on revision of the reimbursement rate. However, the £180m affects only the Districts and upper tier Authorities and does not affect Unitary Authorities. Many authorities have already realised most if not all of the efficiency savings as part of joint schemes.

• Authorities have raised the issue of how the DIT is evaluating the overall effect of public transport schemes, policies efficiency savings and cutbacks, e.g. concessionary travel and Bus Service Operators Grant (BSOG), their inter-relationships, impacts and risks, and collective financial and service impacts on the viability of commercial and supported bus services, especially in shire counties and for floor authorities?
There are concerns over the possible changes to reimbursement to bus operators, which the DfT have consulted on. The potential loss of income to bus companies could result in either reduced or withdrawn services especially in rural areas. This could lead to increased pressure on Council budgets for supporting bus services.

By reducing the level of concessionary reimbursement, a number of borderline-commercial bus services could become unprofitable. This would destabilise the bus network, and jeopardise efforts to maintain essential links to rural communities. In special cases, a preferential rate of reimbursement could be paid to community bus operators and (possibly) infrequent rural services provided by the larger operators, but this cost would have to be

3. Consultation on DfT draft reimbursement guidance

3.1 The Department for Transport issued a draft reimbursement guidance for consultation on 17th September 2010. The purpose of the guidance, which is not statutory, is to assist Travel Concession Authorities (TCAs) in their understanding of and compliance with their legal obligations. Ultimately TCAs are free to use the methodology of their choice subject to ensuring compliance with the legislation. In particular, TCAs should consider whether it is appropriate to deviate from the advice given in the guidance in order to give effect to the ‘No better, no worse off’ principle.

3.2 The consultation is now closed and the Department is considering the consultation responses before issuing a final version of the guidance. There are likely to be some changes to the guidance in the light of responses received during the consultation. The Department is hoping to issue the final guidance as soon as possible before December 1st.

3.3 TCAs have a statutory duty to publish details of their scheme four months prior to the scheme coming into force.

3.4 The 1985 Transport Act stipulates that the arrangements for reimbursement must provide a detailed description of the basis on which reimbursement of operators of eligible services is to be calculated. This should be a statement of principles only and need not specify amounts due. The objective should be to make it possible for operators to form a clear idea of the payments they can expect to receive under it. The amount of detail necessary will depend on the type of scheme involved and the method of calculation devised.

3.5 TCAs who wish to use the DfT reimbursement guidance or elements of the guidance to calculate reimbursement may wish to refer to the guidance in general terms in their schemes as the standard method to be used and provide details of how it will be applied in a way that enables operators to estimate reimbursement. The Department will be publishing a revised guidance before December 1st which should enable operators to estimate the level of reimbursement they can expect to receive should the guidance or elements of it be used as a standard method.

3.6 The draft reimbursement guidance can be found at [http://www.dft.gov.uk/consultations/closed/2010-34/reimbursement.pdf](http://www.dft.gov.uk/consultations/closed/2010-34/reimbursement.pdf)

3.7 Bus Operators have already expressed concern over the application of
the DfT reimbursement guidance. Both the Confederation of Passenger Transport (the government recognised trade association for the bus, coach and light rail industries) and the Local Government Association have been reported to say that aspects of the new approach to reimbursement are flawed and could have substantial negative impacts on both Authorities and operators.

4. **Application of the Scheme – Essex example**

4.1 In terms of the practical application and deadlines for the Essex wide Concessionary Fare scheme, there is a need for the new methods and arrangements to be explained to operators and a series of road shows to which they will be invited are being organised for the week commencing 10th January 2011.

4.2 This will give sufficient time for comments and questions to be received following publication of the Scheme on 1st December 2010, and also allow time for review by the Authorities before the final scheme is published on 3rd March 2011.