

Report to the Cabinet

**Report reference: C/087/2005-06.
Date of meeting: 19 December 2005.**



Portfolio: Community Wellbeing.

Subject: Concessionary Fares – Statutory Scheme.

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Recommendations:

- (1) That the Cabinet agree that Epping Forest District Council will continue to participate in a countywide scheme; and**
- (2) That the proposed changes to the process of issuing passes are approved and implemented immediately; and**
- (3) That, in view of the latest projections from the consultants administering the scheme, a reduction in the revised estimate for 2005/06 of £40,000 is made, but that £2,000 of this saving is used to cover the additional postage costs of the revised method of issuing in 2006/07 to give a net CSB saving of £38,000 in 2006/07.**

Report:

1. A report was made to Cabinet on 25 April 2005, which set out the changes that were necessary to the concessionary fares scheme from 2006/07 and the potential financial consequences of these. Members were concerned by the possibility of the loss of floor funding and authorized the Head of Finance to write to the Office of the Deputy Prime Minister (ODPM) and the Department of Transport.
2. The Head of Finance has received replies from the ODPM, the Department of Transport and the Local Government Association. In view of the wider consultation taking place on grant formulae it has not been possible to gain any form of guarantee on this one aspect. However, it is reassuring to note that the ODPM have stated that they will adjust the 2005/06 settlement for use in the 2006/07 floor damping scheme for this change. This makes it clear that the change to the concessionary fares scheme will not be used as a means to abolish floors, and so whilst our floor support may reduce the full amount of £412,000 will not be lost. This report provides an update on financial projections for 2005/06 and 2006/07.
3. In view of the likely substantial increase in pass numbers in 2006/07, a review of the method of issuing passes has been conducted and this reports recommends a change from dispersed to centralized issuing.

Basis of Scheme:

4. In common with other Essex authorities, Epping Forest District Council has worked in partnership with Essex County Council to provide an enhanced version of the statutory scheme. Under this scheme, bus passes have been provided that allow half fare travel on buses in Essex, and throughout a route that starts in the County but finishes beyond. This exceeds the statutory minimum scheme, which only requires concessionary travel within the district boundaries. On 16 March 2005, the

Chancellor of the Exchequer announced, as part of his budget speech, that the minimum requirements under the Transport Act 2000 were to be increased. With effect from April 2006, the requirement increases from half fares to free fares for older and disabled people on local bus services. People over 60 and people with disabilities will benefit from free bus travel within the area of the local authority where they live (district councils in shire areas), from 9.30 am Monday to Friday and all day at weekends.

5. At an officer meeting on 8 November representatives of the other Essex districts, the County Council and MCL, the consultants who administer the scheme, discussed the ongoing basis of the scheme. All other districts within Essex support the continued existence of a countywide scheme and it is recommended to Members that Epping Forest should also to continue to participate. To retreat to a district only scheme would reduce the benefits available to users and place them at a comparative disadvantage to other Essex residents.
6. It also appears that there would be little to be gained financially from a move to a district wide scheme. The financial projections are dealt with in detail later in the report, but MCL predict a saving of less than £6,000 for EFDC providing a statutory minimum scheme instead of a countywide one. Members may consider that to be able to offer wider travel for such a relatively small sum represents good value for money.

Revenue Implications 2005/06:

7. The actual spend on bus passes in 2004/05 was £230,228. In order to allow for possible increases in both charges and the number of passes in issue, an estimate of £250,000 was included in the 2005/06 budget. At the officer meeting mentioned above, MCL released their latest estimates for 2005/06. Part of the work MCL do is to obtain data from bus companies on pass usage and then calculate revenue foregone by the companies due to the existence of the passes. The latest work on revenue foregone shows a reduction of nearly 10% for passes issued by this Council. This means that people are generally making less use of their Essex passes and consequently charges to this Council will reduce.
8. The other part of the update from MCL examined the number of passes in issue and made projections for the remainder of 2005/06. MCL are predicting that in 2005/06 passes issued by this Council will reduce some 2% (possibly due to the increased popularity of the amended Transport for London Scheme, as reported to Cabinet in November). The combined effect of the reductions in revenue foregone and passes in issue mean that the revised estimate for 2005/06 can be reduced to £210,000 from the £250,000 mentioned above

Revenue Implications 2006/07:

9. MCL have produced a model to illustrate how they believe costs and income will change under the new system. The table below is based on the MCL model:

	Statutory Minimum	County Wide
Revenue Foregone	£481,066	£543,140
Operator Costs	£19,243	£13,578
Central Admin. Costs	£62,265	£11,693
Total	£562,574	£568,411

10. Revenue foregone for a countywide scheme is only £62,074 more than for the statutory minimum scheme. This is due to the fact that most travel takes place within the district. MCL's data from surveys and electronic ticketing machines indicates that 90% of travel using Epping Forest passes is within the district; this is fairly typical within Essex although the range runs from as low as 75% up to 95%.

11. The costs of administering a statutory minimum scheme are far higher than a countywide scheme. This is because of the economies of scale associated with a district scheme and the ability to share costs amongst the districts. It is these far higher administration costs that mean when the schemes are compared in total the statutory minimum scheme only offers a saving of £5,837.
12. Having noted the MCL cost projections, it is possible to move to the income and consequently net revenue positions. The ODPM grant formulae consultation included tables illustrating possible distributions of the £350 million that the government has added to the EPCS block to finance this change. From this information a figure of £582,233 can be extracted for this Council. If we take the cost of the existing scheme rolled forward to 2006/07 to be £212,000 and the cost of the revised scheme to be £568,411, the increase in cost is £356,411. This implies a potential surplus of £225,822. However, the cost model assumes take up growth of only 26% and recent experience with the TfL scheme was that with a move from half fare to fare paid passes in issue increased from 190 to over 700. Thus in reality costs may substantially exceed those suggested by MCL. Similarly there is a lack of certainty over the exact amount of grant and the effect on floor funding until the formal grant announcement. In view of the uncertainty around both the cost and income positions it would be prudent at this stage not to anticipate any surplus arising to the Council from the changes to concessionary fares.
13. No surplus is anticipated from the new scheme, but as outlined above a CSB saving can be included on the basis of the existing scheme. It is proposed that £2,000 of the £40,000 CSB saving is allocated to cover the additional postage costs associated with the change in the method of pass issue.

Change to Issuing Procedures:

14. The existing method of issue has generated a number of complaints as it requires applicants to attend in person, which a lot of users claim is inconvenient. It is also a considerable administrative burden as passes are issued from the Civic Offices, Traps Hill Information Centre, Waltham Abbey Town Hall, Ongar Library, by Councillors at various locations and by six Parish Councils. Passes have to be distributed to all the various locations and individuals and then returns collected at the end of the process, after which all of the information on issues has to be recorded on MCL's software.
15. It is proposed to move to a system of postal issues co-ordinated centrally from the Civic Offices. Existing users would be sent a form to confirm their details and return with two passport sized photographs. New users would apply to the Council and be sent a similar form, again for return with two photographs. All passes would then be posted out prior to the start of the new financial year. This process should improve efficiency, as staff would input details at the same time as they were issuing passes. The existing system also suffers from peaks and troughs in demand such that at certain times staff are waiting for people requiring passes to arrive.
16. The new system will save some £2,700 in temporary staff costs but will incur an additional spend on postage of approximately £4,700. Thus overall there is a requirement for £2,000 of CSB growth, but it is proposed that this is financed from the £40,000 CSB saving outlined above.

Options Considered and Rejected:

17. The only two options possible are a statutory minimum scheme or a countywide scheme. The statutory minimum scheme would penalize our residents relative to other Essex districts and does not provide value for money in comparison to the countywide scheme.

Statement in Support of Recommended Action:

18. Continued participation in a countywide scheme offers residents benefits consistent with other districts and provides better value for money.
19. Moving to a scheme of postal issue will be beneficial to pass holders and will improve the efficiency of the process.

Consultation Undertaken:

20. The Portfolio Holder for Community Wellbeing has been consulted and made the following comments:

“The take up of the statutory and the London scheme passes in 2006/07 is uncertain. This paper makes sensible use of “best-estimate” projections and the scheme will be good value for money and attractive to residents.”

Resource implications:

Budget provision: CSB saving of £38,000, although this may need to be re-visited once the outcome of the grant formulae changes are known.

Personnel: N/A.

Land: N/A.

Community Plan/BVPP reference: None.

Relevant statutory powers: Transport Act 2000, to be amended by secondary legislation under Section 147.

Background papers: N/A.

Environmental/Human Rights Act/Crime and Disorder Act Implications: N/A.

Key Decision reference (if required): N/A.