

Report to the Cabinet

Report reference: C/069/2007-08.

Date of meeting: 12 November 2007.



**Epping Forest
District Council**

Portfolio: Community Wellbeing.

Subject: National Concessionary Fares Scheme.

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Recommendations:

- (1) To note the position and current uncertainties around the National Scheme;**
- (2) To agree continued participation in the Countywide Scheme;**
- (3) To agree that passes will now be issued for 5 years;**
- (4) To agree that benefits under the scheme will be in line with the National Scheme; and**
- (5) To note that the Scheme in conjunction with Transport for London will cease on 31 March 2008 and the subsequent proposed CSB saving of £12,000.**

Introduction:

1. The Transport Act 2000 introduced a national minimum standard for local authority concessionary travel schemes for elderly and disabled people. The concession required at least half-fare off-peak travel on local buses within the travel concession authority's (TCA) area.
2. Since 1 April 2006, local authorities have been required to provide their residents who are 60 and over, or disabled with at least free off-peak local bus travel.
3. The 2006 Budget announced that the statutory minimum is to be extended to free off-peak local bus travel anywhere in England from 1 April 2008.

Current Position:

4. Epping Forest District Council has worked in partnership with all Essex authorities, including Essex County Council to provide an enhanced version of the statutory scheme. Under the scheme, pass holders can travel for free from 9.00am (half-hour before the statutory minimum) within the County boundaries.
5. With the introduction of free off-peak travel in April 2006 disputes about funding arose between bus operators and local authorities. Operators across the country started to make appeals against Concessionary Travel Schemes to the Department for Transport. The Secretary of State appointed an independent adjudicator, called a "Decision Maker", to determine the appeals. The legislation excludes appeals against the determinations of the Decision Maker.
6. Within the Essex Scheme there were four appeals, of which one was withdrawn early in the appeal stage. The basis of the operator's appeal was that the scheme's arrangements

would not leave them 'financially no better and no worse off' as a result of offering concessions; and that they are likely in practice to suffer financial loss. This assertion was disputed by MCL, the consultants who co-ordinate the Essex scheme, on behalf of the scheme members.

7. The Decision Maker found in favour of the operators in that he deemed the principle of a fixed payment (ie a "cap") to be unreasonable. Therefore, the reimbursement was recalculated which resulted in the Scheme having to contribute an additional £731,470 for the 2006-07 financial year, of which Epping Forest contributed £1,610.

8. Figures were re-worked in light of the passenger numbers and costs at the year-end, which showed that the three operators were overpaid by around £400,000. Any refund back to Epping Forest is still to be determined, but this will be hundreds not thousands of pounds.

9. Following the success of the appeals process for operators across the country in 2006-07, the Department for Transport have stated that schemes should continue to negotiate with operators. This is in the hope that the number of appeals for 2007-08 can be reduced. Due to the delay in the appeals being heard by the Decision Maker, the Essex scheme received acceptance from the major operators to publish a temporary scheme until the appeals have been heard. Therefore, none of the major operators have so far appealed in 2007-08, although six small operators have.

10. At an officer meeting on 2 October, MCL produced projected costs for 2007-08. Overall the scheme costs will have increased by £2.9M (24.43% increase) since the original projections were issued. The highest increase for an individual district being 80.16% on their original cost, Epping Forest has reduced slightly by 4.11% (£26,000). The main reasons for the increase in costs are: the increased numbers of journeys being made; the length of travel increasing; and bus operators increasing their charges.

11. However, these figures are likely to increase further as bus operators will continue to appeal this year, due to the likelihood that they will gain further from the Decision Maker. MCL have made a proposal to increase the reimbursement rate in the pound to operators as a way of reaching a negotiated settlement. If this is agreed by the scheme, then the scheme costs would further increase in 2007-08 by £2.6M with Epping Forest costs increasing by £106,000. This can be met from existing resources as an increase in costs was anticipated when the 2007-08 budget was set.

12. Epping Forest has been in partnership with Transport for London (TfL) for many years offering its residents free off-peak bus travel in the northeast part of London. This scheme will now cease on the 31 March 2008, as the National scheme will offer free off-peak travel on all local buses in England. Notice of cessation has been given to TfL in accordance with the terms of the scheme.

13. The current year has seen a reduction in the number of TfL passes in issue from 365 to 264. This has had the effect of reducing the net budget required for the TfL scheme for 2007-08 from £77,000 to £65,000. It is proposed that a CSB saving of £12,000 is included in the revised budget for 2007-08 and that the balance of £65,000 is added to the budget for the countywide scheme in 2008-09 to provide a contingency to meet any additional costs that are not met through additional government grant.

National Concessionary Fare Scheme 2008-09:

14. Department of Transport (DfT) have confirmed that even though the scheme will now be a national scheme it will continue to be administered by the travel concessions authorities (TCAs). However, DfT have advised that how the scheme is run in the future may change with the possibility that County Councils will administer the scheme. Therefore the proposal is that the Essex countywide scheme will continue to operate in a similar format with the exception that pass holders will be able to travel on local bus services anywhere in England.

15. Discussions are underway amongst the districts to determine whether the scheme should continue to start from 9.00am or whether to implement the terms of the national scheme of 9.30am and whether the scheme should offer companion passes. The financial impact of these two options is currently unknown and we are waiting to receive figures from MCL. A vote will be made at the scheme AGM in November and the majority vote will win. Officers feel there is little point in having a national scheme if the terms are subject to local variation. This will cause confusion both for our residents when they visit other areas and for visitors to Essex. Whilst it is acknowledged that adherence to the national scheme pushes the start time back from 9.00 to 9.30am, this is more than compensated for by the scheme now offering free travel on local bus services nationwide.

16. Epping Forest has always renewed their passes in-house annually. From April 2008, DfT has advised that the new passes must be a smartcard (a card with memory chip embedded within it) and be ITSO compliant (originally the Integrated Transport Smartcard Organisation, is a specification for how approved ITSO smartcards and systems all need to communicate with each other to make a scheme work). We are unable to offer this facility in-house but MCL have a partnership with a card provider called Euclid. Under the terms of the consultancy agreement between the Essex districts and MCL, MCL are able to offer cards at a cost to the Council of £1.49 plus postage per card. The DfT are paying a non-ring fenced grant under Section 31 of the Local Government Act directly to the TCAs in order to cover reasonable new burdens associated with issuing passes before April 2008 and this grant is sufficient to cover the costs of procuring via the MCL arrangement.

17. DfT has recommended that Council's consider the length of the bus pass to last somewhere between 2 and 5 years. This will reduce the ongoing annual burden of issuing passes but will of course present a problem in those years when passes fall due for issue. To gain the greatest value for money from the passes it is proposed that passes last for 5 years. It is also hoped that within 5 years the DfT will recognise the absurdity of having a national scheme administered by 291 separate TCAs and place the responsibility for the administration of the scheme at County level or with a new national agency.

18. Projected costs for 2008-09 are currently unknown. Estimates will be produced at the scheme AGM in November. There are a number of uncertainties that will have a huge impact on the resources required for the coming financial year. These are:

(a) We are unaware of how many appeals will be heard by the adjudicator for the 2007/08 scheme and the implications these will have for the 2008-09 scheme. One proposal is to increase the rate in the pound that we pay operators in an attempt to stop operators from appealing (as detailed in paragraph 11);

(b) The operator's fares have increased substantially in the past year. It is anticipated that this will continue this year;

(c) The uptake from residents within Epping Forest. In 2005-06 when there was a half-fare scheme, we issued 6,531 passes. In 2007-08 we currently have issued 10,315 (an increase of 58%);

(d) The length of journey made has increased over the past two years following the move to free fare on buses. With the introduction of national travel, there may be further increases in the length of journeys;

(e) The funding from Government is currently being consulted on and a final decision has yet to be made.

Statement in Support of Recommended Action:

19. The Council has an obligation under the Transport Act 2000 to offer the statutory minimum free travel currently within its boundaries, and from April 2008 anywhere in England. The recommendations proposed seek to comply with these requirements whilst

minimising cost and risk.

Other Options for Action:

20. The Council has the opportunity to withdraw from the Essex scheme. However, this would require the Council to undertake all negotiations with bus operators separately as well as to provide an agreement by 1 December 2007. This option would not be financially beneficial to the Council and would be extremely difficult to achieve.

Consultation Undertaken:

21. Transport for London have been consulted and given six months notice of Epping Forest District Council's withdrawal from the current joint scheme.

Resource Implications:

Budget Provision:

(a) The TfL scheme has an original estimate for 2007-08 of £77,000. As set out in paragraph 13 above this can be reduced to a revised estimate of £65,000 to give a CSB saving of £12,000 in 2007-08. For 2008-09 it is proposed that the remaining TfL scheme funding of £65,000 is transferred to the Essex scheme budget to cover the potential increase in costs in relation to the introduction of the national scheme.

(b) The Essex scheme has an original estimate for 2007-08 of £741,000. It is currently anticipated that this will be sufficient to meet the costs of any appeal decisions in relation to both the 2006-07 and 2007-08 schemes. Estimates from MCL of the costs of the new national scheme for 2008-09 will not be available until late November. Members will be updated on the anticipated level of costs and funding in subsequent budget reports.

Personnel: The implementation of the national scheme has required the use of some additional casual staff, but these costs have been met from within existing budgets.

Land: N/A.

Council Plan 2006-10/BVPP Reference: None.

Relevant Statutory Powers: The Transport Act 2000, to be amended under the Travel Concessions (Extension of Entitlement) (England) Order 2005.

Background Papers: N/A.

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

Key Decision Reference (if required): Key decision.