

SCRUTINY COMMISSION – 21 APRIL 2010

CONCESSIONARY TRAVEL

REPORT OF THE SCRUTINY REVIEW PANEL

Introduction.

1. This report sets out the conclusions and recommendations arising from the Scrutiny Review Panel investigation into Concessionary Travel.

Scope of the Review.

2. The Scrutiny Commission on 1 September 2009 appointed a Review Panel to obtain a better understanding of the concessionary travel scheme in Leicestershire and the implications that the County Council would need to address when responsibility for the function is transferred from District Councils.

Membership of the Panel.

3. The following members were appointed to serve on the Panel.

Mr G A Boulter CC	Mr M H Charlesworth CC
Mr T Gillard CC	Mr M Griffiths CC
Mr Max Hunt CC	Mr D Jennings CC
Mrs C M Radford CC	Mr D Slater CC

The Deputy Commissioner Mr Boulter was appointed Chairman of the Panel in accordance with the new scrutiny arrangements agreed by the County Council on 8 July 2009.

Conduct of the Review.

4. The Panel met on four occasions between 18 November 2009 and 1 March 2010. The Panel, during the course of the review:-
 - (i) Received detailed information on the history and current operation of the concessionary travel scheme in Leicestershire, including funding issues.
 - (ii) Met with representatives from Kinchbus, Arriva and First Bus to learn their views on the concessionary travel scheme and the implications of the proposed transfer of the function.

- (iii) Met with finance officers from Melton Borough Council and Blaby District Council to learn their views on the operation of the concessionary travel scheme and the implications of the proposed transfer of the function.
5. The Panel was supported in its review by the following persons and is indebted to them for their contributions:-

Ian Drummond Assistant Director, Transportation

Tony Kirk Group Manager, Passenger Transport Unit

Pat Sartoris Head of Strategic Finance

The National Concessionary Travel Scheme.

6. The current English National Concessionary Travel Scheme has been in operation since April 2008. Prior to this there were local concessionary schemes in place. The national scheme extended the local entitlement so that anyone who is a resident in England and who is sixty and over or disabled is allowed a free travel pass giving free off-peak travel on local buses anywhere in England. Off-peak is classed as between 9.30am and 11.00pm Monday to Friday and all day at weekends and on public holidays.
7. The extension to the concessionary travel scheme is funded through a specific grant from central Government, paid to the Concessionary Travel Authorities (CTAs). Currently, the CTAs are district councils and unitary authorities with responsibility for providing the scheme. In addition to the specific grant, CTAs also receive funding for concessionary travel through the Formula Grant.

Operation of the Scheme in Leicestershire.

8. In Leicestershire the scheme is funded by the district councils but is administered by the County Council (except that Charnwood Borough Council issues its own passes). The County Council also administers the scheme for Leicester City Council.
9. In addition to the statutory scheme, district councils in Leicestershire provide funding for the following discretionary elements:-
- (i) Half fare bus travel before 9.30am, Monday to Friday, provided that the journey begins in Leicester or Leicestershire (this is not available to residents in North West Leicestershire);

- (ii) Half fare train travel at all times on train journeys wholly with Leicestershire, including to and from Leicester, and between Leicestershire stations and Derby, Nottingham, Grantham, Peterborough, Kettering and Nuneaton;
- (iii) Half fare travel with community transport schemes. These are the Leicestershire Community Minibus and Dial-a-Ride services open to the public who qualify on mobility grounds and social car schemes.

10. The table below sets out the number of concessionary travel passes holders there are in Leicester and Leicestershire.

	Number of people aged 60 and over	Number of disabled people
Blaby	17,243	1,024
Charnwood	27,847	1,890
Harborough	12,796	679
Hinckley and Bosworth	18,723	1,075
Melton	8,244	470
North West Leicestershire	14,109	1,154
Oadby and Wigston	10,854	769
Leicester City	38,550	7,867

Funding of the Concessionary Travel Scheme.

11. The current funding position for the concessionary travel scheme within Leicester and Leicestershire is as follows:-

2009/10	Forecast Spend 2009-10	Estimated Grant 2009-10	Shortfall/ (Surplus)
	£m Latest	£m	£m
Blaby	0.69	0.69	0.00
Charnwood	1.61	1.35	0.26
Harborough	0.44	0.55	-0.11
Hinckley & Bosworth	0.88	0.83	0.05
Melton	0.39	0.37	0.02
North West Leicestershire	0.77	0.86	-0.09
Oadby and Wigston	0.63	0.52	0.11
County Total	5.41	5.17	0.24
Leicester City	8.10	5.29	2.81
Total	13.51	10.46	3.05

12. The revised allocation of specific grant announced in January 2010 will result in the Leicestershire Districts receiving an extra £0.6m which should make the scheme more affordable in 2010/11.

Reimbursement to Bus Companies

13. A principle of the concessionary travel scheme is that bus companies should be no better or no worse off than if the scheme did not exist. Bus companies are therefore reimbursed for revenue not collected because a concessionary travel pass has been used. The process for reimbursing bus operators is determined by guidance from the Department for Transport (DfT).
14. There are a number of factors to be taken into account when calculating the rate of reimbursement:-
 - (i) Calculations use an average adult fare based on adult singles, returns and day tickets.
 - (ii) The generation factor has to be taken into account to reflect the fact that concessionary travel pass holders make more journeys than they would if the scheme did not exist, which reduces the reimbursement to a cost lower than that of the full fare i.e. bus companies receive a proportion of each full fare pound that would have been paid if there was no scheme;
 - (iii) Payment has to be made for additional bus company operating costs incurred as a direct result of the scheme's existence, e.g. extra vehicle wear and tear.
15. All journeys made by concessionary travel pass holders are treated as single journeys, with the CTA area where each journey started being responsible for reimbursing the bus company for that journey. Bus companies do not need to record where concessionary travel pass holders get off the bus, as reimbursement is based on an average adult fare.
16. The number of journeys made by concessionary pass holders are recorded by the issuing of a zero value ticket. It should be noted that not all bus companies are complying with this requirement. The larger bus companies, such as Arriva and Kinchbus, and most of the other bus companies operating in Leicestershire use electronic ticketing machines to record the number of journeys made.
17. It had been intended that there would be one level of reimbursement for all bus companies operating in Leicestershire. However, as operators have a right to appeal against the proposed rate of reimbursement once they are notified of it, this has not proved to be possible to achieve. The appeals process is administered by the DfT, which is also responsible for the appointment of Independent Adjudicators. There have been some differences in the decisions of the Independent Adjudicators, leading to four

different rates of reimbursement across Leicestershire, ranging from 51% to 37% of the average adult fare.

18. Decisions taken by the Independent Adjudicators have appeared inconsistent, for example appeals against the amount paid per journey by the CTA for the additional costs of the scheme, such as vehicle wear and tear, have resulted in a variety of figures, such as 4p, 8p and 11.5p per person per journey in successive years. The results of the appeals process are difficult to predict and create challenges for long term financial planning. The lack of transparency and logic in the appeals process makes budgeting difficult for both the bus companies and the councils.
19. The Independent Adjudicators cannot be called to account for their decisions and there is no mechanism for reviewing the adjudication process in the light of the inconsistencies that have emerged. The CTAs have no right of appeal against the decisions and bus companies cannot appeal again for the length of the adjudication, which is for the financial year in which the adjudication is made. Even within this judgement operators and CTAs are encouraged to review reimbursement rates.

Audit of the Leicestershire Scheme

20. As a result of anecdotal concerns regarding the robustness of the scheme, particularly with regard to the reimbursement of bus companies, the scheme was audited through analysis of the trends and visits to operators. This and recent audit visits have highlighted only low level concerns. There is little opportunity for bus companies to commit serious fraud. However, the audit was limited in scope and district councils will be undertaking further audit work.

- (a) The Panel is satisfied with the current arrangements for the administration of the concessionary travel scheme.**
- (b) The Panel has concerns regarding the reimbursement and adjudication processes operated by the Independent Adjudicators as these do not provide a satisfactory basis for budget and business planning for bus companies and councils.**
- (c) The Panel notes the anecdotal concerns regarding the robustness of the scheme but is reassured by the results of the recent audit.**

DfT Consultation on Possible Changes to the Administration of the Concessionary Travel Scheme

21. The DfT carried out a consultation between 28 April and 21 July 2009 on possible changes to the tier of government responsible for administering the concessionary travel scheme. The consultation included two main areas; the administration of the statutory minimum concession and the administration of the discretionary elements of the scheme.
22. The consultation proposed four options for consideration in relation to the administration of the statutory minimum concession:-
 - (i) To leave the administration with the current tier of authority, e.g. district councils, Passenger Transport Executives (PTEs) and unitary authorities;
 - (ii) To move responsibility solely to upper tier authorities, e.g. county councils, PTEs and unitary authorities;
 - (iii) To centralise the administration, either at the DfT or one of its agencies;
 - (iv) To administer the concession at a regional level.
23. Three proposals were put forward in the consultation in relation to the administration of the discretionary elements of the scheme:-
 - (v) To leave the administration of discretionary concessions with the current tier of authorities which is, again, mainly at district level;
 - (vi) To move responsibility solely to upper tier authorities;
 - (vii) For district councils to only be able to establish discretionary elements in conjunction with the appropriate upper tier authority.
24. The results of the consultation show that the majority of respondents are in favour of moving the responsibility for the statutory minimum concession to upper tier authorities, but the responses regarding discretionary elements of the scheme are mixed. However, the view of the DfT is that, if there is an administrative change, it makes sense to keep responsibility for both elements of the scheme together. Therefore, from April 2011, the County Council will be responsible for the administration of both elements of the concessionary travel scheme. To have two tiers of local government in an area delivering different parts of a scheme would potentially be confusing, more bureaucratic and more expensive.
25. The DfT believes that moving the administration of the scheme to upper tier authorities will:-
 - (i) Realise efficiencies, including economies of scale and by reducing the number of negotiations with bus operators;
 - (ii) Make funding by formula easier;
 - (iii) Enable discretionary concessions to be maintained at a local level;

- (iv) Harmonise concessionary travel responsibilities with wider transport authority ones;
- (v) Assist with the roll out of smart ticketing.

Realising Efficiencies.

- 26. The Government stated, in its Pre-Budget Report issued in December 2009, that it expected £180m efficiencies to be generated from concessionary travel across all local authorities. The majority of the efficiencies, £120m, are expected to come from the transfer of responsibility for administering the scheme from district councils to county councils. This will create economies of scale and make the process of negotiating with bus operators more efficient. £60m of efficiencies is also expected to come from changing the age of eligibility (see paragraphs 43 – 44), simplifying the reimbursement process and the Government's wider strategy on smart ticketing (see paragraphs 39 – 42).
- 27. In Leicestershire, however, the County Council already administers the concessionary travel scheme on behalf of the district councils (except issuing passes for Charnwood Borough Council), including negotiating with bus operators. Therefore, the transfer of the function will not lead to any further efficiency savings in these areas. Accordingly, it has been necessary to make provision in the Medium Term Financial Strategy for an additional £2m to meet the likely shortfall in funding for the concessionary travel scheme from April 2011 and to protect the current level of service.

Making Funding by Formula Easier

- 28. The DfT believes that the new administrative arrangements for the concessionary travel scheme will make accurate funding by formula easier, due to the reduced number of authorities involved. It hopes that changes to the system will also provide an opportunity to reconsider how funding for concessionary travel is distributed in time for the start of the next three year local government finance settlement (April 2011). Consultation on the settlement is likely to take place in July 2010 and will include concessionary travel funding. The Department for Communities and Local Government's (CLG) Settlement Working Group, which comprises representatives from local authority bodies, will examine this issue and its conclusions will inform the consultation.
- 29. Changes to funding will affect both the County Council and district councils. District council finance officers have expressed concern that district council grants could be reduced over and above the current costs of the concessionary travel scheme. This is the case in the indicative options released by the CLG's Settlement Working Group and is thought to be due to district spending on concessionary travel being a lower proportion than needs factors built into the Formula Grant. It is apparently not possible to identify how much Formula Grant has been allocated to each CTA for this

purpose. Additionally, some district councils are incurring a deficit for funding concessionary travel which has not been taken into account.

30. It appears highly unlikely that the County Council will receive the same amount of funding for concessionary travel that will be taken away from the district councils. It is expected that the three year settlement will include changes to the way that funding for concessionary travel is distributed; however this will not be announced until November/December 2010. Early indications are that the specific grant will cease and that the funding will be incorporated into the Formula Grant. The County Council does not expect this to mean that the funding for concessionary travel will be more accurate; indeed the distributional effect of the Formula Grant has created a risk that some funding will be lost. Provision has not been made for this in the Medium Term Financial Strategy.
31. These concerns around funding for the concessionary travel scheme are supported at a national level by bodies such as the Local Government Association and County Councils Network, which both doubt that there is sufficient funding available nationally for concessionary travel. The County Councils Network responded to the Government's consultation by stating that *'many of our member authorities report significant shortfalls in funding even where a pooled scheme is already in place at County level...CCN is concerned that further changes to the system for administering concessionary travel should not be used as a substitute for full funding of the scheme based on accurate information about costs and usage'*.

- (d) **The Panel recognises that the grant for the concessionary travel scheme will be determined by the Government and that officers will not know the level of funding until November/December 2010. The Panel shares the concerns expressed nationally about the future funding of the scheme.**
- (e) **The Panel is pleased that there is £2m in the Medium Term Financial Strategy to cover any shortfall but expresses concern that the sum may not be sufficient to cover the shortfall in funding for the scheme.**

Enable Discretionary Concessions to be Maintained at a Local Level.

32. Transferring the responsibility for administering the scheme to the County Council will mean that the County Council, rather than the district councils, is responsible for the provision of the discretionary concessions. District councils have not been funded by the County Council under the scheme that has been in place since April 2008 for the discretionary elements, so it is unlikely that they will provide any funding for those elements when the transfer takes place. The County Council will only be funded for the

statutory element of the scheme and will need to find additional resources if it wishes to continue the discretionary elements of the scheme.

33. The following options for the discretionary elements of the scheme are available to the County Council:-
- (i) Retain the scheme as it currently is;
 - (ii) Create a consistent scheme across the County, i.e. provide additional funding to allow pre-9.30am travel in North West Leicestershire;
 - (iii) Remove the discretionary elements of the scheme.
34. To retain the scheme as it currently is would be to preserve a scheme that is not equitable for all eligible residents in Leicestershire as North West Leicestershire District Council, unlike the other district councils, does not offer half fare travel before 9.30am for concessionary travel pass holders. This is the only inconsistency in the scheme.
35. Creating a consistent scheme across the County will remove inequalities between districts. However, a decision will need to be made as to whether that scheme should consist only of the basic provision or offer additional elements. Currently, the discretionary elements of the scheme cost £484,000. To include half fare travel in North West Leicestershire would cost an additional £25,000, making a total cost of £509,000.
36. The discretionary elements are very popular amongst Leicestershire residents. For example, when Melton Borough Council withdrew provision of the rail concession in 2008 the reaction from the public led them to reinstate it in 2009. The discretionary elements of the scheme will only be affordable if the funding for concessionary travel from central Government, plus the £2m in the Medium Term Financial Strategy, is equal to the cost of such a scheme.

- (f) The Panel welcomes the opportunity afforded by the transfer of responsibility for the administration of the concessionary travel scheme to make the scheme equitable for all residents in the County and to that end supports consistent provision of the discretionary elements of the scheme.**
- (g) The Panel is concerned by the costs of the discretionary elements of the scheme, but would support the continuation of the scheme in its current form, with the addition of half fare travel before 9.30am in North West Leicestershire.**

Harmonise Concessionary Travel Responsibilities with Wider Transport Authority Ones.

37. The County Council is the responsible body for transport in Leicestershire. Adding the concessionary travel scheme to this responsibility will ensure that the scheme is aligned with transport strategies such as the Local Transport Plan and will assist in delivering priorities such as improving access to services. The provision of free bus passes can help to prevent social exclusion, which is particularly an issue for elderly and disabled people.
38. The concessionary travel scheme will also help to reinforce the County Council's policy of promoting independence for disabled and older people. This helps people to continue to live independently within their communities and be able to travel independently for as long as possible. The retention of the discretionary elements of the scheme would support this policy as it would increase the capacity for concessionary travel pass holders to be independent.

Assist with the roll out of smart ticketing.

39. Smart ticketing is where ticket products (such as concession eligibility) are stored electronically on a micro-chip, usually embedded in a smart card, and their validity is checked by placing them next to a smart reader. The government supports the widespread introduction of smart ticketing because it believes they will improve the passenger experience, changing how tickets are purchased and improving journey times and service delivery. Smart ticketing could also help local authorities plan more effective local transport systems and reduce congestion and pollution.
40. The technology used to operate smart cards could possibly also provide a more accurate method of recording the number of journeys made by concessionary travel pass holders. Like the current system of issuing zero value tickets, smart cards would only record where concessionary travel pass holders get on the bus.
41. The DfT has announced that a number of areas, including Leicester and Leicestershire, are eligible for funding to pump prime the introduction of smart cards. £1.1m has been allocated to Leicester City Council in partnership with Leicestershire County Council for the current financial year, with a further £1.1m for the next financial year. If successful, the bid will lead to the following three stages being rolled out over the next three to four years:-
 - (i) A smart card system for the effective management of concessionary fares usage within Leicester and Leicestershire;
 - (ii) Smart cards for use with individual bus companies; leading to

(iii) An inter-operator smart card system, similar to the Oyster card used in London.

42. It is hoped that the major bus operators in Leicester and Leicestershire will support the bid. Bus operators are eligible for Government grants and these have been changed in order to reward the introduction of smart cards and provision of real time information. It is hoped that, if the City and County Councils provide funding to bus operators for the installation of smart card readers, the bus operators will allow the Councils to claw this funding back through bus operator grants.

(h) The Panel welcomes the additional capital resources made available and supports the bid for introducing smart ticketing in Leicester and Leicestershire, as this should lead to more accurate recording of journeys made by concessionary travel pass holders.

Other Issues.

Change to the Age of Eligibility.

43. The Government's Pre-Budget Report also announced that from 6 April 2010 the age of eligibility for concessionary travel for women will be pension age and for men it will be the pensionable age of a woman born on the same day. This will mean a gradual rise of the earliest eligible age for a concessionary travel pass from 60 on 6 April 2010 to 65 on 5 April 2020.

44. Raising the age of eligibility for concessionary travel passes will mean that the number of people still working and having a concessionary travel pass will be reduced, which could reduce the number of people travelling before 9.30am and therefore the cost of providing this discretionary element. However, it is not anticipated that this change will generate enough savings to significantly improve the affordability of the scheme.

Joint Administration

45. Leicester City Council has not yet made a decision as to whether it will administer its own scheme from April 2011 or ask the County Council to continue providing the administration and issuing cards for City residents. There will be savings through economies of scale if both schemes are administered by one authority. Due to differences in arrangements for reimbursing operators, it is unlikely that further economies of scale can be achieved by having joint arrangements with other neighbouring authorities, although this could be revisited if arrangements for reimbursement are made consistent across the country following the consultation on reimbursement in March 2010.

- (i) The Panel recognises the previous economies of scale that have been achieved by the County Council administering the scheme on behalf of Leicester City Council and requests officers to make representations to the City Council regarding the continuation of these arrangements.**
- (j) The Panel notes that the change in the age of eligibility will have a marginal effect and will not guarantee sufficient savings to improve the affordability of the scheme in the short to medium term.**

DfT Consultation on Reimbursement.

46. There will be a further consultation paper on changes to the concessionary travel scheme in March 2010, to identify ways in which the process for reimbursing bus operators can be simplified. This should lead to more accurate and consistent reimbursement across the country. Options in the consultation paper are likely to include set payment levels based on the type of authority which would break the link to fares, generation factors and reimbursement rates. It is possible that there may be different rates depending on whether the journey is made in a rural or urban area. This would take away the potential for uncertainty and conflict between the County Council and bus operators. If there is a set level for payment then operators and the County Council will find it easier to budget for the concessionary travel scheme.

- (k) The Panel wishes to reconvene to consider the DfT consultation on reimbursement to bus operators, which is likely to be published in March 2010.**

Resources Implications

47. £2m has been included in the Medium Term Financial Strategy from April 2011 to address the cost implications of the transfer of the funding for the concessionary travel scheme to the County Council. However, until the 2011/12 settlement is announced it is not known whether this will be sufficient.
48. The County Council will only be funded for the statutory element of the scheme and will need to find additional resources if it wishes to continue the discretionary elements of the scheme. The cost of continuing with the current discretionary elements plus the additional cost of pre-9.30am half fare travel in North West Leicestershire will be approximately £525,000

Environmental Implications

49. Concessionary travel bus passes encourage the use of public transport and therefore contribute towards a reduction in traffic congestion. This is particularly important in central Leicestershire.

Equal Opportunities

50. Concessionary travel bus passes are available to all people resident in England who are sixty and over or disabled, thereby supporting them to remain independent.

Circulation under the Local Issues Alerts Procedure

51. None.

Background Papers

52. File containing the reports submitted to the Scrutiny Review Panel on Concessionary Travel and minutes of meetings of the Panel.
Report on Concessionary Travel to the County Councils Network Executive Committee Meeting – 15 January 2010

Recommendations

53. ***The Scrutiny Commission is recommended to:-***
- a) ***support the findings of the Panel and refer the conclusions to the Cabinet for its consideration;***
 - b) ***request officers to report further on the implications of the transfer of funding for the concessionary travel scheme to the County Council in twelve months' time.***

**Mr G A Boulter CC
Chairman of the Panel**