

APPENDIX A

Subject – English National Concessionary Fares Scheme

Report to Highways, Transport and Technology Scrutiny Committee

Background

District Councils currently have the statutory duty to administer the English National Concessionary Fares Scheme (ENCT) which allows people over 60 and those with specific disabilities to travel free of charge anywhere in England after 09.30 Monday to Friday and any time at weekends. There are currently 132,000 'Lincolnshire' passes in circulation. Based on existing scheme criteria and reimbursement rates the anticipated spend for 2010/11 is £6,632,985 (combined budget is £7,070,864).

Recent changes in legislation will see this duty transfer to County Council level from 1st April 2011. This also requires the County Council to meet some fixed and compulsory milestones in advance of this date eg. details of next years scheme has to be published by 1 Dec 2010.

Future Changes

In addition to the transfer, the Government are seeking to make other significant changes, partly to improve the current 'creaking' administrative processes but mainly to reduce the financial burden on central government funds. Known changes proposed to date include:

- Reduction of around £110 million (from around £1 billion) - announced in the pre budget report and directly attributed to the change in local government tier
- Incentivising operators to introduce on-bus smart card readers by offering additional Bus Service Operator Grant (BSOG) payments (a form of fuel duty rebate). *However this benefit may be counteracted by other potential changes to BSOG payments (currently under debate).*
- Change in entitlement age from 60 to 65. This change is being made gradually until 2020. (£60 million reduction – per pre budget report)
- Reduction in local authority allocations for operation of the scheme

To this end, Government commissioned the Institute of Transport Studies (ITS), Leeds to develop a 'fair approach' to reimbursement – remembering that the basic premise is for operators to be 'no better and no worse off' by participating in the scheme. A new Reimbursement Calculation Tool (RCT) has recently been published.

High Risk Areas

Despite lower reimbursement rates being determined by the new RCT, it is highly likely that the funding allocated to the County Council will still not cover the cost of the scheme delivery and this creates a significant financial risk to the Authority, particularly as scheme capping has previously been challenged and deemed illegal.

Risks are further compounded by the fact that scheme negotiations with each of the operators have to be conducted without any knowledge of the County Council's financial settlement. The deadline for draft scheme publication is 1 December 2010, with financial settlement not being identified until the following February. For this reason, it is imperative that interpretation of any Spending Review information be made as quickly as possible in respect of this activity and shared with the relevant service area/managers.

Other very significant risks exist in that Concessionary Fare payments are now an important part of the industry funding mix and reduction will result in those services which are only marginally profitable being withdrawn at the detriment of County residents, particularly those living in rural areas. This will heighten calls for revenue support for 'socially necessary services' provided for under the Transport Act legislation.

Additional risk, with very high likelihood of occurrence, is that of legal challenge from the local bus operators. The recourse to any operator who feels they are not being adequately recompensed for the fares foregone is through an Appeals Process involving the Secretary of State (or his nominated deputy) who will determine the case based on the evidence presented. This could expose the Authority to currently undeterminable damages. In order to reduce the likelihood of Appeals, the District Councils in previous years have brokered a deal that is over and above what the RCT would suggest but which sets the reimbursement rate at a level acceptable to the Operators.

It should be noted that it is illegal to cap the scheme on the basis of funding

Two further areas of risk are present:

- the opportunity for operators to put in 'additional capacity' claims. If the passenger usage generated as a consequence of the scheme, requires an operator to put on additional capacity (larger or additional vehicles), under the rules of the national scheme, the Authority must meet such claims
- that the arguing over concessionary fare rates may sour the good working relationships that have been built up with operators and compromise some of the good examples of partnership working and best practice activity.

Harmonising Existing Activities

Current Processes

The current arrangements employed by the districts are as follows:

- Seven individual databases holding details of those entitled to a concessionary pass.
- Standards of database and associated equipment are variable and much is in need of renewal.
- 30 'access' points for application submissions
- Pass production undertaken by external bureau with turn round timescales of 1wk -3wks depending on cost/contractual arrangement.
- No planning for renewals (passes are valid for a maximum period of 5 years) and most have the same end date, creating a significant peak in 2012/13
- Consultants engaged to calculate reimbursement rates and provide scheme detail and support
- Consultants also used to collate and interpret operator statistics and to calculate monthly payments due.

Proposed Process

All District Councils have been engaged and a rationalisation review undertaken. The proposed delivery mechanisms for the County Council are proposed to be as follows:

- Postal application service to be introduced – this will remove the need for staff/upkeep of the present 30 locations. The District Councils required

£3.56 per application for their staff to continue to validate/input applications at the present locations.

- On line renewals/application facility – provides an alternative method and is in line with e-government principles.
- One access point within the administrative capital – A drop in point, based at City Hall, Lincoln, would satisfy the need for urgent passes and those who prefer to make a face to face application. A proposed shared service agreement has been reached with Lincoln City Council to use their purpose made facilities and resources at minimal cost.
- In-house pass production – saving over 60p a pass (some 190,000 passes in first 3 years = Around £114,000 saving)
- Consultants required only for those aspects requiring expertise. Statistical processing, operator payments etc. to be done in house – significant saving on annual support charge currently paid by the Districts.

Scheme Consideration Issues

In finalising the scheme detail, the following elements need to be considered:

1) Do we keep the pre-09.30 discretionary concession currently offered across all Districts?

This concession is offered to 'Lincolnshire' card holders only. Cost is minimal, approx 1.7% of total costs. Funding is outside the core ENCT funding however without it, many communities would be disadvantaged as infrequent and 'school time only' journeys form the basis of the bus services to their village.

2) Do we provide passes for companions?

Cost is relatively small but the problem may be how a companion is defined and possible difficulties in taking passes off people when the need for a carer has gone. This discretion is not given under the current scheme.

3) Do we provide alternatives to the Concessionary Pass, eg taxi tokens?

Three of the seven districts currently offer various schemes and amounts of taxi tokens and/or contribution towards rail passes and these are offered either in addition to or having to forego a valid bus pass. Continuation of this arrangement within a 'County Council' scheme would be totally inequitable and extension to allow this within every district harmonising to a single rate/proposal would significantly increase scheme costs. There is also some concern over the use of tokens, with examples of non-entitled family members using them and local trades people accepting them as a form of payment for other goods/services. Should Districts feel so impelled they could still, through their Well Being Powers and financed out of their own funds, provide taxi tokens etc in addition to the ENCT bus pass

Next Steps

It is essential that work continues at a pace if the statutory deadlines are to be met and if Lincolnshire is to be ready for the transfer of function. Regular dialogue is had with the Districts and the project action plan will see the following activities being pursued over the forthcoming months:

- Agree Communications Plan with Districts
- Meet with Operators to outline scheme changes
- Individual negotiations with Operators re: reimbursement rates
- Apply data to the new RCT

- Test technical solutions etc in readiness for handover process
- Publish scheme details in accordance with legal requirements

It should be noted that there will be in year costs that are necessary to be incurred in 2010/11 in preparation for the full scheme takeover from 1st April 2011 that have not been budgeted for. Estimates are around £100,000+ costs to be met in the current financial year.

Recommendations

Agreement is sought of the following recommendations relating to the issues raised above

1. The proposed process, as detailed above, is approved as the way forward.
2. Issue 1: Pre-09.30 Discretionary Travel – Recommendation YES continue
3. Issue 2: Companion Passes – Recommendation NO (but review after 1 year)
4. Issue 3: Taxi Tokens, Rail Passes etc – Recommendation do not implement as part of the new scheme.
5. A reimbursement rate to be set using the RCT.
6. The Executive Councillor to approve these recommendations as part of a Key Executive Decision.