

**NORTH LINCOLNSHIRE COUNCIL**

**HIGHWAYS AND NEIGHBOURHOODS  
CABINET MEMBER**

**PUBLIC TRANSPORT:  
CONCESSIONARY FARES 2012/13**

**1. OBJECT AND KEY POINTS IN THIS REPORT**

- 1.1 To determine the reimbursement rate for the council's concessionary fare scheme in 2012/13.
- 1.2 To make members aware of the extra cost of pass issue in 2012/13.
- 1.3 To ensure that the budget process takes account the funding needs of the scheme.

**2. BACKGROUND INFORMATION**

- 2.1 The council has a duty to provide free travel for older people and people with disabilities between the hours of 09:30 and 23:00, Monday to Friday and all day at weekends and on bank holidays. This is part of the English national travel concession scheme.
- 2.2 North Lincolnshire Council currently provides an extended service. We consider that the cost of doing this is minimal within the overall scheme compared to the access to bus travel that it provides for passholders.
- 2.3 The law requires us to issue passes to eligible residents and to reimburse bus operators for the money they lose by carrying passholders for free. We pay for any journey starting in North Lincolnshire, wherever the passholder lives in England.
- 2.4 We have powers (but not a duty) to provide concessions at other times of day and on other modes of transport. The council offers:
  - Free bus travel for passholders all day, every day on journeys within or from North Lincolnshire.
  - Free bus travel for companions of disabled people who cannot use buses or trains on their own; and
  - Half fare travel (free for people who are blind, deaf, limbless, severe learning disabled or unable to walk) on local rail services within North Lincolnshire and as far as Doncaster, Cleethorpes and Lincoln (the last via Barnetby only).

2.5 There are 33,424 North Lincolnshire passes in circulation as at 26 September 2011. Until April 2010, people qualified for a pass on their 60<sup>th</sup> birthday. The qualifying age is now going up in line with women's retirement pension age. We expect that there will be 20% fewer eligible people by 2020.

2.6 We need to decide the reimbursement rate for 2012/13. We must give four months notice of any change. We must publish a new scheme statement by 1 December if it is to take effect on 1 April 2012.

2.7 Bus operators are currently paid on the basis of:

Number of passholder journeys x Average fare x 60.1%.

2.8 The 60.1% reimbursement rate takes into account:

- The number of journeys generated by free travel.
- The cost to the operator of carrying extra passengers who do not pay a fare.

### 3. **OPTIONS FOR CONSIDERATION**

3.1 There are three options for the reimbursement rate. They are:

- Option 1: The 'TAS' model, equating to 58.8%
- Option 2: Department of Transport model suggests a rate of 68.4%
- Option 3: A "fixed pot" scheme that safeguards, as far as possible, the level of service.

### 4. **ANALYSIS OF OPTIONS**

#### **Option 1: TAS Model**

4.1 In recent years the council has used the model provided by TAS consultants. The rate fell from 66% in 2010/11 to 60.1% in 2011/12.

4.2 Using the model with this year's data suggests a rate of 58.8% should apply in 2012/13.

#### **Option 2: DfT Model**

4.3 The Department for Transport (DfT) has also produced a mathematical model to help councils decide the appropriate rate for reimbursement. The DfT recommends this model but we are not required to use it.

4.4 The DfT's model appears to assume much higher levels of passenger generation but it also assumes much higher levels of marginal cost.

This has an enormous effect on the rate payable and is extremely sensitive to some inputs and assumptions.

- 4.5 The model can indicate a rate as high as 68.4%. But some of the data it requires is not available and we have to resort to best estimates. We do not think that these give a reliable answer.

### **Option 3: A Fixed Pot Scheme**

- 4.6 A fixed pot scheme sets the amount payable in advance and has to be accepted by the operators. Such schemes were not originally identified within the concessionary fares legislation but have developed as a response to uncertainties about the level of reimbursement within the sector.

- 4.7 Many councils, including most of our neighbours, used fixed pot schemes in 2011/12.

- 4.8 Benefits of this model can include:

- Certainty for both the council and operators about the level of payments in a given year.
- Payments are not affected by fare rises or unexpected increases in the number of passholder journeys and
- At a suitable rate it may be possible to get assurances from operators to maintain services.

- 4.11 However, there may be problems;

- Unless all operators agree, fixed pot schemes may be open to challenge.
- Operators may have some concerns about individual routes in the network. They may wish to exclude these from any overall assurance about future service levels.
- We would need to make arrangements to vary payments if services changed hands, or if a new operator enters the market, for example: and
- If the number of passholder journeys drops unexpectedly (because of bad weather, for example), we don't save any money.

- 4.12 We have discussed a fixed pot scheme with the two major bus companies in North Lincolnshire. We can reach agreement with them on the following terms:

- The reimbursement rate remains 60.1%
- We assume that the number of passholder journeys in 2012/13 will be the same as this year

- Average fares increase by 5% to take into account cost rises and the reduction in BSOG.

4.13 The operators will not give a “no service cuts” guarantee in return for this but they are willing to use their best endeavours to keep the commercial bus network around its present size, providing appropriate assurances.

4.14 A financial summary of these options is shown below.

Year	Option	Est Reimbursement Cost £
2011/12	Current Scheme (Approved budget)	1,644,000
2012/13	Option 1: TAS Model, 58.8%	1,660,000
2012/13	Option 2: DfT Model (Assumes 68%)	1,893,000
2012/13	Option 3: Fixed Pot, 60.1%	1,710,000

All the 2012/13 forecasts include an allowance for fare increases. They do not include any money for the rail concession.

#### **Additional costs to all options:**

4.15 Over 14,000 travel passes will expire during 2012/13 and we must provide replacements. We have taken advantage of a framework agreement with other councils to cut the cost of issuing a pass from £2.02 to £1.64. We will encourage passholders to “renew by phone” to minimise staff costs. Nevertheless, the number of reissues means that the budget for pass issue and associated publicity needs to rise to £35,000 in 2012/13 from a budget of £22,550 in 2011/12.

## **5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)**

### **5.1 Financial**

5.1.1 We estimate that the total cost in 2012/13 will be £1,745,000. This assumes:

- There is a single reimbursement pot of £1,710,000 and
- The cost of issuing passes will be £35,000.

5.1.2 The expected budget following the review process for 2012/13 is predicted to be:

	£
Approved Budget 2011/12	1,666,650
Allowance for inflation @ 5% (3% fares 2% BSOG)	83,300
Allowance for end of Government grant	35,000
Total	1,784,950

5.1.3 The total of £1,784,950 would be enough to cover the expected cost of entering into a fixed pot scheme (Option 3) and the additional pass reissues. The balance would allow the service a small contingency to deal with issues that could arise from entering into a single pot agreement as outlined in 4.11 above.

5.1.4 Inflation of 5% requested is likely to be above the standard inflation provided to other budgets with the council. If we agree to this level of inflation it will impact marginally on the resources available for other council services.

5.2 There are no staffing or property implications. Existing staff will deal with new passes and reissues.

5.3 IT

5.3.1 The pass issue system uses web-based software which transmits applications to a bureau for printing and despatch. We have used this for three years and it is robust and effective.

## 6. **OTHER IMPLICATIONS (STATUTORY, ENVIRONMENTAL, DIVERSITY, SECTION 17 - CRIME AND DISORDER, RISK AND OTHER)**

6.1 Statutory

6.1.1 The council has a duty to provide passes to eligible people and to reimburse bus operators for money lost when they travel free on local bus services. We must publish a statement to set out the terms of the scheme.

6.2 Environmental

6.2.1 Free fares encourage the use of buses rather than the private car.

6.3 Diversity

6.3.1 Free fares help people older and disabled people on limited incomes to gain access to employment, shops, medical facilities and other services and activities.

6.4 There are no Section 19 or Crime and Disorder implications.

## 6.5 Risk

6.5.1 If companies consider the new rate to be too low they may:

- Use the appeals process to try to justify a higher rate. This may mean that the council has to find extra money late in the financial year
- Withdraw services which they think are unprofitable at the new rate. If we wish to keep these services, we could only do so by paying more subsidy.

## 7. OUTCOMES OF CONSULTATION

7.1 We have consulted Stagecoach and Hornsby Travel Services. We are confident that a fixed pot scheme could limit reimbursement spending in 2012/13 and give a reasonable assurance that their bus network will not contract.

## 8. RECOMMENDATIONS

8.1 That the Cabinet Member approves the reimbursement rate of 60.1%, based around fixed pot negotiations with the main bus operators and appropriate budget, as outlined in 5.1.2. In doing so delivering the best outcome for concessionary fares passholders and supporting bus operators throughout 2012/13; and

8.2 The scheme statement be amended accordingly and published by 1 December 2011.

### **DIRECTOR OF INFRASTRUCTURE SERVICES**

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#### **Background Papers used in the preparation of this report:**

- Report by TAS Consultants, October 2009 (Confidential), held by the Public Transport Team.
- Information from Stagecoach East Midlands and Hornsby Travel Services (Confidential), held by the Public Transport Team.
- DfT Advice about reimbursement available at [:http://www.dft.gov.uk/publications/concessionary-bus-travel-reimbursement-calculator/](http://www.dft.gov.uk/publications/concessionary-bus-travel-reimbursement-calculator/)