
Meeting of Executive Members for City Strategy and Advisory Panel

17 March 2008

Report of the Director of City Strategy

English National Concessionary Travel Scheme

Summary

1. To advise Members of action taken by the Director to implement legislative changes taking effect from 1 April 2008 which affect the provision of Concessionary Bus Travel for eligible groups. Also, to consider possible future developments in the provision of Concessionary Bus Travel.

Background

2. The Transport Act 2000 imposed a duty on Travel Concession Authorities (local Councils and Passenger Transport Authorities) to facilitate provision of Concessionary Bus Travel locally, from May 2001, for those eligible to receive the State Retirement Pension and selected categories of Younger Disabled Person. This was subsequently modified to include men aged 60 to 64. Discretionary Powers to provide enhanced or alternative Concessionary Travel Schemes, embodied in the Transport Act 1985, were retained. The initial minimum required provision was 50% discount on normal adult fares on local bus services within each authority's area and its vicinity. The discount was to be available at all times except between 0600 and 0930 hours and after 2300 hours on weekdays other than public holidays.
3. To implement this requirement in York, the Council joined with the other District Councils in North Yorkshire to form the North Yorkshire Concessionary Fares Partnership. Discretionary powers were used to facilitate Concessionary Travel for pass holders of all participating Councils throughout the Partnership area and on unbroken journeys into neighbouring areas. Concessionary Travel was made available additionally on weekdays after 0900 hours and with no late evening curfew. York retained an alternative Scheme, based on its previous Concessionary Fares Scheme, whereby those eligible could opt for National Transport Tokens instead of a Concessionary Bus Travel Pass.
4. In April 2004, York increased the discount to its pass holders for journeys wholly within the City, using its discretionary powers. At the qualifying times, pass holders were required to pay flat fares of 25p per single journey or 50p for unlimited all day travel on the services of the ticket issuing company.

5. Central Government introduced changes to the existing Concessionary Fares legislation with effect from April 2006. The changes increased the statutory minimum discount to bus pass holders under Concessionary Fares Schemes from 50% to 100%, so that no fares are payable. Time restrictions on the availability of Concessionary Fares and the local nature of Schemes were unchanged. This change was effected by the Travel Concessions (Extension of Entitlement)(England) Order 2005.
6. The Government provided £350 million nationally in 2006/7 through the Local Government Funding Settlement to help local authorities meet the additional costs. This amount had been calculated as an estimate of the amount needed to top up existing provision to free fares. The allocation for City of York Council totalled £850k.
7. The Concessionary Bus Travel Act 2007 has required further changes to be implemented, with effect from 1 April 2008. From this date, those eligible will be entitled to free travel on local bus services throughout England. Most other aspects of Concessionary Travel are unchanged, apart from two key provisions. Firstly, Statutory Regulations prescribe a standard pass format to ensure universal recognition, and to include a number of security features as protection against counterfeiting. A high degree of security is considered necessary due to the increasing value of free travel passes to the holder. The passes are also required to be electronically coded SmartCards (to a common standard set by an organisation called ITSO), in anticipation that, eventually, pass use will be electronically recorded to refine data collection and bus company reimbursement payments. This requirement will necessitate the replacement of all existing passes in circulation at 1 April with new ones, compliant with the new format. In a fully electronic system, there will be further security benefits from the ability to "hot list" lost or stolen passes. Development of a fully electronic system nationwide will, however, involve substantial investment for which funding has not yet been allocated.
8. The second key change is which Travel Concession Authority is responsible for reimbursement payments to bus service providers. At present, the responsibility lies with the Card Issuing Authority. From 1 April 2008, the responsibility will lie with the authority in whose area the pass is used, defined as where the pass holder boards a bus. This is expected to lead to significant changes in the financial burden on the various authorities but there is no reliable data on which to base accurate forecasts of the effects. It is, however, expected that regional centres and tourist destinations, such as York, will face substantially increased costs.
9. The Government is providing additional funding to Travel Concession Authorities to meet these additional costs in the form of a special grant until March 2011, based on a formula which the Department for Transport believes reflects, as accurately as possible, the likely additional costs for each authority. From April 2011, payments will be consolidated into the annual formula grant. In 2008/9, the grant to York will be £1.112 million. Indicative grants for 2009/10 and 2010/11 have also been advised. In addition, the Government has paid to the Council a separate grant of £130,972 to cover the estimated additional

administrative costs associated with implementation of the revised arrangements.

10. The Government is also providing practical help and advice to Travel Concession Authorities to assist in successful implementation of the new arrangements. The standardised pass design has been produced, together with a standard format for storing data. Framework contracts have been put in place, from which Pass Issuing services, Data Management systems, and Pass Issuing Equipment may be procured. Technical specifications have also been made available to assist authorities wishing to conduct their own procurement process. The Department of Transport has entered into a contract with a company called ITSO Services Ltd. Free membership of this is available to Travel Concession Authorities that have not implemented fully "Smart" ticketing schemes in their area for the standard National Scheme. Membership is necessary for them to be able to have compliant cards issued. Modest charges will be made for local discretionary extended concessions encoded on cards. A range of publicity material templates has been designed for authorities to use for their own publicity and promotion of the Scheme. The Government is also undertaking a national advertising campaign in newspapers, magazines, buses and bus shelters to promote awareness of the changes.

Consultation

11. The Government has consulted stakeholders on various aspects of the Scheme, notably the pass design and funding support for Travel Concession Authorities. This contributed to the decision to allocate funding as a Special Grant and influenced the formula used to calculate the amount to be paid to each authority. During 2008, the government has indicated that it intends to consult on a proposal to transfer funding responsibility from District to County Councils as part of its simplification agenda. This is unlikely to affect Unitary Authorities directly, but it would have implications for our partnership with other North Yorkshire Districts, if implemented.

Action taken

12. New national standard passes have been ordered from Fujitsu, under the government framework contract, for all existing pass holders. This has been done jointly with our partners in the North Yorkshire Concessionary Fares Partnership to secure the maximum discount possible for bulk purchase. These passes are expected to be delivered by the end of February and arrangements are in place for them to be available for collection, initially, from the Salvation Army Citadel, Gillygate during the first two weeks of March 2008. It is intended that passes not collected during this fortnight will be available for collection from the Guildhall during April, whilst National Transport Tokens are being distributed. It will not be practicable for the passes to be made available for collection from Parish venues under the new arrangements.
13. It was decided to issue passes on a call and collect basis, rather than arrange for them to be posted to pass holders, because it offers greater security and the opportunity to update pass holder records. Information on deaths and changes of address since the last pass application, which will have been up to three

years ago, is not available to us. About 200 passes will be posted to Blind Persons, due to the difficulty some of them have in assimilating publicity material.

14. Provision has been made within the new National Scheme for existing passes to be valid for travel, within their local area of issue only, until their expiry date or 30 September 2008, whichever is the earlier. Unless pass holders wish to travel beyond the boundaries of North Yorkshire, it is not imperative that they obtain their new pass before 1 April.
15. A Card Management System has been procured jointly by the North Yorkshire Concessionary Fares Partnership from another supplier, called Novacraft, using a government framework contract. This has been done initially for twelve months, with an option to extend. This was judged to offer the lowest cost and best value available option. Individual authorities within the Partnership, including York, are also procuring a Card Issuing bureau service from Novacraft for the foreseeable future to issue passes, as required, following on from the initial bulk order. This also appears to be the lowest cost and best value option available. This is being done for a minimum of six months, with an option to extend. With this service, once a new application for a pass has been verified as eligible, the pass will be mailed first class post to the applicant on the same day if ordered before 1500 hours. Government advice is that the complexity of establishing in-house card production should not be underestimated. Investigations indicated it would also be costly and difficult to justify for our relatively small volume of passes, particularly as there will be no routine renewals for at least three years from April 2008. Additionally, in the short time allowed to implement the Scheme, it would have been very challenging to deliver in-house pass production. A bureau also provides greater resilience to the Card Issuing function.
16. The North Yorkshire Concessionary Fares Partnership has published a revised Concessionary Fares Scheme to reflect the changes being implemented in April. This includes revised reimbursement arrangements to bus service operators to replace the interim arrangements introduced for two years in 2006. The reimbursement rate included is equivalent to that being paid to operators in York, following the outcome of First York's appeal against the original Scheme. The revised Scheme includes some minor changes, which will affect pass holders. Passes, providing entitlement to be accompanied by a necessary companion free of charge, will all be issued as Disabled Person passes, irrespective of age. This is to minimise the risk of fraudulent modification of passes, to gain this concession improperly. More significantly, the facility to obtain free travel before 0900 hours on weekdays to attend early hospital appointments has been withdrawn by the Partnership. Whilst this could have been retained as long as passes are used as "flash passes" shown to the driver, it would not be possible to configure SmartCards to be accepted electronically on an occasional basis. It is believed that a fully electronic system would not include a manual override facility, due to the potential for abuse.

Options

17. The Council could, in due course, decide to produce English National Concessionary Passes itself. This would require more complex arrangements than employed hitherto, due to the requirement to issue ITSO compliant SmartCard passes and the attendant security controls on potentially valuable pass stocks. For reasons outlined in paragraph 15, the economies of scale and resilience in the production process offered by a bureau make outsourcing an obvious choice for the time being at least. This could, however, be reviewed in the future if circumstances change.
18. There are clear messages from government that Travel Concession Authorities are expected to move to fully "Smart" electronic systems in due course. Benefits are claimed with regard to security and control, detail and reliability of data collection, together with efficiency and greater accuracy in calculating reimbursements and responsibility for payments. It is noteworthy that the DfT contract with ITSO Services Ltd. is for three years, with an option to extend for a further four years. It is equally clear that there is no funding being specifically made available by central government to stimulate progress towards fully Smart Schemes being in place across the country. The cost of implementing a fully Smart Scheme could be considerable, involving all buses being equipped with suitable pass readers, together with "back office" costs both in managing the system and in processing transaction data. It is currently envisaged that Travel Concession Authorities and transport service operators will eventually share this cost. It is predicted that implementation is likely to be a project taking a minimum of two years. It is becoming clear that large transaction volumes are necessary to support a business case for a fully Smart Scheme and the solution for York and North Yorkshire may eventually be through co-operation with neighbouring authorities. In particular, linkage with the YorCard SmartCard ticketing Scheme being developed by West Yorkshire and South Yorkshire Passenger Transport Executives may eventually be the appropriate route to take. This Scheme is due to be expanded during 2008 and is capable of further expansion in stages, as opportunity permits. The Leeds City Region has submitted a bid to the Regional Transport Board which seeks to extend YorCard across the Yorkshire & Humber Region.
19. The government has indicated that, in pursuit of a "simplification" agenda, it intends to consult during 2008 on a proposal to transfer responsibility for Concessionary Travel from District to County level in areas where there is two tier local government. The uncertainty caused by this possibility means that our partner District Councils in North Yorkshire are currently hesitant about progressing a fully Smart Concessionary Fares Scheme.
20. The government also expects the introduction of SmartCard Concessionary Travel Passes to act as a catalyst or platform for the development of other initiatives. These involve use of the passes as a means of purchasing or proving entitlement to other services. Provided there is enough electronic memory on the passes, and it is appropriately configured, a range of additional products or services may be added, with extension of SmartCard availability to other age groups. Once the "back office" is in place, expansion of card use in

this way can be done for relatively marginal cost. Examples of possible additional uses are as an electronic purse to pay for car parking, non-concessionary bus travel, or Council services, or as proof of entitlement to services such as free school dinners or library use.

21. The minimum concession for bus pass holders, as described in this report, has to be provided as a legislative requirement. Additional concessions, in a variety of forms, provided using discretionary powers, may be offered but funding responsibility for these lies with the sponsoring Council. This includes travel at additional times, inclusion of companions of selected disabled persons, and the alternative of Travel Tokens. It is open to the Council to review these additional provisions at any time and modify them, subject to following due process.

Analysis

22. Data supplied by bus companies shows steady and substantial growth in Concessionary Travel since it became free fare in 2006. On First York services alone there was a 36% increase apparent during 2006/7 and a further 9% growth from the 2006/7 total is estimated for 2007/8, based on data for the first half year. This is despite some subsidised services passing to Veolia in February 2007. There has also been a steady rise in demand for passes, which shows little sign of abating. The changes from April 2008 are expected to stimulate further growth. There are now 66% more passes in circulation in York than there were two years ago (Dec. 2005 to Dec. 2007 comparison).
23. Council monitoring of subsidised services suggests that typically around one third of passengers are now Concessionary Pass journeys. On some daytime subsidised services, designed to reduce walking distances to bus routes, two thirds to three quarters of passengers are Concessionary journeys. These services have always catered for a predominantly elderly clientele. From the limited comparable data available, it appears that passenger growth on most Council subsidised services since 2005 is modest, suggesting that most of the growth in Concessionary travel has taken place on the commercial bus service network. Available evidence also suggests there has been substantial growth in Concessionary travel on the Council's Park & Ride services. This growth has taken place without the need for bus companies to provide much additional capacity to meet demand.
24. Despite the expansion of validity to the whole of England from April 2008, it is anticipated that most passes issued in York will be used mainly in and around the City. The cost of reimbursing bus service operators for most of this travel will fall on City of York Council, with relatively modest amounts transferring to neighbouring authorities for the return portion of cross boundary journeys. This saving will almost certainly be more than offset by York becoming responsible for reimbursement in respect of the return portion of incoming cross boundary journeys. York will also become newly responsible for meeting the cost of travel by pass holding visitors to the City. This is expected to have a significant impact, particularly on Park & Ride services. There is no available data on which the actual effects of this may be reliably predicted. This poses a significant financial risk to the Council, both in reimbursement payments and a possible need to finance additional passenger capacity provision. The actual

effect will not become clear until several months experience and data for the new circumstances is available for analysis.

25. Consideration has been given to the possibility of excluding Park & Ride services from the Statutory National Concession arrangements. This only appears to be possible by making travel free for all passengers and charging instead for Car Parking. This risks the loss of Bus Service Operator's Grant for the services, would require substantial investment in Car Park Ticket Machine equipment, have associated security and machine servicing implications, would create complications regarding passengers starting their journeys at stops other than the car parks, and raise prices to a level that would deter the drivers of single occupancy cars.

Corporate Objectives

26. The progressive enhancement of the Concessionary Travel offer is something which the Council should support in principle. It has the potential to help the Council achieve its Local Transport Plan targets for increasing bus use, and for transferring travel to bus use from private car use. It also has the potential to assist in improving social inclusion and accessibility to services for many people eligible for Concessionary Travel. By helping to sustain the bus service network, these benefits extend to other sectors of the community as well.

Implications

27. **Financial** - The budget for Concessionary Fares for 2008/09 totals £3,954k. This is an increase of £1,600k compared to 2007/08. It represents an increase of £440k due to a continued shortfall from the 1st April 2006 scheme, a projected additional cost of £1,100k in implementing the scheme from 1st April 2008 and an increase of £60k as people move from tokens to passes. The forecast additional cost in 2008/9 is the best estimate available and corresponds closely to the additional Special Grant funding. As outlined in the report, there are risks that this best estimate may not be accurate.

There is an anticipated shortfall of £440k in the 2006/07 budget which has been offset by reductions in Highway maintenance. The anticipated costs are based on forecast payment to the main operator in line with the appeal announced in February 2007, taking into account increased passenger numbers. It should be noted however that payments made to the operator are currently being capped at the levels awarded in the appeal. No additional payments will be made to the operator until and unless they can demonstrate to our satisfaction that they are entitled to additional reimbursement in 2007/8.

28. No **Human Resources, Equalities, Crime and Disorder, or Property** implications are envisaged.
29. **Legal** - The action taken is that required to ensure the Council complies with recent changes to legislation and has been taken in accordance with guidance from the Department for Transport.

30. **Information Technology** - Initially, there are limited Information Technology implications. Links to the Pass Issuer and Card Management system will be via secure internet links. However, when the passes are brought into “Smart” use locally, and/or expanded to include other products and services, there are likely to be significant Information Technology implications for the Council in managing the associated data.

Risk Management

31. In compliance with the Council’s risk management strategy the main risks that have been identified are those which could lead to financial loss (Financial) and failure to meet stakeholders’ expectations. The latter is expected to be a short term risk arising from the short time frame for, and scale of, implementation deploying new and largely untried technology. There are contingency plans in place to handle any unforeseen delays. Measured in terms of impact and likelihood, the risk score for Financial has been assessed at 16, placing the issue in the HIGH category. This risk is difficult to manage. The volume of concessionary travel is difficult to predict and impossible to control. Fares charged to non-Concessionary passengers on most bus services are not within the Council’s control. Reimbursement rates payable to bus companies are subject to appeal, with the outcome binding on the Council. All these factors will have a bearing on the cost of the Scheme.

Recommendations

32. That the Advisory Panel advise the Executive Member to confirm the action taken by the Director of City Strategy to implement the English National Concessionary Travel Scheme from 1 April 2008 is approved.
33. That the Advisory Panel advise the Executive Member to agree to the close monitoring of the Scheme, and its financial effects, with further reports presented to Members, as and when appropriate, to consider possible action in respect of variations from budgeted expenditure and further development of the Scheme’s electronic capabilities.

Reason: To support the provision of Concessionary Bus Travel for eligible groups, to assist in the transfer of travel from private cars and to help sustain the bus service network.

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Wards Affected:

All



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Background Papers:

Transport Acts 1985 & 2000 and associated Statutory Instruments
Concessionary Bus Travel Act 2007 and associated Statutory Instruments
Department of Transport Stakeholder Bulletins
North Yorkshire Concessionary Fares Partnership Scheme Documents
North Yorkshire Concessionary Fares Partnership Meeting Minutes
Bus Passenger Survey Data collected by City of York Council in respect of Council subsidised bus services
Data on Concessionary Bus Pass use supplied by bus service operators in support of reimbursement claims.

Annexes: None