

## EXECUTIVE

### 16<sup>th</sup> February 2023

<b>Report Title</b>	<b>Concessionary Travel Reimbursement in 2023/24</b>
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<b>Lead Member</b>	Cllr Lloyd Bunday, Executive Member for Finance

<b>Key Decision</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Is the decision eligible for call-in by Scrutiny?</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Are there public sector equality duty implications?</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Does the report contain confidential or exempt information (whether in appendices or not)?</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Applicable paragraph number/s for exemption from publication under Schedule 12A Local Government Act 1972</b>	

#### List of Appendices

None

#### **1. Purpose of Report**

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- 1.1. This report seeks agreement for the arrangements for reimbursing bus operators for concessionary bus travel in 2023-24.

#### **2. Executive Summary**

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- 2.1. The Council has a statutory duty under the Transport Act 2000 to reimburse bus operators for free travel by eligible older persons' and disabled persons' pass holders under the English National Concessionary Travel Scheme.
- 2.2. Since the start of the Covid-19 pandemic, concessionary bus travel has been significantly below pre-Covid levels. In consequence, the Government has asked councils to reimburse operators at above actual levels. Secondary legislation is required for this purpose. The Government has now asked the Council to continue reimbursement at pre-Covid levels through the 2023/24

financial year and will be laying secondary legislation before Parliament to permit this.

- 2.3. In North Northamptonshire, operators were reimbursed at 100% of pre-Covid levels until 30<sup>th</sup> September 2022 and have since been reimbursed at 90% of pre-Covid levels. It is recommended that, subject to Parliament approving the necessary secondary legislation, reimbursement continues at 90% of pre-Covid levels until 31<sup>st</sup> March 2024 to provide consistent funding for operators to minimise the likelihood of further reductions to bus services.

### **3. Recommendations**

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- 3.1. It is recommended that the Executive agree to reimburse bus operators for concessionary travel at 90% of pre-Covid levels until 31<sup>st</sup> March 2024 (this is subject to the passage of appropriate secondary legislation through Parliament)
- 3.2. Reason for Recommendation – To support bus operators in North Northamptonshire following the decline in passenger numbers caused by the Covid pandemic with the intention of securing current bus provision.
- 3.3. Alternative Options Considered – The Council could provide a lower level of concessionary reimbursement than proposed; however, this would be likely to lead to a reduction in the level of bus service for North Northamptonshire communities. The Council could provide a 100% reimbursement based on pre-Covid levels. This would reverse the recent reduction to 90% and is considered to set an unrealistic expectation that patronage levels (and related funding) will reach 100% of pre-Covid levels in the foreseeable future. It is, therefore, not recommended. Except for the small number of subsidised services provided under contract to the Council, the level of service provided is a matter for the commercial bus operators and not a decision which the Council can make or directly influence.

### **4. Report Background**

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- 4.1. The Council has a statutory duty under the Transport Act 2000 to reimburse bus operators for free travel by eligible older persons' and disabled persons' pass holders under the English National Concessionary Travel Scheme.
- 4.2. Because free travel is likely to generate additional journeys, compared to the situation where passengers had to pay their own fare, operators are generally reimbursed a proportion of the fare that would otherwise be paid, so that they are no better and no worse off as a result of concessionary travel. For less frequent services, operators are reimbursed the full fare, because of the reduced ability for passengers to make additional journeys.
- 4.3. Bus patronage has been significantly reduced since the start of the Covid pandemic and concessionary pass use, at 65-70% of pre-Covid levels remains

significantly below the level for fare-paying passengers, which is around 90% of pre-Covid levels, giving overall patronage at around 80% of pre-Covid levels.

- 4.4. Since the start of the pandemic, the Government has asked travel concessionary authorities to maintain the reimbursement of bus operators for those carried free of charge with concessionary bus passes at above actual levels. This has required temporary changes in secondary legislation, most recently through The Mandatory Travel Concession (England) (Amendment) Regulations 2022 (SI 2022/284).
- 4.5. In North Northamptonshire, operators were reimbursed at 100% of pre-Covid levels until 30<sup>th</sup> September 2022 and have since been reimbursed at 90% of pre-Covid levels. Whilst the number of concessionary journeys made is currently at 65-70% of pre-Covid levels, fare increases mean that if operators were reimbursed on the basis of actual fares foregone, it would be around 75% of pre-Covid levels.
- 4.6. The Government has informed the Council that it intends to lay further secondary legislation before Parliament to allow operators to continue to be reimbursed at above actual levels in 2023/24 and has asked that operators continue to be reimbursed at pre-Covid levels.
- 4.7. To help with cost-of-living pressures, the Government is currently funding a temporary £2 cap on single bus fares, from 1<sup>st</sup> January to 31<sup>st</sup> March 2023. Participation by operators in the fare cap scheme is voluntary, although the majority of services in North Northamptonshire are covered. Whilst this may be useful in encouraging bus use, it is not of relevance to this report as the initiative will have ended before the recommendations of this report come into effect and people with concessionary passes already travel free of charge, except before 0930 or after 2300 on Monday to Friday.

## **5. Issues and Choices**

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- 5.1. The Council has a choice with regards to the rate at which it reimburses bus operators for concessionary travel after 1<sup>st</sup> April 2023. Broadly the choices are to:
  - Continue to maintain payments at 90% of pre-Covid levels for the duration of the 2023/24 financial year.
  - Increase payments above 90% of pre-Covid levels.
  - Reduce payments below 90% of pre-Covid levels, but above actual levels
  - Reduce payments to represent actual levels of patronage.
- 5.2. The Government has asked that any savings from the concessionary fares budget are retained within the wider supported bus sector – for example, through greater support for tendered bus services.
- 5.3. With concessionary bus travel currently at around 65-70% of pre-Covid levels (lower than overall patronage recovery), it is important to recognise that any

reduction in reimbursement to operators will inevitably lead to reduction in service levels. Equally, it seems unlikely that concessionary travel will return to pre-Covid levels in the foreseeable future. Since reimbursement at pre-Covid levels is unlikely to be permitted in the longer term, an eventual reduction in reimbursement seems likely unless Government changes the reimbursement calculation methodology to account for a reduced number of additional trips being generated as a result of concessionary travel.

- 5.4. In recent months, operators across the country have been adjusting their service levels to reflect both the reduced number of passengers they are carrying, the shortage of drivers and increased costs. In many parts of the country this has resulted in significant numbers of services being withdrawn, such that communities no longer have a commercial bus service.
- 5.5. In North Northamptonshire, most service reductions have been achieved through a reduction in the frequency of services, so that communities retain a service, albeit less often. Only a small number of infrequent services have been completely withdrawn, although in other areas some links between communities and particular destinations have been lost. Given this relative stability, retaining consistent funding levels to operators seems the most appropriate way to seek the best possible service levels for North Northamptonshire communities.
- 5.6. It is, therefore, recommended that, subject to passage of the appropriate secondary legislation through Parliament, concessionary reimbursement is maintained at 90% of pre-Covid levels until 31<sup>st</sup> March 2024.

## **6. Next Steps**

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- 6.1. Bus operators will be advised of the concessionary fare reimbursement for 2023/24 following the outcome of this report.

## **7. Implications (including financial implications)**

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### **7.1. Resources, Financial and Transformation**

- 7.1.1. The Council has a concessionary fares budget of £2.907m per annum. This covers both the reimbursement of operators for passengers carried free of charge, the issue of concessionary passes and the associated back-office systems. This report describes alternative options for reimbursement of operators, all of which could achieve savings against the allocated budget, as described in the table below. These figures include an allowance for new operators who have either started or expanded their operations since before the pandemic and for some new subsidised services being introduced which would require additional reimbursement.

Option	2023/24 minimum cost	Maximum saving
Budget available	£2.907m	-
Option A: Reimbursement at 100% of pre-Covid levels	£2.811m	-£0.096m
Option B: Reimbursement at 90% of pre-Covid levels	£2.537m	-£0.370m
Option C: Reimbursement at 80% of pre-Covid levels	£2.264m	-£0.643m
Option D: Reimbursement at actual levels (estimated 75% of pre-Covid)	£2.128m	-£0.779m

7.1.2. It should be noted that these savings would only be realised should concessionary fare reimbursement based on actual fares foregone remain below the level quoted. It seems unlikely that the 90% figure would be breached during 2023/24.

7.1.3. It should be noted that:

- Along with revenue from fare-paying passengers, concessionary fares reimbursement forms part of the revenue for subsidised services funded by the Council which helps to offset the costs of providing the service. Any reduction in the rate of concessionary reimbursement may reduce the revenue for these subsidised services meaning that the available budget will not go as far.
- The savings in the concessionary fares budget may not be sustained in the longer-term, even if patronage does not recover, as for most services operators only receive a proportion of the fare that a passenger would have paid to allow for the extra patronage generated by free travel. The reduction is based on a figure determined by Government, and it is likely that, if the reduction in patronage is sustained in future years, Government would recalculate this figure, therefore, increasing the reimbursement received by operators.

## 7.2. Legal and Governance

7.2.1. The Council's duties for the issuing of concessionary bus passes and the reimbursement of bus operators under the English National Concessionary Travel Scheme are set out in the Transport Act 2000 (as amended by the Concessionary Bus Travel Act 2007) and related secondary legislation.

7.2.2. Payment of operators at pre-Covid levels requires secondary legislation to amend the Mandatory Travel Concessions (England) Regulations 2011 (SI 2011/1121). That is currently achieved via The Mandatory Travel Concession (England) (Amendment) Regulations 2022 (SI 2022/284) which cease to have effect after 5<sup>th</sup> April 2023. Government has advised that it intends to lay further secondary legislation before Parliament to extend this period to April 2024. The recommendation in this report is, therefore, caveated on the successful

passage of this secondary legislation through Parliament. Should this not happen, the Council would have to revert to reimbursing operators based on actual patronage levels.

### **7.3. Relevant Policies and Plans**

7.3.1. The proposal will assist the Council in meeting the priorities in the Corporate Plan around:

- Safe and Thriving Places
  - Enabling people to travel across North Northamptonshire and beyond
- Green, sustainable Environment
  - Demonstrate clear leadership on tackling environmental sustainability
  - Promote sustainable, active travel

7.3.2. The proposal will assist the Council in delivering the objectives of the North Northamptonshire Transportation Plan (the Council's Local Transport Plan), which the Council has a statutory duty to deliver, and the Bus Service Improvement Plan.

### **7.4. Risk**

7.4.1. There are no significant risks arising from the proposed recommendations in this report.

### **7.5. Consultation**

7.5.1. No formal consultation has been undertaken or is required on this proposal. Bus operators have advised the Council that any significant reduction in revenue as a result of reduced concessionary fare reimbursement would be likely to impact service levels.

### **7.6. Consideration by Executive Advisory Panel**

7.6.1. The former Environment, Growth and Climate Change Executive Advisory Panel considered the development of the Bus Service Improvement Plan and the Enhanced Partnership with bus operators, but did not specifically cover concessionary bus travel. The Sustainable Communities or Prosperous Communities Executive Advisory Panel may choose to do so in future.

### **7.7. Consideration by Scrutiny**

7.7.1. Not applicable at this stage. The Scrutiny Commission may choose to consider concessionary bus travel in the future.

## **7.8. Equality Implications**

- 7.8.1. An Equalities Screening Assessment found that the recommendation in this report will benefit all bus users or potential bus users across North Northamptonshire. They will be of proportionately greater benefit to the older age groups, those with disabilities, particularly those who are unable to drive, and those who are pregnant or using pushchairs, those with certain health problems and those on low incomes, who use buses proportionately more than the wider community. There are no identified negative impacts on the nine protected characteristics within the Equalities Act 2010.

## **7.9. Climate and Environment Impact**

- 7.9.1. The proposals in this report should have a positive climate/environmental impact through maintaining and hopefully increasing bus use and reducing car use.

## **7.10. Community Impact**

- 7.10.1. The proposals in this report reduce the risk that communities in North Northamptonshire will lose their bus service.

## **7.11. Crime and Disorder Impact**

- 7.11.1. No apparent impact.

## **8. Background Papers**

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- 8.1. Transport Act 2000 (as amended by Concessionary Bus Travel Act 2007)