

CABINET



Report subject	Concessionary Fares Bus Operator Reimbursement
Meeting date	13 January 2021
Status	Public Report
Executive summary	To seek approval to make changes to the method of calculating bus operator reimbursement for the English National Concessionary Travel Scheme in 2021/22 as part of a proposed Recovery Partnership government initiative and to support the CIMT recommendation regarding reimbursement for 2020/21.
Recommendations	It is RECOMMENDED that: (a) For the current 2020/21 scheme year Cabinet supports the CIMT recommendation to approve the 2020/21 reimbursement of bus operators based on adjusted pre-Covid levels as urged by Central Government. (b) For 2021/22 Cabinet endorses the formation of a Recovery Partnership with the bus operators to seek a local solution to bus service provision and funding arrangements to include concessionary fares reimbursement.
Reason for recommendations	The Covid-19 pandemic has significantly impacted on bus travel including concessionary passenger journey numbers. Government guidance has been for local authorities to maintain pre-Covid concessionary fares reimbursement levels in support of vital local bus service providers so that they can continue to play a central role in our community during and after the pandemic. Without this reimbursement there would be a substantial loss of bus services across the BCP area. This would have the greatest impact on young people, older people and families from lower income households, disabled people and women. All these groups rely more on bus services than the general population.

	A phased move towards reimbursement again being based on concessionary journeys alone is required. Government is expecting to ask local authorities and bus operators to work together in a Recovery Partnership to get bus services back on a healthy path to recovery.
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Portfolio Holder(s):	Councillor Mike Greene, Cabinet Member for Transport and Sustainability
Corporate Director	Bill Cotton, Corporate Director, Regeneration and Economy
Contributors	John McVey, Sustainable Transport Policy Manager Richard Pincroft, Head of Transportation including Sustainable Travel
Wards	All BCP Council Wards
Classification	For Decision

Background

1. The Council, as a Travel Concession Authority (TCA), is required to reimburse operators of eligible local bus services, for journeys undertaken by passengers holding English National Concessionary Travel Scheme (ENCTS) bus passes. Bus passes are issued to permanent residents who meet either the age criteria (currently pensionable age for women) or the disability criteria (based on DfT Guidelines).
2. The objective is to reimburse bus operators so they are 'no better or worse off' than they would be if the scheme didn't exist. In practice this is compensating them for the revenue lost from passengers who would have travelled even if no concession existed (the lost fares revenue) and for the costs sustained by carrying the extra passengers as a result the concessionary fare scheme (people travel more and more people travel).
3. These are generated trips. In certain circumstances the cost of providing extra or bigger vehicles required to cope with the numbers of concessionary passengers (additional capacity costs) is payable.
4. Payment is based on the number of concessionary journeys undertaken on each service per month as well as the average fare paid by adult non-concessionary passengers. Journey numbers fluctuate seasonally and are impacted by the weather. The amount paid is discounted by a 'generation factor' to take account of the number of extra trips generated by the availability of the concession.
5. Prior to the formation of the new Council, external transport specialist consultants were employed to recommend an appropriate concessionary fares bus operator reimbursement rate. This was the subject of an LGR BCP Programme Decision Record in November 2018 which was approved. BCP bus operator reimbursement in 2019/20 amounted to £8.13m. The budget for the current year, 2020/21 is £7,868,300.
6. Since March 2020 Covid-19 has had a significant impact on bus travel, particularly following advice from the Prime Minister to avoid using public transport. Bus use initially dropped to around 10-15% of pre-Covid levels. It has

since recovered but remains at around 60% overall though concessionary journeys are less at around 50% (September 2020 compared with September 2019). Social distancing requirements limit capacity of local bus services to around half and the requirement for face coverings (unless exempt) is a disincentive to travel for some.

7. In a letter from the Department of Transport (DfT) dated 25 March 2020 Local Authorities were asked 'to support vital local bus service providers so that they can continue to play a central role in your communities after this pandemic.' The letter also said, 'we would urge you to continue to pay bus and coach operators for tendered services and home to school transport at the levels before any downturn in service provision or patronage, **for at least the period of the outbreak**' and, '**We would also urge you to continue to pay operators for concessionary fares at levels before any downturn.**'
8. In the light of this a formula was agreed with the local bus operators to make concessionary fares payments to operators based on the February 2020 payment (the last complete month prior to the outbreak). For each month this was inflated by the average percentage change in reimbursement for three previous years to the month in question. This method was used from March-August 2020 (6 months).
9. In September and October 2020, the payments have simply replicated the 2019/20 payments. Interim payments at 50% the 2019/20 level have been made in November and December pending the most recent guidance from DfT. One of the bus operators has raised concerns about the significant impact on its cashflow of this reduction, putting the business at risk.
10. In its Covid Bus Services Support Grant (CBSSG) Restart Conditions (June 2020) the DfT continued '...to urge local authorities to maintain concessionary travel reimbursement and tendered service contract payments at pre-COVID-19 levels.' Local Authority CBSSG is used to make up for the reduction in fares revenue on tendered services as a result of Covid-19.
11. The majority of local authorities around the country have continued to reimburse bus operators based on pre-Covid levels, most on a 'like for like' basis. Some have made adjustments in the light of service changes planned prior to the pandemic. **It hasn't been possible to identify any local authority that isn't reimbursing in 2020/21 at or close to pre-Covid levels.**
12. In a letter dated 20 November 2020 on Concessionary Bus Travel, the DfT gratefully acknowledged authorities that have maintained concessionary payments at pre-Covid levels. It stated that, "Combined with funding from DfT, this support has worked together to ensure the continued operation of local bus services across the country".
13. The letter refers to Public Procurement Notices PPN 02/20 and PPN 04/20 which have been used to justify concessionary fares payments to bus operators but expired at the end of October. It goes on to recommend that local authorities

work with bus operators and develop a transition plan so the principles of PPN 04/20 can continue to be met. Further guidance on this has been promised in the proposed National Bus Strategy (anticipated January 2021) where recovery packages are being explored. The strategy is expected to recommend local authorities set up Recovery Partnerships with the bus operators to support them move back to a commercial footing. This will be backed by £300m of government funding.

14. The letter also proposed approaches for calculating concessionary fares payments at pre-Covid levels. It suggests *inter alia* taking into account the general fall in concessionary journeys numbers - 2.5% reduction in England in 2018/19. Locally the downward trend has been less with a 1.96% average decline over the three years preceding the pandemic.
15. It is therefore reasonable to suggest that based on journey numbers the outturn in 2020/21 would have been 1.96% less than in 2019/20. Account may also be taken of the level of service operated if 100% of services are not being provided.
16. Operating under government guidance, **the bus companies are trading without profit** and in this regard the DfT has procured Grant Thornton to review and audit bus operator submittals of Profit and Loss. They have an obligation to control costs and to work with the local authorities on the levels of service being provided. CBSSG funding rates are based on concessionary reimbursement continuing to be paid at pre-COVID levels as well as sending the Local Authorities details and claims based on actuals but receiving pre-determined amounts. This means that there is no double payment through different funding streams.
17. Since the lockdown measures were introduced in March 2020 the bus companies have played an active role including:-
 - Enabling an essential travel network for key workers during the height of lock-down;
 - Enabled shared ticketing with other transport operators to for the benefit of all residents of BCP at the height of lock-down;
 - Providing additional extra services such as additional Sunday morning journeys for those working at the COVID regional test centre in Creekmoor when there is no commercial case to do so;
 - Providing additional capacity from elsewhere within the business to maintain social distancing and meet the objectives of BCP Council and Central Government;
 - Maintaining services which would not otherwise operate due to poor loadings to maintain connectivity of different communities - reducing social isolation at difficult times;
 - Significant investment into facilities to make travel safe – including changes to Poole Bus Station, Gervis Place and Bournemouth Travel interchange. Also, they have installed safety screens, on board hand sanitising and developed the websites to show how busy buses are so people can decide if and when to travel;

- Significant and repeated costs incurred in regularly replacing road-side displays as part of each service change rather than two annual changes.

18. Under 'normal' operating conditions, legislation gives the bus operators the right of appeal to the Secretary of State if they consider the concessionary fares reimbursement rate to be insufficient. Whilst this right of appeal wouldn't be relevant in the current circumstances, a shortfall in concessionary fares revenue is likely to result in requests for contract price increases on tendered bus services as well as the withdrawal of marginally commercial routes.

19. Go South Coast and Bournemouth Transport have confirmed that a significant reduction in concessionary fares reimbursement or indeed any other government support would result in almost immediate reductions in services. As levels of patronage are at about 60% overall with additional resources (e.g. double decker's and duplicate runs), the operators' costs are far outweighing their income due partly to negative messaging about public transport and also the need to maintain social distancing.

20. The DfT guidance issued to all TCA's to date (refer to background paper 1) proposes that BCP bases concessionary fares payments on the following principles:

- 1. Seasonality of services** – (some authorities have adopted approaches to cover this, for example, averaging two lower winter and two higher summer payment methods)
- 2. Decline in concessionary patronage** - (total concessionary bus journeys fell by 2.5% in England in 2018/19, however, this may vary across local areas)
- 3. Decline in patronage as a whole**
- 4. Operators may have ceased trading/some services**
- 5. Operators may have started trading/new services**
- 6. Operators may have varied their services to increase/decrease the frequency/length of journey** - (If TCAs decide to consider this principle, we urge TCAs to only reduce concessionary fare reimbursement funding to the level of service that operators are providing them with. For instance, if an operator was providing 90% service levels, TCAs may consider providing 90% concessionary fare funding.)

21. The BCP Council Corporate Incident Management Team has considered this matter and agreed in principle to recommend the following to Cabinet and to Council:

Reimbursement for the current 2020/21 year at adjusted pre-Covid levels as follows:

- Reimbursements based on 2019/20 but reduced by 1.96% to account for the assumed reduction in journey numbers
- For the period not covered by the Public Procurement Notices PPN 02/20 and 04/20 (after 30.10.2020) operator reimbursement adjusted to reflect percentage of services operated.

Applying these adjustments results in a forecast outturn of £7,829,142 which is below the current year's budget of £7,868,300.

Estimated saving in 2020/21: **£39,158**

These calculations are set out in **Appendix A**

22. Alternative options would be:

- (a) To reimburse operators as per the full 2019/20 pre-Covid level = £8,114,761. This would result in an overspend of £246,461 and is **not recommended**.
- (b) To reimburse operators based only on the numbers of concessionary passengers carried = £2.6m (estimate). Although this would produce an estimated saving of £5.27m, it would not be in accordance with government guidance, result in significant loss of bus services and put the bus operators' business at serious risk of collapse. It is therefore **not recommended**.

Summary of financial implications

- 23. Total bus operator reimbursement in 2019/20 was **£8,127,562**.
- 24. The bus operator reimbursement 2020/21 budget is **£7,868,300**.
- 25. Reimbursement for 2020/21 at adjusted pre-Covid levels would be **£7,829,142**, producing a saving against budget of **£39,158**.
- 26. A yet to be determined saving is expected in 2021/22 dependent on the transition strategy developed with the bus operators through a Recovery Partnership based on the principles set out in section 20 above.

Summary of legal implications

- 27. The Transport Act 2000, as amended, provides a statutory basis for free off-peak travel for older and disabled people (resident in England outside London) on all local buses anywhere in England from 0930 until 2300 on weekdays and all day at weekends and on Bank Holidays.
- 28. Bus passengers are subsidised for concessionary travel via the bus operator and under normal circumstances there is no subsidy paid to the service providers. Any bus operator accepting an ENCTS pass for travel should be left 'no better off and no worse off' as a result. The operators are reimbursed by the TCA for revenue forgone and additional costs incurred such as extra resources to meet increased demand from passholders and administrative costs. There is no legal requirement to reimburse more than is sufficient to cover the revenue foregone and additional costs associated with the concessionary passengers carried.

Summary of human resources implications

29. The bus operators are major employers in the BCP area. Significant reductions in concessionary travel funding will result in service loss and possible business collapse.

Summary of environmental impact

30. In its recently published Decarbonising Transport Plan, the government set out its vision for a net zero transport system which will benefit us all. In the plan, public transport and active travel will be the natural first choice for our daily activities. We will use our cars less and be able to rely on a convenient, cost-effective and coherent public transport network. The bus is the most efficient user of road space and a vital part of an environmentally friendly local sustainable transport system. Actions taken by the council that negatively impact on bus service provision will make it more difficult to achieve this vision. It would also be contrary to the Council's own 2030 zero carbon priority set out in the Corporate Strategy.

Summary of public health implications

31. Urban traffic speeds are falling by on average 2% every year, causing NOx emissions to rise. Diesel cars are the single biggest contributor to NOx levels, responsible for 41% of all NOx emissions from road transport. Buses are amongst the cleanest vehicles on our roads with many now achieving Euro VI emissions standards.

Summary of equality implications

32. A full Equalities Impact Assessment has been undertaken (Appendix B).

Summary of risk assessment

33. None identified.

Background papers

1. [Department for Transport Supplementary Concessionary Travel Reimbursement Guidance \(20.11.2020\)](#)
2. [Decarbonising Transport Plan \(2020\)](#)

Appendices

A – Concessionary fares bus operator reimbursement calculation
B - Full Equalities Impact Assessment