

CABINET



Report subject	Concessionary Fares Bus Operator Reimbursement
Meeting date	15 December 2021
Status	Public Report
Executive summary	To seek approval to continue to maintain statutory concessionary travel reimbursement payments to local bus service operators at pre-COVID levels in line with government expectations. To note the government's implementation of a concessionary travel recovery strategy at the start of the next financial year (2022/23) which will facilitate Travel Concession Authorities (TCAs) to return to making payments to meet the actual patronage levels.
Recommendations	It is RECOMMENDED that: (a) For the current 2021/22 scheme year Cabinet recommends to Council support for the continued concessionary travel reimbursement of bus operators at the adjusted pre-COVID levels with an expected saving of £350k. (b) Cabinet acknowledges the government's published Covid-19 Recovery Guidance for the start of the next financial year (2022/23) and recommends to Council that concessionary travel reimbursement payments and associated budget allocation to bus operators are adjusted in accordance with the guidance.
Reason for recommendations	The COVID-19 pandemic continues to impact on bus travel including concessionary passenger journeys. The recovery has been slower than expected and journeys undertaken remain at between 60 and 70 per cent of pre-COVID levels. Government guidance continues to be for Travel Concession Authorities to maintain concessionary travel reimbursement at adjusted pre-COVID levels in support of vital local bus service providers so that they can continue to play a central role in our community after the pandemic.

	<p>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.</p> <p>A phased move towards reimbursement again being based on concessionary journeys alone is recommended by government through its Covid-19 Recovery Guidance. This is intended to get bus services back on a healthy path to recovery.</p>
Portfolio Holder(s):	Councillor Mike Greene, Portfolio Holder for Sustainability and Transport
Corporate Director	Kate Ryan, Chief Operations Officer
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). This is a statutory requirement.
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 (generated trips) as a result the concessionary fare scheme.
3. 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 reduced by a 'generation factor' to take account of the generated trips.
4. 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, 2021/22 is £8.02m.

5. Since March 2020 COVID-19 has had a significant impact on bus travel, particularly following government advice 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 60-70%.
6. Throughout 2020/21 the Department for Transport (DfT) urged local authorities to continue to pay bus operators for concessionary fares at pre-COVID levels. Public Procurement Notices PPN 02/20 and PPN 04/20 were used to justify concessionary fares payments to bus operators and in March 2021 a Statutory Instrument was laid to temporarily change the legislation to allow pre-COVID concessionary payments to continue.
7. The DfT published guidance in November 2020 for TCAs on pre-COVID concessionary payments which suggested taking into account the current local bus service mileage operated as well as the general decline in concessionary travel that had commenced prior to the pandemic. Locally, an average decline in concessionary patronage of 1.96% per annum has been calculated for the years just prior to the pandemic.
8. In the light of this the BCP Council resolved to approve the 2020/21 reimbursement of bus operators based on adjusted pre-COVID levels and for 2021/22 endorsed 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.
9. As with most areas across the UK, the local recovery from the pandemic has been much slower than anticipated and this is reflected in the number of bus passenger journeys being undertaken. Throughout this period the bus operators have received financial support from the government in the form of Coronavirus Bus Service Support Grant (CBSSG). This was replaced from September 2021 by the Bus Recovery Grant (BRG).
10. In August 2021 the DfT wrote to all Travel Concession Authorities asking them to continue to contribute towards the successful working partnerships created between operators and authorities during the pandemic, by maintaining concessionary fare payments to operators at pre-COVID levels, until the end of the current financial year. The letter also said that the budget agreed with HM Treasury for bus recovery funding (BRG) has been calculated on the basis that these concessionary reimbursement payments at pre-COVID levels continue to be made.
11. The DfT letter went on to explain that government aims to implement a concessionary travel recovery strategy at the start of the next financial year (2022/23). This will allow TCAs to return from paying out concessionary

payments at pre-COVID levels, back down to making these payments to meet with actual patronage levels, at a rate that will not adversely affect other funding streams or bus services across the country.

12. Covid-19 Recovery Guidance was subsequently published on 29 October 2021 (Appendix 4). The guidance sets out the importance of continuing support for bus operators but at a gradually reducing rate whilst patronage levels improve. The proposal is, from 6 April 2022, to pay bus operators at 90% of the pre-Covid reimbursement level and then reduce this by 5% every two months. This pattern would continue until payments match reimbursement based on actual journeys undertaken. The point when this happens will depend on how quickly concessionary patronage recovers to pre-pandemic levels.

Table 1: Table showing the scale down of LTA pre-Covid concessionary reimbursement payments

Month	% scale down of LTA pre-Covid concessionary payment
06 April 2022	90%
01 May 2022	90%
01 June 2022	85%
01 July 2022	85%
01 August 2022	80%
01 September 2022	80%
01 October 2022	75%
01 November 2022	75%
01 December 2022	70%
01 January 2023	70%
01 February 2023	65%
01 March 2023	65%

13. Members are asked to support the continued application of the adjusted pre-COVID reimbursement arrangements for the remainder of the current financial year and to support payments from 6 April 2022 to be in line with the government's Covid-19 Recovery Guidance and illustrated in Table 1. To receive these levels of payment, the bus operators are expected to operate a minimum 90% service level (BCP bus operators are currently operating over 90%).

Reimbursement for the current 2021/22 year in line with DfT guidance is at adjusted pre-COVID levels as follows:

- Reimbursements based on 2019/20 but reduced by 1.96% for each of the subsequent two years to account for the assumed reduction in journey numbers.
- Reimbursement further adjusted to reflect percentage of services operated (currently at or close to 100% of pre-COVID levels).

Applying these adjustments results in a forecast outturn of £7.67m which is below the current year's budget of £8.02m (£350k underspend).

Estimated saving in 2021/22: **£350k**

14. The alternative option would be to reimburse operators based only on the numbers of concessionary passengers carried = £5m (estimate). Although this would produce an estimated saving of £3m, 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**.
15. In March 2021 the government published Bus Back Better, a national bus strategy for England. The strategy supports close partnership working between Local Transport Authorities and bus operators and encourages the formation of statutory Enhanced Partnerships if not already committed to franchising. BCP Council is currently working towards a negotiated Enhanced Partnership with a commencement date of 1 April 2022.

Summary of financial implications

16. Total bus operator reimbursement in 2019/20 was **£8.13m**.
17. The bus operator reimbursement 2021/22 budget is **£8.02m**.
18. Reimbursement for 2021/22 at adjusted pre-Covid levels would be **£7.67m**, producing a saving against budget of **£350k**.
19. A yet to be determined saving is expected in 2022/23 dependent on how quickly concessionary patronage recovers. Once reimbursement returns to being based on actual journeys undertaken, it will be necessary to review the reimbursement rates applied to ensure these are still applicable.

Summary of legal implications

20. The Transport Act 2000, as amended by the Concessionary Travel Act 2007, and the Mandatory Travel Concession (England) Regulations 2011, 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.
21. 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

22. 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

23. In its 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 by vehicles 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 and would also be contrary to the Council's own 2030 zero carbon commitment.

24. A Decision Impact Assessment ID308 (Appendix 3).

Summary of public health implications

25. 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

26. An Equalities Impact Assessment Screening has been undertaken (Appendix 2).

Summary of risk assessment

27. None identified.

Background papers

1. [Department for Transport Supplementary Concessionary Travel Reimbursement Guidance \(20.11.2020\)](#)
2. [Bus Back Better - A National Bus Strategy for England](#)
3. [Decarbonising Transport Plan \(2020\)](#)

Appendices

- 1 – Department for Transport letter (05.08.2021)
- 2 – Equalities Impact Assessment Screening
- 3 – Decision Impact Assessment ID308
- 4 – Covid-19 Recovery Guidance