
FREE CONCESSIONARY TRAVEL

Report of the Corporate Director Regeneration & Culture

1 Purpose of Report

- 1.1 To seek a decision from the Council on a free concessionary travel scheme, so that the bus companies can be given four months' notice prior to its introduction next April.

2 Summary

- 2.1 From next April the Government requires concessionary travel for people aged 60 or over and certain people with disabilities to be free of charge. This will involve additional expenditure of several million pounds, and Cabinet will need to seek Council approval for its recommended option.
- 2.2 The Government's minimum obligation is for such travel to be free after 0930 and before 2300 Monday to Friday and all day on Saturdays and Sundays, with the concession only applying to journeys wholly within the City boundary.

3 Recommendations

Cabinet is recommended to:

1. Recommend Council to formally advise the bus companies that it intends to implement the Government's minimum obligation for free travel, and to review the situation when the Council's overall financial position is made clear.
2. Authorise the Director of Regeneration and Culture to enter into discussions to seek to cap the maximum amount of money that can be paid to the bus operators.

4 Financial & Legal Implications

4.2 *Financial Implications*

1. The 2005/6 budget for the current scheme is £1.61m.
2. The Statutory minimum scheme is estimated to cost an additional £2.11m, assuming 10% additional capacity. This is likely to be covered by additional government funding to be announced in December 2005, however, it remains unclear how much additional resources the Council will receive.

Paresh Radia (Ext.6507)

Legal Implications

- 4.3 There is a legal obligation on the Council to provide the legal minimum scheme, as described.

Peter Nicholls (Ext.6302)

5 Report Author

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Key Decision	No
Reason	Policy and budget framework
Appeared in Forward Plan	No
Executive or Council Decision	Council



WARDS AFFECTED: ALL

CABINET

14 NOVEMBER 2005

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Report

1. Background

- 1.1 The City Council's Concessionary Travel Scheme enables elderly and disabled residents of the City to travel on local bus and rail services at reduced rates throughout Leicester and Leicestershire at all times.
- 1.2 The Government has announced that with effect from April 2006, the minimum level of concession will change to provide free off peak travel by bus, on journeys wholly within the City boundary.
- 1.3 Additional Government funding will be provided to fund this enhancement. Initial indications are that Leicester will receive £2.3 million to £2.6 million for this – but the draft allocation of grant will not be published until next month, with the final settlement not being published until February, so that it is not yet clear that the Council will receive even this amount. The bus companies are entitled to four months' notice of any change to the concessionary fare scheme, but it may prove possible to negotiate a reduction in the period.
- 1.4 The City Council will need to decide how to amend the Concessionary Travel Scheme to accommodate this enhancement.

2. Current Concessionary Travel Scheme

Statutory Minimum

- 2.1 The current minimum concessions that must be provided (Transport Act 2000) are half fare travel concession on all local bus services within the area of a "travel concession authority", from 0930 to 2300 on weekdays and all day on Saturdays, Sundays and Bank Holidays.

Current Scheme Details

- 2.2 Arrangements for Senior Citizens are that Leicester residents, aged 60 and over, pay half the adult fare on all local bus and train services within Leicester, Leicestershire and Rutland, and also for direct journeys to/from adjacent towns and cities such as Nottingham, Derby and Peterborough.
- 2.3 Arrangements for Disabled People cover the same geographical area and offer half fare, a flat 10p fare or free travel depending upon the nature of the disability.

3. Concessionary Scheme Costs

3.1 Local Authorities are required to reimburse operators who participate in the Concessionary Travel Scheme, ensuring that they are “no better or worse off” as a result of charging concessionary fare levels.

4. Concessionary Scheme Amendments

4.1 As things currently stand, the City Council needs to inform bus operators of its proposals before the end of November. This is prior to the Government indicating the level of funding Leicester will receive for the enhancements to concessionary travel.

4.2 In these circumstances, it is suggested that it would be prudent to inform the bus companies that the Council intends to go for the legal statutory minimum. This will provide for free bus travel between 0930 and 2300 Monday to Friday and all day on Saturdays and Sundays.

4.3 Whilst this will increase the cost for concessionary fare passholders in some cases – when travelling by train, when travelling before 0930 and after 2300 Monday to Friday, and for journeys, which cross the City boundary, it will reduce the cost of the vast majority of journeys from half fare to zero.

4.4 These reductions in service may result in objections from the affected parties, and could also lead to some difficulties for operators. It is, therefore, suggested that the Council should review its initial decision when the overall financial position becomes clear.

4.5 The amount of money, which the Council will have to pay to the bus companies, is likely to remain uncertain for at least a year of the scheme’s operation. Bus operators are entitled to be reimbursed, not only for the fare revenue foregone by people travelling at concessionary rates, but also for any additional costs incurred, should the number of journeys made by concessionary fare passholders increasing to the extent that additional or larger buses needed to be operated.

4.6 Research into free schemes already in operation has suggested that these additional costs could add as much as 25% to the cost of the payments to bus companies, though it is thought that in an urban area, such as Leicester, the extra amount payable is more likely to be of the order of 10%.

4.7 The budget for concessionary fares in the current year is £1,610,600, with a forecast outturn expenditure of £1,741,250. If the amount of additional capacity required proves to be 10%, as anticipated, the new legal minimum scheme will require an additional £2,110,400, giving a total cost of £3,851,650 per annum.

4.8 However, because of the uncertainties surrounding the actual size of the extra payments that might be needed because of capacity pressures, it is recommended that officers seek to agree a capped price this year, with the bus companies agreeing, that regardless of the actual cost, the City Council’s financial obligation will not exceed a fixed amount, in exchange for which, the Council will agree to a minimum payment to the bus companies.

5. FINANCIAL, LEGAL AND OTHER IMPLICATIONS

Financial Regulations

5.1 The 2005/6 budget for the current scheme is £1.61m

5.2 The Statutory minimum scheme is estimated to cost an additional £2.11m, assuming 10% additional capacity. This is likely to be covered by

additional government funding to be announced in December 2005, however, it remains unclear how much additional resources the Council will receive

Legal Implications

5.3 There is a legal obligation on the Council to provide the legal minimum scheme, as described.

6. Other Implications

6.1

OTHER IMPLICATIONS	YES/NO	PARAGRAPH REFERENCES WITHIN SUPPORTING PAPERS
Equal Opportunities	YES	Concessionary fares benefit older people and people with disabilities, many on low incomes
Policy	NO	
Sustainable and Environmental	YES	Cheaper concessionary fares will encourage journeys by public transport, rather than by car
Crime and Disorder	NO	
Human Rights Act	NO	
Older People on Low Income	YES	Concessionary fares benefit older people, many on low incomes

6.2 Risk Assessment Matrix

	Risk	Likelihood L/M/H	Severity Impact L/M/H	Control Actions (if necessary/or appropriate)
1	Insufficient funding from Government	M	M	Recommendation to go for minimum cost legal option, until funding position becomes clear

L - Low
M - Medium
H - High

L - Low
M - Medium
H - High

7. Background Papers – Local Government Act 1972

None.

8. Consultations

Consultee

Leicestershire County Council
R&C Finance
Chief Finance Officer
Head of Legal Services

Date Consulted

Several occasions
October 2005
October 2005
October 2005