

Report to: **District Council**
Date: **1st December 2005**
Report of: **Director of Finance and Corporate Resources**
Subject: **Concessionary Fares for older and disabled people – Revised statutory minimum requirement from 1st April 2006.**
Ward: **All**

1.0 Purpose of the Report

- 1.1 To determine the statutory notice required under Section 150/1 of the Transport Act 2006, outlining reimbursement proposals for bus operators. This must be published by 1st December 2005, as the new statutory arrangements will be implemented on 1st April 2006.

2.0 Consultation

- 2.1 In preparing the report I have consulted with the County Durham Districts and the County Council and the Council's Monitoring Officer.

3.0 Background

- 3.1 The Chancellor announced in the Budget on 16th March 2005 that the statutory minimum requirement for older and disabled persons' concessionary travel is being improved. From 1st April 2006, the district council as a travel concession authority must provide its older and disabled residents with free bus travel within its geographical boundaries any time on a Saturday, Sunday or bank holidays and between 9.30 am and 11pm on any other day.
- 3.2 Ministers have indicated that a further £350M has been added to the Local Government Finance Settlement for 2006/07 to cover the costs of moving from the statutory half-fare concessionary fare scheme to a free travel scheme. Ministers have yet to announce their decisions on the exact formula, and it is expected that the provisional Local Government Finance Settlement will be published shortly.
- 3.3 The district councils in County Durham currently offer a concessionary scheme. This is administered by the County Council. It includes half fare off-peak travel within the boundaries of each district council, as currently required by the Transport Act 2000 and half fare travel at all times across the whole of County Durham and Darlington and for through cross-boundary journeys to Cumbria, Northumberland, Teeside (as far as Central Middlesbrough) and Tyne & Wear. They also offer half fare travel on trains to or from Seaham, Chester-le-Street and all stations between Bishop Auckland and Teeside Airport, within the area Newcastle/Darlington/Middlesbrough. The County Council administers the scheme. The discretionary non-statutory elements of this scheme are provided using the Transport Act 1985, the deadlines and notice periods that apply to the Transport Act 1985 scheme differ from those outlined in the Transport Act 2000.
- 3.4 Under the Transport Act 2000, travel concession authorities must publish their reimbursement proposals 4 months before they are implemented i.e. in this case on December 1st. If agreement cannot be reached with bus operators, authorities must determine final reimbursement arrangements by March 3rd 2006. Free travel as outlined above will be introduced on 1st April and bus operators have until 29th April to appeal to

the Secretary of State, having given prior notice to the authority.

- 3.5 Under the Transport Act 1985, bus operators must receive notice of proposed charges by 3rd February, with the operators having 28 days to notify acceptance. If acceptance cannot be reached, an authority must serve a participation notice on 3rd March, 2006. This notice takes effect on 1st April, 2006. The operator has 28 days in which to appeal and must give prior notice to the authority.
- 3.6 It should be noted that providing authorities offer a pass or scheme, which meets the minimum requirements, they may levy a charge for an extended scheme, which exceeds the statutory minimum requirements. The local authorities in County Durham do not currently do so.
- 3.7 The district councils in County Durham had commissioned a review of consultants of the current scheme, and the information they gathered forms the basis for this report. The consultants did recommend changes to the current apportionment method used by the local authorities. However, there is a consensus that the local authorities would wish the bus operators to improve data collection on usage of the pass to ensure apportionments are accurate.
- 3.8 The County Council and the district councils are currently negotiating future arrangements with the bus operators.
- 3.9 The Department for Transport established a Working Group to consider Concessionary Fares, and it intends to publish draft guidance on future arrangements shortly.

4.0 Option Appraisal

- 4.1 In the absence of published guidance and given the uncertainty of future funding, this report proposes that a statutory notice be published outlining the minimum statutory requirements and that the discretionary elements of the scheme be considered at a later date.
- 4.2 National discussions between travel concession authorities and bus operators have identified two possible methodologies. One based on a revenue displacement method and the other on a 'toolkit'. The revenue displacement approach is appropriate where authorities have confidence that their current arrangements fairly compensate operators and possess good estimates of the operator revenue currently taken from passengers, who, after 1st April, will travel free. Given that the County Durham scheme has operated since 1978 and that reimbursement arrangements are not seen to be inadequate, it is proposed that the authorities adopt this approach to calculate the funding for bus operators. At this stage costs are not available.
- 4.3 Nationally, it is felt that authorities should put in place interim arrangements for 1 to 2 years to enable the full impact of these statutory changes to take effect. The impact of these changes is very difficult to predict.
- 4.4 It is proposed that the Council issue a statutory notice outlining the minimum statutory requirements only and that the discretionary elements of the scheme be considered at a later date. This statutory notice will outline the proposed reimbursement arrangements for the bus operators.
- 4.5 Prior to implementation local authorities will be required to publicise the scheme and issue new and/or replacement passes. It is suggested that these arrangements will be in place for one year and will be reviewed before 1st April 2007.
- 4.6 In addition to the reimbursement, additional costs associated with the change are of concern to the bus operators and these costs will be subject to further negotiation.

5.0 Implications

5.1 Policy

None, at this stage we are merely meeting our statutory obligations regarding the statutory element of the scheme. The discretionary elements of the scheme will be determined when all authorities currently in the existing scheme have the guidance and finance availability is clearer. This will be subject to a further report.

5.2 Financial

The estimated financial costs of the new scheme will be determined over the coming months for the reason set out above. It should however be noted that these present a considerable risk as the impact of a free fare scheme is very difficult to predict, both in terms of the increase in the number of pass-holders, the number of journeys they undertake and the increased costs of meeting this, particularly on individual bus routes and services. In addition, any changes to the discretionary scheme are as yet undecided and their impact unknown. At the time of writing the report the amount of additional funds we will receive from central government was unknown.

5.3 Legal

Legally the local authority must publish the re-imbursement arrangements for the statutory scheme by 1st December, 2005. Whilst this approach will require a further publication for the discretionary elements the action is appropriate given the circumstances of the countywide scheme. Whilst the bus operators have the option to appeal they understand the position and indeed suggested this approach even though it will require a separate notice covering the discretionary elements.

5.4 Risk

None at this stage.

5.5 Communications

None

5.6 Corporate Implications

None

6.0 Recommendations

6.1 That the Council publishes the required notice covering the statutory elements of this scheme.

6.2 That the Council continues to work with other local authorities in County Durham and the bus operators to determine the discretionary elements of the scheme and ensure it is implemented successfully.

Background Papers

Various file notes /information on the scheme.
Concessionary Fares files