

WEST YORKSHIRE PASSENGER TRANSPORT AUTHORITY

Appointed Members

DATE: 17 MAY 2007

AGENDA ITEM NO: **4.**

SUBJECT: BUDGET FOR CONCESSIONARY TRAVEL IN 2007/08

Report of the Passenger Transport Executive

1. MATTER FOR CONSIDERATION

- 1.1. The budget for concessionary travel, following the Adjudicator's determination of the First appeal, and associated cost recovery from bus operators.

2. INFORMATION

Introduction

- 2.1. The outcome of the first appeal against the Transport Act 2000 Concessionary Travel re-imburement arrangements and oral advice (subsequently confirmed in writing) received from Leading Counsel was reported to the meeting of the Authority held on 9 February. Members agreed that no legal challenge to the decision should be made.
- 2.2. Metro has now made an interim payment to First of £1.688 million, in line with the direction of the adjudicator.
- 2.3. In accordance with the adjudicator's decision, Metro will also review the reimbursement obligations for 2006/7 following the analysis of data for the whole of that year. It is intended that this revision will be applied to all participating operators, not just First, following advice from Metro's external legal advisers.

Financial Impacts

- 2.4. The adjudicator's decision was received too late to be reflected in the levy for 2007/08.
- 2.5. As a result the Authority set its budget for 2007/08 in the knowledge that some revision would be necessary to reflect the Adjudicator's decision and the consequential policy changes that are required to achieve an affordable budget and maintain a prudent level of reserves.

- 2.6. The Authority also expressed very serious concerns about any further reduction in tendered services and directed urgent discussions with bus operators to achieve an equitable approach in amending the budget for 2007/08 by seeking additional cost recovery made possible as a result of increased payments for concessionary travel by senior citizens and disabled persons.

Policy Options

- 2.7. The options for savings of this magnitude are limited because much of Metro's budget (eg rail franchise payments) is not discretionary and staffing and direct service costs are a relatively low proportion of the overall budget.
- 2.8. Nevertheless a number of policy options have been considered, as summarised below.
- 2.9. The option of making savings in the budget for tendered services would have serious and damaging consequences in terms of social inclusion and would result in media comment that would be detrimental to operators and Metro. It would be detrimental to the overall financial position of bus operators, with potentially significant impacts on some smaller operators. It would also jeopardise the achievement of LTP targets, with a consequential risk to future capital funding through the LTP process.
- 2.10. The option of reducing, or terminating, the AccessBus service, would impact on some the most vulnerable members of society and would also result in critical media coverage. Work is continuing with the Best Value Review of Accessible Transport to develop the most cost-effective way of meeting the demands for accessible transport arising from demographic trends.
- 2.11. Metro has already identified an ongoing programme of (Gershon) savings and efficiencies in the order of £2 million each year. Further savings, such as a reduction in bus station supervision and management or in data collection would impact on customer service and / or pose financial risk to the authority. Other aspects of expenditure, such as the development and implementation of the capital programme, are funded through capital, which cannot be re-directed to expenditure on concessionary travel.
- 2.12. Other areas of activity, such as rural bus service and service development and travel planning activities, are funded through bespoke grant regimes, which cannot be re-directed to other purposes.
- 2.13. The most viable policy options are for savings on the other elements of concessionary travel and cost recovery from bus operators for information provision and facilities.

- 2.14. It would be possible to make a saving of around £300,000 per annum by withdrawing the discretionary arrangements on cross-boundary bus services. However, this is not recommended as the new arrangements for the English National Concessionary Travel will provide free travel on these journeys and withdrawal for a year, followed by re-instatement, would cause confusion, adverse comment and problems for bus drivers. Savings on rail concessions would be relatively minor as one impact would be a transfer to bus.
- 2.15. Options around commercial concessions on child travel and costs recovery have therefore been discussed with bus operators, as set out below.

Discussions with Bus Operators

- 2.16. Constructive discussions have been held with larger bus operators (First, Arriva, Blazefield and Stagecoach) and smaller operators, who have been advised that:
- Metro will be incurring additional expenditure of up to £3 million (above the initial forecast out-turn of £36.3 million) in 2006/07. The final figure will not be known until the end-of-year review has been undertaken in line with the Adjudicator's determination. Operators have been advised that Metro will need to make use of reserves to fund these additional costs;
 - Metro needs to maintain a prudent level of reserves and that the approach dictated by circumstances for meeting additional costs in 2006/07 cannot be sustained into 2007/08;
 - the cumulative impact of the adjudicator's decision over two years (2006/07 and 2007/08) could be as much as £8 million, depending upon the outcome of the review of 2006/07;
 - that Metro will, if necessary, impose cost recovery through changes to departure charges, charges / cost offset for passenger information under the provisions of the Transport Act 2000 and changes to the re-imburement arrangements for child concessions;
 - that Metro would prefer the outcome to be negotiated as an equitable approach to a very serious budget issue in order to protect significant reductions in tendered services and the associated adverse publicity that would be damaging to all parties
 - Metro will be engaging in a further dialogue about longer-term changes to the re-imburement arrangements, in line with the adjudicator's determination.
- 2.17. Operators have acknowledged these issues and that the timing of the adjudicator's decision was such that it could not be reflected in discussions with District councils about the levy for 2007/08.

2.18. The outcome of these discussions is an acceptance that Metro will:

- amend the re-imbusement arrangements for child cash concessionary travel on buses to 75% of adult fare at peak times, thereby extending the current off-peak commercial concessions to all times. This variation would be accepted by operators so that there would be no impact on the cash fares paid by children and, for example, no impact on families on low incomes. Metro would continue the current re-imbusement arrangements for travel on school-card and School Plus MetroCards. This change would be implemented from mid 1 June 2007, achieving a budget saving of £1.6 million in 2007/08 (ie a full year saving of £1.9 million). It is recognised that there are likely to be some disproportionate impacts on small operators providing only school services and these will be managed through the Tendered Services Working Group;
- increase bus departure charges and coach departure charges by 50% from 38.9p (big buses) and 19.4p (small buses) at Grade 1 bus stations and 19.4p (big buses) and 9.5p (small buses) at Grade 2 bus stations. Implementing these increases with immediate effect, would raise an additional income of £500,000 in 2007/08. Such charges have to be reasonable and be related to the cost of providing the service or facility. The proposed increase will not breach this requirement. Metro will also present to bus operators a proposal to recover bus departure charges through a 'facilities' charge, which would include the current cost recovery for enhanced shelter cleaning standards, recovered on a simpler basis to avoid the bureaucracy associated with departure charge calculations;
- secure, through agreement, an additional income of up to £500,000 per annum for the provision of passenger information in 2007/08. The actual amount will be agreed once the final out-turn for 2006/07 has been calculated in line with the adjudicator's decision.

2.19. The discussions with operators have recognised the uncertainty about the final out-turn for 2006/07, the implications of this for forecasts for 2007/08 and the further uncertainty about arrangements and funding from April 2008. Operators have ongoing concerns about the level of re-imbusement received in West Yorkshire and have strongly suggested that Metro should consider savings in rail concessionary travel. Operators have also questioned expenditure on FreeCityBuses and suggested fares should be charged.

2.20. This acceptance has been given on the basis that:

- the agreed approach would apply in 2007/08 and that there will be further discussions about cost recovery from 1 April 2008 once more is known about the new arrangements for English National Concessionary Travel and the associated distribution of additional funding to Travel Concession Authorities

- Metro will keep the cost recovery through departure charges and passenger information under review in order to achieve the equitable outcome forming the basis of these discussions;
- 2.21. Discussions have also been held with smaller operators who appear to accept this approach. It is proposed to hold further meetings with any of the smaller operators expressing further concerns.

Risks

- 2.22. There are a number of risks to the proposed approach, including service de-registrations, withdrawal from bus stations and withdrawal from the 1985 Transport Act arrangements for child concessionary travel.
- 2.23. The discussions with operators have sought to minimise these risks, although some de-registration of schools services is expected. The risks are further minimised through the agreement for further discussions for arrangements in 2008/09 – although there will be risks in achieving a balanced budget in view of other cost pressures, the desire to minimise Council Tax increases and the changes to the English National Concession Scheme

3. FINANCIAL AND EC PROCUREMENT IMPLICATIONS

- 3.1. The approach set out above would protect the budget for tendered services in 2007/08. It will however be necessary to review the budget in order to address any disproportionate impacts on operators who are heavily reliant on child cash fares. The change will also have an adverse impact on income to Metro for MyBus services which are operated on a 'gross cost' basis. This will require a further report to the authority potentially seeking approval to a virement to the overall tendered services budget, funded through savings or reserves.
- 3.2. The approved 2007/08 budget for Passenger Services would be reduced by £1.0 million to £7.8 million, which reflects the impact of increasing departure charges and the increased cost recovery
- 3.3. The revised 'upper' estimate for concessionary travel for 2007/08 would be £41.2 million, a reduction of £1.7 million on the previous upper estimate as a result of the approach to commercial concessions on child cash fares at peak times. A further report will be produced once the review of 2006/07 has been completed and a more robust estimate can be produced.

4. STAFFING IMPLICATIONS

- 4.1. None as a result of this report.

5. EQUAL OPPORTUNITY IMPLICATIONS

- 5.1. The approach set out in this report seeks to protect the some of the most vulnerable members of society from cuts in tendered services or increases in child cash fares.
- 5.2. The agreement of operators to this approach is to be welcomed and it is suggested that this is acknowledged in public communications.

6. RECOMMENDATIONS

- 6.1. That the co-operation of bus operators be welcomed and acknowledged.
- 6.2. That the Authority notes the indicated acceptance of operators to the amendment of the re-imbusement arrangements for child concession travel to re-imbusement up to 75% of adult cash fares at peak times for 2007/08, with effect from 1 June 2007.
- 6.3. That bus station departure charges for 2007/08 be increased by 50% from 1 June 2007.
- 6.4. That further discussions be held regarding cost recovery of up to £500,000 for information provision in 2007/08 once the final out-turn for 2006/07 has been calculated in line with the adjudicator's decision.
- 6.5. That the requirement to keep these arrangements under review and the need for further discussions for arrangements from 1 April 2008 be noted.
- 6.6. That a further report be produced once the review of patronage and re-imbusement for 2006/07 and further discussions on cost recovery for the provision of passenger information have been completed.

Director General
West Yorkshire Passenger Transport Executive