

## **CONCESSIONARY TRAVEL FOR THE OVER 60'S AND THE DISABLED INTRODUCTION OF NATIONAL SCHEME FROM APRIL 2008**

### **1. INTRODUCTION AND BACKGROUND**

- 1.1 From April 2008, people aged 60 and over and the disabled will be statutorily entitled to free off-peak travel on registered bus services anywhere in England.
- 1.2 Members may recall that free travel on local buses for the over 60's and the disabled was introduced in April 2006 and the Council currently participates in a countywide scheme.
- 1.3 The way that authorities pay for concessionary travel will also change next year. Currently, it is the concessionaires own local authority that pays for the travel. From April 2008, it will be the local authority where the traveller boards the bus that will pay.
- 1.4 These changes are likely to have a major impact on the future of the council's finances. This report updates Members on the preliminary financial projections and recommends the provision of free travel during off-peak hours.

### **2. OUR EXISTING SCHEME**

- 2.1 From 1 April 2006, the Council has had to provide by law free off-peak bus travel within the District, for residents aged 60 and over and the disabled.
- 2.2 However, most local authorities within Hampshire currently work together to enhance this statutory requirement. In New Forest, we currently provide free all-day bus travel anywhere in Hampshire, or any journey that starts or finishes in Hampshire.

### **3. THE NEW NATIONAL SCHEME**

- 3.1 The new national scheme will effectively replace the existing Hampshire scheme. However, Hampshire County Council will continue to reimburse the travel operators on our behalf, as part of a continuing countywide arrangement.
- 3.2 The Council as an administering authority is required to issue the new national free bus passes. The new (chip encoded) smart cards must conform to a national specification and will contain a national and council logo.

- 3.3 Over 25,000 passes will be issued in March 2008 and these will effectively replace the existing Hampshire Fare passes. Officers are of the view that the new passes should be valid for a three-year period. Application forms will be widely available for new applicants and there will be a national publicity campaign.
- 3.4 The Government is paying one-off admin grant, which will cover the additional one-off admin costs incurred.

#### **4. FINANCIAL IMPLICATIONS**

- 4.1 Since free travel was introduced, there has been a sizeable increase in costs, arising from growth in fares and, in particular, the number of journeys.
- 4.2 In addition, the methodology for reimbursing bus operators has been subject to many formal appeals and much debate. There are still appeals outstanding for 2006/07 and 2007/08 and these may take some time to resolve.
- 4.3 The Government is paying specific grant to authorities to meet the additional costs arising from the introduction of the new scheme in 2008/09 and is currently consulting on four possible options for distributing this grant. The consultation period ends on 23 November 2007.
- 4.4 The actual level of grant that the Council will receive varies significantly depending on which of the four options is adopted:

##### **Grant Distribution:**

- ◆ Option 1 £331K
- ◆ Option 2 £264K
- ◆ Option 3 £389K
- ◆ Option 4 £496K

- 4.5 MCL, the transport consultants to the Hampshire Countywide Concessionary Travel Scheme, have recently provisionally estimated that the additional costs that will fall on the council next year for the free travel scheme is £352K.
- 4.6 However, the cost of the statutory free travel scheme is likely to change significantly once the negotiations with operators over reimbursement rates are finally concluded. These may take some time to resolve.
- 4.7 **Total Reimbursement Scenarios:**
- ◆ Option A - £1,460K - based on current scheme principles and an effective reimbursement rate of 52.4%.
  - ◆ Option B - £1,743K - based on a fixed reimbursement rate of 62.5%. This rate is significant as it formed the basis of later appeal determinations in 2006/07.

- ◆ Option C - £1,868K - based on a reimbursement rate of 67%. This is the rate that MCL consider might be negotiated with operators to avoid appeals.
- ◆ Option D - £2,053K - based on a reimbursement rate of 73.6%. This rate applies in Scotland and Wales and in some more generous parts of England. This is the rate operators aim to achieve.

4.8 To summarise, our resources for next year will be:

Between:	Worst Case Scenario (£000)	Best Case Scenario (£000)
Existing Base	1,118	1,118
Additional Grant	264	496
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	1,382	1,614

Our Expenditure is estimated to be in the region of:

Between:	Best Case Scenario (£000)	Worst Cast Scenario (£000)
MCL Provisional Estimates	1,460	2,053
Admin Cost etc	67	67
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	1,527	2,120

Therefore, in the best combination, (based on estimated travel projections) the Council should have surplus funding of about £87K, whilst in the worst case the Council will have to find another £738K!

- 4.9 MCL believes that the most logical option for grant distribution is Option 4 (but it is by no means certain that this will be the option selected for distribution) and the most likely reimbursement scenario is Option C. With this combination, the Council will have to find another £321K.
- 4.10 The estimates for free travel are likely to be extremely volatile over the next few years. Actual costs for the existing free scheme show an increasing trend. Actual costs are only determined after the end of each year.
- 4.11 As can be seen a number of key factors still have to be determined in relation to income and expenditure, which will have a major impact on the councils budgets.
- 4.12 On 30 November 2007 the Hampshire and IOW Wight Local Government Association received a report urging the Government to reconsider funding allocations for 2008+.

## **5. OFF-PEAK TRAVEL**

- 5.1 As previously mentioned the new National scheme is for off-peak free travel. The Council currently enhances the existing statutory scheme and provides residents with all-day free travel. The option to provide all day free travel will still exist but this is not recommended in this report.
- 5.2 The statutory time period starts at 0930 hrs and ends at 2300 hrs on normal weekdays and applies at any time on Saturdays, Sundays and Public Holidays.
- 5.3 Under the new scheme, it is possible to request enhanced travel times for residents only but in practice, our consultants state that the enhancement may be applied to all journeys that start in our District.
- 5.4 Residents that travel currently during peak hours may feel disadvantaged by a change to off-peak travel. However, the national scheme is based on off-peak free travel anywhere in England and government support is allocated on this basis. Most pensioners (possibly with the exception of some workers) can probably opt to travel during off-peak periods and there are advantages if they do so.
- 5.5 Other councils that still provide all day free travel are reviewing travel times and some have already decided to change to off-peak travel.
- 5.6 The additional cost of providing all day travel over and beyond that shown in paragraph 4 is provisionally estimated as approximately £35K per annum and in view of the precarious nature of the financial implications, this is not recommended.
- 5.7 The travel times will be encoded into the new smartcards and must apply until the cards expire (or until new cards are issued).

## **6. DISCRETIONARY SCHEMES**

- 6.1 The Council still provides a number of discretionary concessionary travel schemes e.g. local vouchers. Officers may have to recommend that these be reviewed, once the financial implications of the new statutory scheme become clearer.

## **7. ENVIRONMENTAL IMPLICATIONS**

- 7.1 The provision of free travel on all registered bus services in England for the over 60's and the disabled has significant environmental benefits.

## **8. PORTFOLIO HOLDERS COMMENTS**

- 8.1 The Portfolio Holder supports the recommendation 10 of this Report.

## **9. CONCLUSION**

- 9.1 The new scheme generally widens the scope of free travel for the over 60's and the disabled. It is recommended that it is applied during off peak periods.
- 9.2 The profile of concessionary travel has changed significantly. The administration and workload has increased substantially and there will be a major impact on the future of the council's finances.

## **10. RECOMMENDATIONS**

It is recommended that:

- 10.1 Members note the updated information about the new free travel scheme
- 10.2 The new scheme be applied during off-peak periods
- 10.3 Appropriate provision is made in the council's expenditure plans when the financial position becomes clearer.

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### **Background Papers:**