

# Agenda Item

**Executive Board**

**14 March 2007**

**DP**



## Concessionary fares scheme 2007-08

### Summary

The 2007-08 budget contains an extra £130,000 to cover the shortfall in the concessionary fares budget together with an extra £30,000 which has been made available to extend the scheme from April 2007.

The sum paid to operators is derived from a formula which requires the calculation of an average fare and the application of a 'generation' factor. The proposal for next year is to freeze current rates.

### Recommendation

- 1 That the concessionary travel scheme be extended to settlements outside of East Devon, as set out on appendix A, to which residents would travel in order to visit the doctor, dentist, hospital, bank or post office which would also provide access to shops and other town centre facilities.
- 2 That bus operators be advised that the average fare and 'generation' used in the reimbursement formula for 2007-08 be retained at existing values.

#### a) Reasons for Recommendation

To provide an enhanced concessionary travel scheme in accordance with a previous decision of the Council.

#### b) Alternative Options

Retain existing scheme or use the additional monies to fund a free concession on services other than those listed in the appendix.

#### c) Risk Considerations

The actual cost of concessionary travel will be dependent upon the number of trips undertaken during the course of the year. Although one might anticipate an increase in usage over 2006-07, due to an increase in the number of pass holders, a downturn will occur at some stage as the novelty factor of free travel wears off.

#### d) Policy and Budgetary Considerations

Budgetary consideration outlined in the report.

#### e) Date for Review of Decision

The concessionary fares budget will be monitored monthly and should corrective action be necessary then this will be reported to Members.

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### 1. Introduction

- 1.1 The free concessionary fares scheme will continue to operate to March 2008 when an enhanced national scheme takes its place.

- 1.2 Government funding for free travel in 2007-08 will again be made via the Revenue Support Grant although the actual sum awarded is not identifiable within the overall total.

## **2. 2006-07 update**

- 2.1 Working independently from the Devonwide partnership the Council set aside a budget of £947,000 to administer and finance concessionary bus travel on local services operating within the district together with routes to/from Exeter and Lyme Regis. This sum was broadly equal to the amount paid into partnership in the previous financial year together with the extra resources made available by the Government to assist local authorities fund free travel. East Devon share of the national pot was £644,000.
- 2.2 The data base supplied by Devon County Council prior to the commencement of the free travel scheme contained in the order of 19,100 names of East Devon concessionary pass holders. To date a further 6,900 have been added and, of the original list, 3,500 removed.
- 2.3 The sums paid to bus operators, for providing free travel, is based on an average adult single fare, per trip, and multiplied by 71%. The latter figure is commonly referred to as the 'generation factor'. Its purpose is to reduce the level of reimbursement paid on the basis that operators should not benefit from an increase in the number of trips made, generated by the free travel concession. The guiding principle is a formula that leaves the bus operator in no better or worse position from participating in the scheme.
- 2.4 The demand for concessionary travel has been such that after 10 months it is predicted that the cost of the scheme will exceed the 2006-07 budget by something in the order of £115,000.

## **3. 2007-08**

- 3.1 The 2007-08 estimates provide additional sums to cover the anticipated shortfall in the existing budget, referred to above, plus a contingency to cover costs which undoubtedly will be incurred in setting up the 2008 scheme. For this purpose a total £130,000 has been provided.
- 3.2 No provision however has been made for growth in concessionary trips over the number made this year. Further the assumption is made that each bus operator will agree to freeze the average fare figure used for reimbursement purposes.
- 3.3 The latter assumption reflects the decisions taken by other authorities to either move to a lower average fare, based on single and return journeys, and/or applying a different generation factor in recognition of the growth in concessionary travel over that anticipated.
- 3.4 In the case of one local appeal, determined by the Department of Transport (DfT), it was ruled equitable to base the average on a basket of fares and not solely on the single fare. In this case the difference between the two average figures was estimated to be 8%. A further administering authority, considering a similar approach, has estimated the reduction to be in the order of 6% for services operating in their area.
- 3.5 From the bus companies perspective operating costs have risen year on year and there would be an expectation that these will be taken into account when calculating next years reimbursement. The proposal to freeze the average figure for next year assumes any reduction which might be achieved by recalculating the average would be offset by an increase justified by higher operating costs.
- 3.6 In the event of a Transport Concession Authority failing to reach agreement over the level of reimbursement a bus operator can lodge an appeal with the DfT.

- 3.7 In addition to the above mentioned sum £30,000 has been earmarked to fund an enhanced scheme. Here the Council has previously agreed that in the event of additional monies be available then this should be applied on a priority basis, as detailed below:
1. Routes to significant settlements outside of East Devon to which residents would travel in order to visit the doctor, dentist, hospital, bank or post office which would also provide access to shops and other town centre facilities.
  2. Exeter and park and ride facilities
  3. Other destinations within Devon
- 3.8 It is considered the £30,000 will be sufficient to meet Member's 1<sup>st</sup> priority based on a guesstimate of the number of extra trips that will be taken to towns outside of the district. It is anticipated that the attached list of cross border services and destinations would achieve the objective although it is recognised some pass holders will, through preference or other reasons, want to travel further a field.

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### **Legal Implications**

The Council has the discretion to provide additional free services outside East Devon.

### **Financial Implications**

As detailed in the report.

### **Consultation on Reports to the Executive**

N/A

### **Background Papers**

- Working papers file
- Appendix A – cross border routes

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