



# Cabinet report

Date	<b>8 JUNE 2023</b>
Title	<b>CONCESSIONARY TRAVEL REIMBURSEMENT – 2023/24</b>
Report of	<b>CABINET MEMBER FOR TRANSPORT AND INFRASTRUCTURE, HIGHWAYS PFI AND TRANSPORT STRATEGY</b>

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## EXECUTIVE SUMMARY

1. This report outlines the proposal to maintain the pre-Covid levels of concessionary fares reimbursement for local bus operators, in line with the latest Department for Transport (DfT) Supplementary Note for 2023-24 (see Appendix 1) for the financial year 2023/24. The purpose of adopting this approach is to assist local public and community bus services to recover from the longer-term impact of the pandemic on patronage numbers and the more recent economic pressures. Likewise, this will negate any significant detrimental knock-on effects to the level of local bus services operated on the Island.
2. The recommended proposal would see the Isle of Wight Council reimbursing bus operators at pre-pandemic levels and linked directly to the actual level of local bus services operated (mileage). To clarify, the monthly reimbursements would be benchmarked against the level of services operated prior to the pandemic for the equivalent period. As an example, this would see an operator running 80 per cent of the services, which they were providing at 100 percent during 2019/20, would result in receiving 80 per cent of the concessionary fares reimbursement which they received during 2019/20.
3. Additionally, the report seeks approval to retain the remaining revenue funding currently budgeted for concessionary travel reimbursement, above the outlined levels of reimbursement, for the purpose of using the funding to provide further to support local bus services on the Island and other transport related pressures, again in line with the latest DfT guidance to Local Transport Authorities (LTAs).
4. However, it is recognised that any decisions would need to be considered in the context of the wider financial position of the council and therefore the proposed recommendation is that any decisions of this nature are carried out in consultation with the Director of Finance/S151 Officer and the Cabinet member for Highways and Infrastructure. This is in line with the latest Department for Transport (DfT) Supplementary Note for 2023-24 (see Appendix 1).
5. To note the matters set out within this report are separate to the Governments decision to cap current commercial single journey fares to £2 until the end of October 2023, with a further 12 months at £2.50. Unlike proposals within this report,

the price cap is focused on encouraging the use of local bus services by fare paying passengers and increasing overall patronage on this specific mode of sustainable transport.

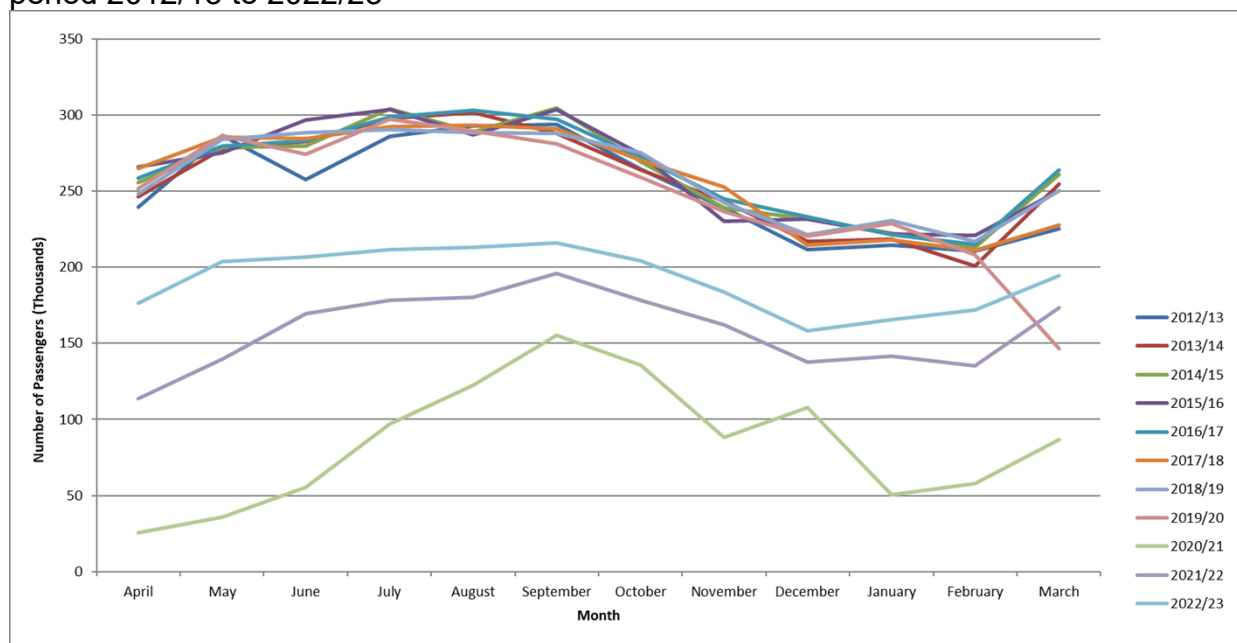
## RECOMMENDATION

6. That Cabinet approves proposal to maintain the pre-Covid levels of concessionary fares reimbursement for local bus operators for the financial year April 2023 to March 2024 in line with the Department for Transport (DfT) Supplementary Note for 2023-24 (see Appendix 1) Which will enable monthly concessionary payments to be made at a Pre Covid-19 reimbursement level, on the basis that local bus services are likewise maintained at an equivalent to Pre Covid levels. Which would be reviewed on a six-monthly basis in recognition of the ever-changing market environment.
7. Furthermore, that Cabinet approves the retention of remaining revenue funding currently budgeted for concessionary travel reimbursement, above the outlined levels of reimbursement, for the purpose of providing further support to local bus services on the Island and other transport related pressures. Any decisions on funding would be carried out in consultation with the Director of Finance Services/S151 Officer and the Cabinet Member for Transport and Infrastructure, Highways PFI and Transport Strategy

## BACKGROUND

8. Since the beginning of the Covid-19 pandemic, the Isle of Wight Council has maintained the levels of concessionary fares reimbursement at an equivalent level to the 12 months prior to the pandemic. This has been in line with all DfT guidance issued regarding concessionary travel reimbursement during this period.
9. Since the end of the first lockdown local bus operators have continued to increase their levels of operation and at present Southern Vectis are currently operating back at close to 100% of bus mileage levels (or even above during the summer tourist season), when compared to the 2019 base line, which was agreed for the purpose of securing ongoing funding support from LTAs and the DfT. Though of course some operational changes have been made to the local services during the period to reflect the changes in passenger demand and driver availability.
10. Additionally, local community bus services have continued to operate, though at a reduced level due to both the availability of volunteer drivers and patronage. This includes Freshwater, Yarmouth and Totland (FYT) bus services in the West Wight and the local town service 31 operated by Minibus Plus in Partnership with Ventnor Town Council. Though in respect of the service 31 a decision was made prior to the pandemic to reduce the number of days operated and therefore direct reimbursement arrangement has reflected this service level.
11. However, this overall level of operation is still against significantly reduced level of concessionary travel as set out below Chart 1. From ongoing discussions with neighbouring authorities and other bus operators, this reduced level of concessionary patronage is similarly reflected across the rest of England. However, based upon the latest figures for the Isle of Wight, it is performing slightly better than other areas, especially during the peak summer tourist season.

Chart 1 - The number of Concessionary Journeys on Southern Vectis services for the period 2012/13 to 2022/23



12. All local bus operators want to get back to the fully viable operation that does not rely upon enhanced funding support, as soon as the situation allows. However, the real concern of operators is how long they can maintain the pre-pandemic levels of public bus services whilst remaining commercially viable.
13. On this basis alternate proposals were considered as set out below. This includes a request from Southern Vectis to add aggregated inflation since the pandemic in addition to the recommended option.
14. However, having considered the various options a number of risks were identified, which has led to the recommended proposal. One of the fundamental risks identified is need for commercial operators to operate a viable network, and should concessionary travel overall remain reduced, coupled with the current inflationary costs, without some form of assistance, there would inevitably be some routes where the cost of operation is not being met by the current level of income received. This would be particularly true of those routes which rely upon a higher percentage of concessionary pass holders using them, these are generally those services operating predominantly within rural areas or local town services. It is therefore these services which would be potentially at risk when undertaking a network review to arrive at a sustainable commercial level of local bus services.
15. Southern Vectis currently report that overall ridership level is approximately 85-90% to those prior to the Covid 19 pandemic. Overall concessionary pass holders are returning slower than commercial passengers, though the situation has continued to improve, with concessionary passengers at about 80-82% of pre-Covid levels. Whilst commercial patronage is closer to 100% of pre-covid levels (especially during the last summer peak tourist period).

16. As highlighted previously in the 2019 consultation, regarding the local concessionary travel schemes, the rural nature of the Island has led to a proportion of residents to rely solely upon public bus services to access healthcare services, retail and for social interaction. Therefore, should the local bus services become reduced or cancelled without appropriate planning, it could lead to significant rural isolation and impacts on some of the most vulnerable in society who currently benefit from local and national concessionary travel schemes.
17. It is on this basis of the issues set out above, that this report proposes maintaining the financial assistance to local bus service operators until the end of March 2024, in line with DfT's revised guidance (see Appendix 1), to allow further time for the local bus operators to fully recover from the economic impact of the Covid-19 pandemic, to arrive at a sustainable level of local bus services and/or for the DfT to arrive at a revised concessionary travel reimbursement methodology.
18. The recommended proposal would see the Isle of Wight Council reimbursing bus operators based on the percentage of pre-COVID-19 bus network that an operator provides. As an example, this would see an operator running 80 per cent of the services which they were providing during 2019/20 receiving 80 per cent of the concessionary fares reimbursement which they received during 2019/20.
19. Southern Vectis are confident that with the pandemic hopefully becoming less impactful over time, passengers will return in increasing numbers, and we can retain as much as the pre pandemic network as possible filling the gaps with Bus service Improvement Plan (BSIP) funding, S106 developer contributions and 2019 Bus Support funding once the DfT's Bus Recovery Grant (BRG) funding ends in June 2023.
20. The Transport Team continue to undertake necessary reviews of the local bus services to inform the appropriate future planning in partnership with Southern Vectis and community bus operators with further meetings planned over the coming months.
21. The network planning meetings will in turn inform any requirement to utilise the surplus budget, currently allocated to concessionary travel reimbursement, to provide additional support to local bus services. This decision would of course follow consideration of the overall portfolio budget position of the Council at the appropriate time.
22. Previously concerns had been raised that paying out concessionary fares at pre-Covid levels was not compatible with the provisions of the Mandatory Travel Concession (England) Regulations 2011. In response to these concerns and in recognition of the ongoing issues faced by LTAs and bus operators, DfT have further extended the necessary agreement across Government and laid a Statutory Instrument (SI) in March 2021 to temporarily change the legislation (Regulation 6(a) of the Mandatory Travel Concession (England) Regulations 2011 to temporarily remove the requirement that travel concession arrangements should aim not to leave an operator financially better off as a result of providing a concession. The current Mandatory Travel Concession (England) Regulations therefore allow LTAs, in principle, to pay concessionary fares funding to operators at a higher level than due through actual journeys by passholders (although, as noted above, LTAs will need to take account of and comply with subsidy control rules in making such

payments).

23. This amendment will cease to have effect at the end of the 2023/24 financial year and is set out with Appendix 1.

## 24. CORPORATE PRIORITIES AND STRATEGIC CONTEXT

### Responding to climate change and enhancing the biosphere

25. A sustainable public transport network is central to meeting the targets set within the Climate and Environment Strategy adopted by the Council in October 2021. The strategy identifies that private car emissions significantly contribute to the carbon emissions generated by the Island and therefore a sustainable public transport network, offering multiple vehicle occupancy capacity greater than private cars, is essential to meet the carbon zero targets set.
26. As such the report's recommendations would therefore have a positive impact on carbon emissions in ensuring that bus services and current bus routes are maintained. This in turn supports the Climate and Environment Strategy and developing Local Transport Policy objectives in encouraging people to use public transport.
27. Additionally, in respect of the UNESCO Biosphere, the recommendation aligns with a number of UNESCO Sustainable Development Goals both directly i.e., Goal 11 Sustainable Cities and Communities and Goal 13 Climate Action and indirectly through the use of public transport; Goals 10, 8 4 & 3.  
<https://www.un.org/sustainabledevelopment/sustainable-development-goals/>

### Economic Recovery and Reducing Poverty

28. It is recognised that a sustainable transport network is vital to support economic recovery through connecting places of residence with education, employment and training venues, whilst offering an alternative to private car ownership. In addition, public transport companies offer employment opportunities and training to Island residents which is in itself important to the Island's economy. The recommendation of this report seeks to minimise the economic impact of the Covid pandemic, and the more recent inflationary increases, on the operation of local bus services, thereby seeking to ensure that the sustainable public transport network is maintained.

### Impact on Young People and Future Generations

29. A sustainable public transport network is essential for young people and future generations, to access education, employment, social events, health appointments etc. The recommendation of this report seeks to minimise the economic impact of the Covid pandemic and recent inflationary increases on the operation of local bus services, thereby seeking to ensure that the sustainable public transport network is maintained.

## Corporate Aims

30. As set out above, this reports recommendation is in line with the Key Areas for Action set out within the recently adopted Corporate Plan for 2021-2025, both in respect of supporting sustainable travel and local economic recovery

## CONSULTATION

31. Other than ongoing engagement with the local bus operators, as well as neighbouring local authorities, no consultation has been carried out in developing these proposals as they relate to internal financial decisions.

## FINANCIAL / BUDGET IMPLICATIONS

32. The proposal has no additional budgetary impact on what has already been budgeted for concessionary travel expenditure for the financial year 2023/24.
33. This is on the basis that the budget for concessionary fares has continued to be maintained at the level set prior to the pandemic based upon recorded patronage and it was envisaged that there would be a further increase in the level of reimbursement per journey of circa 5 per cent against the previous year.
34. The level of proposed reimbursement is based upon the number of passenger journeys for the same period in 2019 and the level of growth/decline observed over the previous 11 months (-1.48 per cent) multiplied by the current level of reimbursement per concessionary journey (£1.545).
35. On this basis and in line with the DfT guidance, the following table (Table 1) details the proposed level concessionary travel reimbursement has been calculated for the period April 2023 to March 2024 for Southern Vectis services.
36. Based upon the recommendation and an already agreed budget reduction of £100k, the forecasted underspend is circa £560k.

Table 1. Proposed Level of concessionary travel reimbursement for Southern Vectis for the period April 2023 to March 2024

Month	Number of Baseline Passengers	Value of Reimbursement 2023/24
April	247739	£ 382,757.34
May	281976	£ 435,653.02
June	270199	£ 417,457.43
July	293002	£ 452,688.74
August	284890	£ 440,155.49
September	277077	£ 428,083.44
October	255217	£ 394,310.33
November	232772	£ 359,633.08
December	216877	£ 335,074.97
January	225360	£ 348,180.54
February	205167	£ 316,982.88
March*	246359	£ 380,624.83
		£ 4,691,602.09

\*Baseline of March 2018 was used as March 2019 was already impacted by the pandemic

37. In respect of the community bus operators the financial support for concessionary travel will be matched at 2019 levels, for the days in which they are in operation.
38. Though as a result of reducing the number of operating days for the Service 31 by Ventnor Town Council and the operator prior to the pandemic, this service shall be reimbursed for actual journeys travelled. Though to assist the service further ongoing discussions are being had to utilise some DfT funding to enhance the service to operate additional journeys and days of operation.

### LEGAL IMPLICATIONS

39. The proposed recommended option is in line with current Department for Transport Guidance and the revised Statutory Instrument (SI) to temporarily change the legislation (Regulation 6(a) of the Mandatory Travel Concession (England) Regulations 2011 to temporarily remove the requirement that travel concession arrangements should aim not to leave an operator financially better off as a result of providing a concession. As such there are no additional legal implications to consider.

### EQUALITY AND DIVERSITY

40. The council as a public body is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

41. It is anticipated that the recommended option would have no impact on groups with protected characteristics as there are no proposed changes to the concessionary travel scheme and the maintenance of the funding should assist in ensuring that the level of local bus services being operated is maintained.

## OPTIONS

42. **Option 1 - Maintain Concessionary Reimbursement Agreement:** As recommended, to maintain the pre-Covid levels of concessionary fares reimbursement for local bus operators for the financial year April 2023 to March 2024 in line with the Department for Transport (DfT) Supplementary Note for 2023-24 (see Appendix 1) Which will enable monthly concessionary payments to be made at a Pre Covid-19 reimbursement level, on the basis that local bus services are likewise maintained at an equivalent to Pre Covid levels. Which would be reviewed on a six-monthly basis in recognition of the ever-changing market environment.
43. Furthermore, that Cabinet approves the retention of remaining revenue funding currently budgeted for concessionary travel reimbursement, above the outlined levels of reimbursement, for the purpose of using the funding to provide further support local bus services on the Island and other transport related pressures, again in line with the latest DfT guidance to LTAs. Subject to consideration being given to wider financial pressures faced by the Council.
44. **Option 2 – Direct Reimbursement:** To return to a direct reimbursement arrangement with local bus operators for the actual number of concessionary journeys undertaken. Though linked to actual patronage, this option would result in a higher rate of reimbursement per journey as it would include fare and the inflationary increases since 2019.
45. This option is not recommended due to the potential for local bus service reductions and impact on the overall coverage for the Island. To meet its statutory obligations, the Council would then need to consider subsidising the local bus services or funding alternative provision. In turn this could lead to unforeseen cost pressures.
46. **Option 3 – Further Dialogue:** To enter to further dialogue with Southern Vectis and other local community bus operators about an alternative recovery approach.
47. This option is not recommended as this will delay the process and could lead to a dispute. Likewise, the outcome is uncertain in both respect of impacts on finance and local services, especially as these are known with the recommended option. Likewise, the delays may lead to operators to reduce service levels due to the uncertainty.

## RISK MANAGEMENT

48. There is a potential risk that even with the additional financial support from the Council in respect of concessionary travel, that Southern Vectis will have to still make the commercial decision to reduce levels of current service operation later in the year when Bus Recovery Grant (BRG) funding comes to an end.



49. To assist in mitigating this risk, the recommended proposal for reimbursement is linked to service level operated and therefore there would be a financial penalty in doing so. Likewise, it is the intention that conditions are applied to the funding agreement for the fixed agreement which will include,
- (a) Monthly meetings between the Council and Southern Vectis staff, to cover network planning, performance, comms/marketing etc. This would include both home to school and public transport services.
  - (b) Minimum baseline level of service equivalent to the 2019/20 financial year
  - (c) No significant service reductions below this level without the mutual agreement of both parties
  - (d) That Southern Vectis set out any already foreseen pressures on the network ahead of the cessation of DfT's Bus Recovery Grant, at the commencement of the agreement.
  - (e) Work with the Councils Highways and Transportation Contract Management Team, in decision making and network planning going forwards beyond 31 March 2024.
50. However, it is recognised that a decision not to agree to the recommended option, would require instigation of further urgent discussions to be undertaken with local operators to fully understand the impacts and the associated risk of reduced levels of local bus service.
51. It should also be noted that a further delay in reaching an agreement with the local bus operators on concessionary travel reimbursement, is likely to result in a dispute which may have to be escalated to the Department for Transport to oversee. This can result in legal expenses, as well as further financial and reputational implications for the Council.

## EVALUATION

52. The reports recommendation would contribute towards maintaining the existing bus network on the Island which would allow some time for bus patronage to recover towards pre-pandemic levels. This additional time is especially important to build back the confidence levels of those who travel with a concessionary bus pass.
53. Additionally, the report seeks approval to retain the remaining revenue funding currently budgeted for concessionary travel reimbursement, above the outlined levels of reimbursement, for the purpose of using the funding to provide further support local bus services on the Island and other transport related pressures, again in line with the latest DfT guidance to LTAs. Subject to consideration being given to wider financial pressures faced by the Council, again in line with the latest Department for Transport (DfT) Supplementary Note for 2023-24 (see Appendix 1).
54. The recommendation set out in this report would provide continued support to the bus industry on the Island promoting the longer-term resilience of this sector in contributing to the economic recovery. The recommendation is consistent with the latest advice from the Department for Transport and has no adverse budgetary impact on the Council. By continuing to provide vital support to the bus industry at this time, the Council is maintaining positive and productive partnership working with local bus service operators.

APPENDICES ATTACHED

Appendix 1 – Department for Transport (DfT) Supplementary Note for 2023-24

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