



Cabinet Report

Purpose: For Decision

ISLE OF WIGHT COUNCIL

Date **14 MARCH 2024**

Title **CONCESSIONARY TRAVEL REIMBURSEMENT – 2024/25**

Report of **CABINET MEMBER FOR TRANSPORT AND INFRASTRUCTURE,
HIGHWAYS PFI AND TRANSPORT STRATEGY**

Executive Summary

1. The purpose of this report is to seek approval to return to direct concessionary travel reimbursement for local bus operators in line with Department for Transport (DfT) Guidance for the financial year 2024/25 and approval to maintain the same discretionary concessions for this period, as have been provided in 2023/24.

Recommendation

2. That approval be given to return to the English National Concessionary Travel Scheme (ENCTS) direct reimbursement principles that operators should be no better or worse off as a result of the Scheme and that reimbursements shall be determined by the number of concessionary travel journeys undertaken on the relevant operator's local bus services.
3. That approval be given to maintain the existing discretionary enhancements as detailed in this report for the next financial year 2024/2025.
4. And that delegated authority be given to the Strategic Director of Community Services, in consultation with the Cabinet Member for Transport and Infrastructure, Highways PFI and Transport Strategy and the Section 151 Officer, to prepare and implement the Concessionary Fares Scheme reimbursement arrangements for the 2024/25 financial year.

Background

5. Since the beginning of the Covid-19 pandemic in 2020, the Isle of Wight Council has maintained the levels of concessionary fares reimbursement on local bus services 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. This has helped Southern Vectis and our community bus operators to weather the related downturn in patronage and the local bus network has been maintained at near to 100 percent of 2019 service levels.

6. However, it has now been recognised by the DfT that patronage levels nationally have recovered sufficiently and DfT are now requiring that Local Transport Authorities (LTAs) return to a direct reimbursement arrangement. To assist with this, the DfT have issued a new reimbursement calculator and guidance. This has been amended to be more reflective of the differences between LTA areas and builds in inflationary increases. The impact for the Island is that as a more rural LTA area, the Island has a different calculator output than a similar sized urban LTA.
7. On the Island we are outperforming many other LTAs in the recovery of public transport patronage. Currently Southern Vectis are reporting near 2019 levels of commercial patronage and just under 92 percent of concessionary patronage compared to 2019.
8. Whilst it is good to have strong patronage recovery and to have a calculator amended to reflect the local circumstances, it does mean that the reimbursement rate per journey has in turn increased.
9. These reimbursement rates are calculated by specialist consultants based on DfT guidance and using the DfT Calculator.
10. The initial reimbursement proposal, per journey, for 2024/25 is £1.84, which represents a circa 20 percent increase to the previous calculated rate of reimbursement of £1.545 in 2019/20.
11. Set out within the Financial/ Budget Implications subsection, paragraph 27, are the forecasted costs for the year, which take into account the proposed increased rate per journey and anticipated recovery in concessionary patronage. The outcome of which is that we forecast a small overspend against the planned budget for 2024/25.
12. If agreed these calculations shall also be used as the basis to inform the reimbursement rate for the local community bus service operators for 2024/25.
13. The statutory English National Concessionary Travel Scheme (ENCTS) provides for free off-peak travel on local bus services for eligible older and disabled persons. Off-peak is defined as between 09:30 and 23:00 on Mondays to Fridays and at all times at weekends and on Bank Holidays. The Council has not been notified of any changes.
14. The Isle of Wight Council provide the following local discretionary enhancements to the ENCTS and local concessions, which are recommended to continue for 2024/25:
 - (a) free travel during peak and off-peak periods for Island residents suffering severe and enduring mental health problems; and
 - (b) free travel at all times for holders of Isle of Wight Council disabled persons bus passes on local bus services; and
 - (c) free travel during peak and off-peak periods to travelling companions of Island residents who are eligible for the above concessions, who would otherwise be unable to access public transport.

Corporate Priorities and Strategic Context

Responding to climate change and enhancing the biosphere

15. The proposals, if approved will not have a direct impact. Though by maintaining the sustainability of local bus services, it will have a positive impact on the local climate, aligning with the Council's Climate and Environment strategy, as well as a number of United Nations Sustainable Development Goals.
16. Principally a good public transport network helps residents in local communities, and visitors to the Island, to access services in relation to education, employment, healthcare, social care and retail, which otherwise may not be available. It helps to address social isolation, especially in rural areas, where geographical and economic factors that otherwise limit transport options.
17. Use of public transport as a sustainable mode of transport, is also beneficial to the environment, through reducing the number of sole occupancy car journeys.
18. Due regard to the Council's commitment to the Climate and Environment Strategy 2021 - 2040 has been given at the formative stage of this proposal. The Climate and Sustainable Development Impact Assessment Tool has been used to complete **Appendix 1** (CSDIA Rationale).
19. The assessment has been reflected in the Climate and Sustainable impact assessment wheel below:



Economic Recovery and Reducing Poverty

20. It is widely recognised that lower income families are likely to rely on public transport. As such the recommended proposal will assist in ensuring that the current local bus provision is sustainable and will be of benefit to local low-income families, especially when accessing, employment, education, retail and healthcare.
21. It should also be noted that many of the current local bus service routes serve

identified local areas of deprivation and rural isolation. As such these communities will directly benefit from sustainable local public transport provision.

Impact on Young People and Future Generations

22. Ensuring the sustainability of local bus services will benefit young people and future generations, both directly and indirectly. Many young people utilise public transport, especially those who can travel independently, though still too young to drive, when accessing various activities and education. This is particularly an issue for young people living in rural communities.
23. Likewise, the use of public transport, as a sustainable means of travel, can benefit future generations through reducing pollution and improving the wider environment, when compared with private car usage.

Corporate Aims

24. The recommended proposals align with the Council's aspiration of 'committing to develop sustainable transport' in relation to Environment, heritage and waste management and the ongoing business of the Council, to 'continue to work with the transport infrastructure board to improve infrastructure, public transport and mainland connectivity' in relation to Highways PFI, transport and infrastructure, as set out within the Corporate Plan 2021 to 2025.

Consultation and Engagement

25. There is no requirement for formal consultation where these proposals relate to internal financial decisions. Though engagement has been undertaken with the local bus operators and neighbouring local authorities to help inform the proposals.

Financial / Budget Implications

26. Based upon the calculations undertaken by commissioned consultants using the DfT Concessionary Fares Reimbursement Calculator and the subsequent negotiations, the initial proposed rate per journey on Southern Vectis services is £1.84. This is approximately a 20 percent increase compared to the last calculated rate in 2019 of £1.545 per journey. Though any agreed rate shall be subject to final negotiations undertaken between the two parties.
27. On the basis of current levels of concessionary travel patronage and building in a reasonable further growth of 5 percent a reimbursement rate of this value will equate to a forecast spend in 2024/25 of £4,976,652.00. In addition, circa £30,000.00 is forecasted for the reimbursement of concessionary travel on community bus services. Based on these proposals this would result in an overspend against the proposed budget of £4,937,660.00, of circa £38,992.00. Such a pressure would need to be met with existing Highways and Transportation revenue budgets.
28. The detailed work on concessionary reimbursement for local community services will use the same methodology, and as this is a relatively low value, will be negotiated on a separate basis.

29. It should be noted that the current growth in concessionary patronage in 2023/24, against the previous 12-month period, was 10.28 percent. Whilst this is greater than the forecasted rate, it was half of the rate recorded prior to 2022/23. This growth rate is in turn significantly less than the previous year. Therefore, it is anticipated this slowdown in growth of patronage will continue as we get closer to the pre-pandemic levels, which is why a 5 percent increase has been forecasted.
30. Though this proposed rate of reimbursement does represent a risk in the event that the growth exceeds the forecasted 5 percent, as this will lead to an overspend against the proposed budget. Therefore, the concessionary returns shall be closely monitored and reported on a monthly basis.
31. Any overspend within the financial year 2024/25 will need to be met from within existing Highways PFI and Transportation Budgets. A further revenue growth bid will need to be submit for financial year 2025/26 should concessionary patronage continue to grow at or above 5 percent. Finance is aware of the potential budget pressure for 2025/26 and the forecasted pressure shall be included within any forecasts.

Legal Implications

31. The Isle of Wight Council is a Travel Concessions Authority (TCA) and as such is obliged to provide a free bus fare concessions scheme satisfying mandatory minimum availability criteria for eligible people within its boundaries (“English national free fares scheme”). This obligation is set out in the Transport Act 2000 as amended. The Council also retains the authority under the Concessionary Bus Travel Act 2007 to provide additional discretionary travel concessions to supplement the mandatory elements of the Scheme should it choose to do so.

Equality and Diversity

32. 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.
33. Under the Equality Act 2010 we are required to have due regard to our equality duties when making decisions, reviewing services, undertaking projects, developing and reviewing policies. This must be done at the formative stage of your proposal, not retrospectively as justification for the recommendation.
34. 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

35. **Option 1** - That approval be given to return to the English National Concessionary Travel Schemes (ENCTS) direct reimbursement principles that operators should be no better or worse off as a result of the Scheme and that reimbursements shall be determined by the number of concessionary travel journeys undertaken on the relevant operator's local bus services; and
36. That approval be given to maintain the existing discretionary enhancements as detailed in this report for the next financial year 2024/2025; and
37. And that delegated authority be given to the Strategic Director of Community Services, in consultation with the Cabinet Member for Transport and Infrastructure, Highways PFI and Transport Strategy and the Section 151 Officer, to prepare and implement the Concessionary Fares Scheme reimbursement arrangements for the 2024/25 financial year.
38. **Option 2** – Not to approve the recommended proposal and undertake further negotiations with local bus operators. Though this may trigger implementation of the statutory minimum ENCTS concessions and could result in a formal appeal, as set out within paragraph 41.

Risk Management

39. It is recognised that a decision not to agree to the recommended option, would require instigation of further urgent discussions and further negotiations to be undertaken with local operators to fully understand the impacts.
40. If mutual agreement is not reached by 1 April 2024, the local concessionary arrangements may revert to the statutory minimum set out within paragraph 13.
41. 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 formal appeal which may have to be escalated to the DfT to adjudicate. This can result in legal expenses, as well as further financial and reputational implications for the Council.
42. Another identified risk is that given the increased rate of reimbursement, should concessionary patronage continue to grow beyond the forecasted 5 percent, this will result in an overspend against the budget. It is not a risk that can be easily addressed or mitigated, given the requirement of the English national concessionary travel scheme that direct reimbursement is provided and formulated through the revised calculator.

Evaluation

43. Option 1 is recommended as it aligns with the requirements of the DfT for concessionary travel and seeks to mitigate the risk of a formal appeal. Whilst a revised rate of reimbursement increases the overall spend, it shall account for the inflationary increases since 2019 and based upon a moderate concessionary patronage growth, is likely to result in a small overspend forecast against the proposed budget. Any overspend will need to be found within existing Highways

PFI and Transportation budgets.

44. Option 2 is not recommended due to the risks associated in delaying the decision and not conforming with the timetable set out within the DfT Concessionary Travel Guidance which can trigger an appeal. Likewise, varying from the DfT guidance and the calculator can trigger an appeal. Such an appeal can result in additional legal costs, reputational damage and result in an unfavourable reimbursement rate.

Background Papers

45. Department For Transport Reimbursing Bus Operator Guidance - [How to reimburse bus operators for concessionary travel - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/how-to-reimburse-bus-operators-for-concessionary-travel)
46. Department For Transport Bus Travel Reimbursement Calculator - [Calculate your concessionary bus travel reimbursement - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/calculate-your-concessionary-bus-travel-reimbursement)
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