



Cabinet report

Date	16 JUNE 2022
Title	CONCESSIONARY TRAVEL REIMBURSEMENT 2022-2023
Report of	CABINET MEMBER FOR HIGHWAYS PFI, TRANSPORT AND INFRASTRUCTURE

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) 'Alternative Covid-19 Recovery Strategy' (see Appendix 1) for the financial year 2022/23. The purpose of adopting this approach is to assist local public and community bus services to recover from the ongoing impact of the Covid-19 pandemic on patronage numbers. Likewise, this will negate any significant detrimental knock-on effects to the level of local bus services operated on the Island.
2. The 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.
3. Additionally, the report seeks approval to develop a business case to ringfence the remaining revenue funding currently budgeted for concessionary travel reimbursement, above the outlined levels of reimbursement, for the purpose of using the funding should it be necessary to provide further support to maintain levels bus services on the Island, again in line with the latest DfT guidance to Local Transport Authorities (LTAs).

RECOMMENDATION

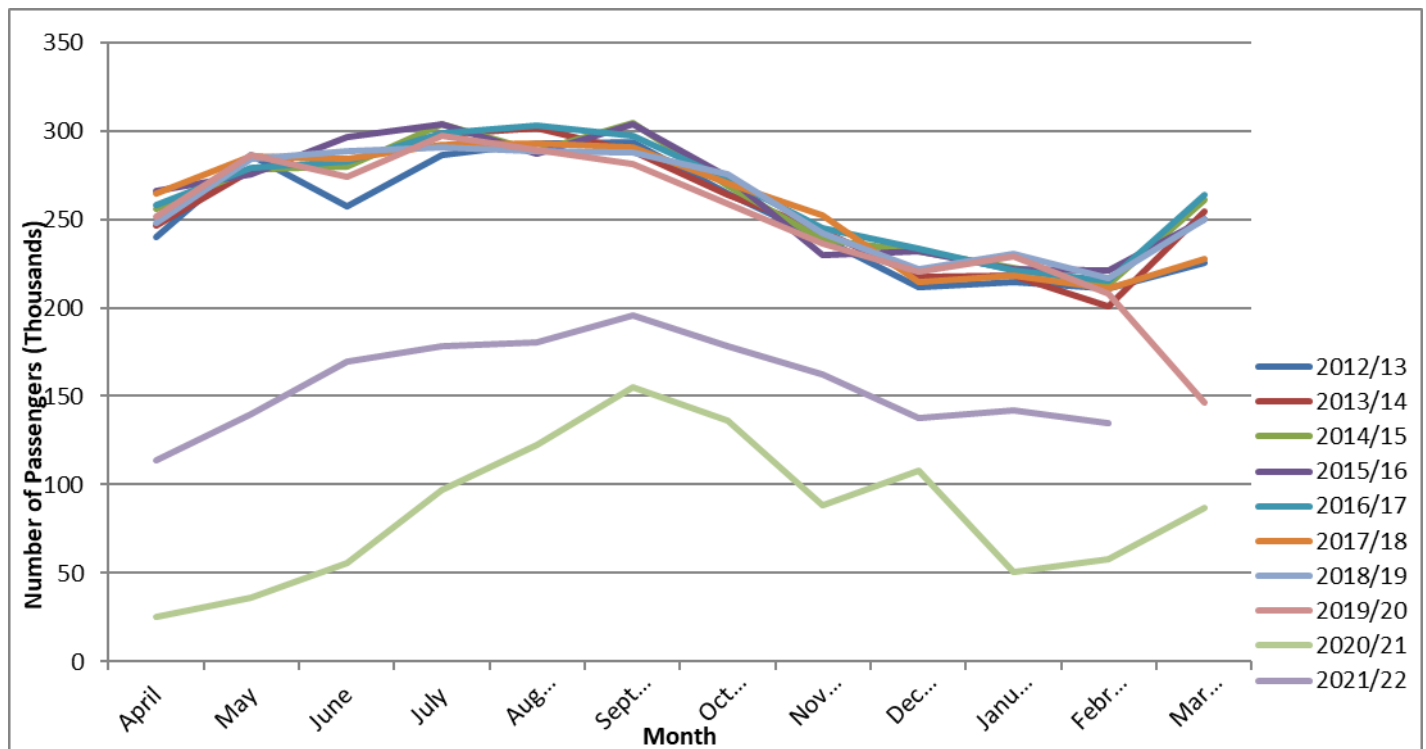
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| <ol style="list-style-type: none">4. That Cabinet approves proposal to maintain the pre-Covid levels of concessionary fares reimbursement for local bus operators for the financial year April 2022/to March 2023 in line with the DfT guidance to LTAs 'Alternative Covid-19 Recovery Strategy' (see appendix A). 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.5. Cabinet approves the development of a business case to ringfence the remaining revenue funding currently budgeted for concessionary travel reimbursement, above |
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the outlined levels of reimbursement, for the purpose of using the funding should it be necessary to provide further support to maintain levels bus services on the Island, again in line with the latest DfT guidance to LTAs.

BACKGROUND

6. Throughout the Covid-19 pandemic, the Isle of Wight Council has continued to maintain the levels of concessionary fares reimbursement at an equivalent to the 12 months prior to the pandemic. This approach has been in line with all DfT guidance issued during the pandemic to all Local Transport Authorities within England, regarding concessionary travel reimbursement.
7. 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 100% of bus mileage levels (or even above), compared to 2019. Though some operational changes have been made to the local services during the period to reflect the changes in passenger demand.
8. 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 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 the reimbursement has been reduced to reflect this.
9. However, this overall increase to the level of operation is still against significantly reduced concessionary travel as set out below in 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.

Chart 1 - The number of Concessionary Journeys on Southern Vectis services for the period 2012/13 to 2021/22



10. All of the 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.
11. On this basis and in line with previously issued Concessionary Travel Recovery Guidance issued by the DfT on 29 October 2021, an initial proposal was developed to increase concessionary fares reimbursement to reflect the recent inflationary costs, whilst taking a phased approach to returning to a direct reimbursement arrangement
12. However, upon receipt of the proposal, Southern Vectis, as the sole commercial public bus operator on the island, advised that due to the need to operate a viable network, and should concessionary travel overall remain reduced, coupled with the current inflationary costs, there would inevitably be some routes where the cost of operation is not being met by the 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 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.
13. Southern Vectis currently report that overall ridership level is 77% compared to 2019 pre covid levels. This is made up of 69 per cent of ENCTS passengers returning and 83 per cent for those passengers who pay commercial fares. Overall concessionary pass holders are returning slower than commercial passengers, but as with other locations that the parent company operate within, these have increased in recent weeks as the final restrictions from Covid-19 have been eased.

14. 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 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, 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.
15. 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 2023, in line with DfT's revised guidance; Appendix A - Concessionary Travel Alternative Recovery Strategy, issued on 29 March 2022, to allow sufficient 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.
16. The 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.
17. Southern Vectis are confident that with the pandemic hopefully becoming more manageable and less impactful over the year, passengers will return in larger numbers and we can retain as much as the pre pandemic network as possible filling the gaps with BSIP, S106 and 2019 Bus Support funding once the DfT's Local Transport Fund (LTF) ends in October 2022.
18. The necessary network review to inform the appropriate future levels of bus services on the Island, will be undertaken in partnership between the Council and Southern Vectis during planning meetings over the coming months. This will include a review of Southern Vectis' planned marketing and publicity of their services. This partnership approach to network planning is a condition of the DfT's LTF funding as well as the planned Enhanced Bus Partnership, which is still in the process of being finalised.
19. The network planning meetings will in turn inform the proposed business case, to ascertain the need to utilise the surplus budget, currently allocated to concessionary travel reimbursement, to provide additional support to local bus services. This decision would be following consideration of the overall portfolio budget position at the appropriate time.

20. 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).
21. This amendment will cease to have effect at the end of the 2022/23 financial year and is set out with Appendix 1 'Concessionary Travel Alternative Recovery Strategy'

CORPORATE PRIORITIES AND STRATEGIC CONTEXT

22. Responding to climate change and enhancing the biosphere
23. 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.
24. 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.
25. 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

26. 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 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

27. 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

28. 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

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

FINANCIAL / BUDGET IMPLICATIONS

30. The proposal has no additional budgetary impact on what has already been budgeted for concessionary travel expenditure for the financial year 2022/23.
31. 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.
32. 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).
33. On this basis and in line with the DfT guidance, the following table (Table 2) details the proposed level concessionary travel reimbursement has been calculated for the period April 2022 to March 2023 for Southern Vectis services.

Table 2. Proposed Level of concessionary travel reimbursement for Southern Vectis for the period April 2022 to March 2023

Month	Number of Baseline Passengers	Value of Reimbursement 2022/23
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

34. 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.
35. Though due to the decision to reduce the number of operating days for the Service 31 by Ventnor Town Council and the operator prior to the pandemic, they shall be reimbursed for actual journeys travelled. An offer has already been made to allocate a small amount of the DfT Rural Bus Subsidy funding to increase the days of operation, though this is yet to be taken up.

LEGAL IMPLICATIONS

36. 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

37. 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.

38. It is anticipated that the recommended option would have a neutral 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

39. **Option 1:** That Cabinet approves proposal to maintain the pre-Covid levels of concessionary fares reimbursement for local bus operators for the financial year April 2022/to March 2023 in line with the DfT guidance to LTAs 'Alternative Covid-19 Recovery Strategy' (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.
40. In addition, Cabinet approves the development of a business case to ringfence the remaining revenue funding currently budgeted for concessionary travel reimbursement, above the outlined levels of reimbursement, for the purpose of using the funding should it be necessary to provide further support to maintain levels bus services on the Island, again in line with the latest DfT guidance to LTAs
41. **Option 2:** To proceed with the previously intended 4.8 per cent increase to the current rate returning to a direct reimbursement arrangement on a phased approach.
42. **Option 3:** To enter to further dialogue with Southern Vectis and other local community bus operators about an alternative recovery approach.

RISK MANAGEMENT

43. 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 in October, when Bus Recovery Grant (BRG) funding comes to an end. To assist in mitigating this risk, it is the intention that conditions are applied to the funding agreement for the Fixed Pot 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 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 Local Transport Fund, 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 2023.
44. However, it is recognised that decision not to agree to the recommendation 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.

EVALUATION

45. This 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.
46. In addition, the recommended option would allow for the development of a business case to ascertain whether it would be necessary to provide further financial support to either maintain longstanding levels bus services, or alternative transport provision on the Island, again in line with the latest DfT guidance to LTAs
47. 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 contributing to the economic recovery from the COVID-19 pandemic. 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) Concessionary Travel Alternative Recovery Strategy

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