

TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

14 January 2009

Joint Report of the Director of Finance and Leader of the Council

Part 1- Public

Executive Non Key Decisions

1 CONCESSIONARY TRAVEL SCHEME

This report updates Members with regard to the funding of the scheme following the extension of the operational hours in June 2008. It recommends that the Council accept the proposal put forward by KCC as to its share of the costs.

1.1 Introduction

1.1.1 Reports presented to the meetings of Cabinet (18 June 2008) and Finance & Property Advisory Board (21 May 2008) advised Members of changes to the Concessionary Travel Scheme within Kent following Kent County Council's decision to 'fund' an extension to the statutory scheme.

1.1.2 Members may recall that KCC decided that the statutory scheme should be extended so that concessionary travellers could receive free travel from 9.00am, as opposed to 9.30am, until the 'last bus'.

1.2 Negotiations

1.2.1 The new travel arrangements came into effect from 30 June 2008, but the negotiations regarding the funding of the changes by KCC have not been so straightforward. The proposals set out in the report to Cabinet on 18 June (and agreed in principle by Cabinet) were subsequently not endorsed by KCC.

1.2.2 Since then, there have been numerous discussions at meetings of Leaders, Chief Finance Officers and Chief Executives and these have now culminated in (what we hope) is a final proposal by KCC.

1.2.3 Attached at **[Annex 1]** is a joint letter from the Leader and Chief Executive of KCC setting out the details of the final proposal.

1.2.4 Essentially, KCC are proposing to contribute to TCAs (excluding Medway):

- 1) a fixed 4% of the cost of the scheme;
- 2) agreed additional capacity costs as a direct result of allowing travel between 0900hrs and 0930hrs;
- 3) costs associated with companion travel likely to arise from pass holders resident in neighbouring districts.

1.2.5 The most significant of the items above is the contribution of 4% of the cost of the scheme. In the Director of Finance's discussions with MCL and other Kent Finance officers, it appears that in the normal course of events it would be expected that approximately 5-6% of travel would occur in the period 0900hrs to 0930hrs. On a "gross cost" basis, therefore, KCC might be expected to contribute to that level.

1.2.6 **However**, where there is a boundary or threshold for concessionary travel (e.g. concessionary travel only begins at 0930hrs), it is natural that some people will amend their travel patterns to take advantage of the concession. It is generally expected that only 1-2% of users will **not** amend their journey time to take full advantage of the concession. In these cases it may be that users need to get to work for a certain time; have a fixed appointment (e.g. hospital); or perhaps need to make another public transport connection. Therefore, on a very **simple** marginal cost basis by restricting the concessionary travel to the statutory times might only 'save' 1-2 % of the total cost. The proposal from KCC to **fund 4%** of the total cost falls somewhere **in the middle** of the potential cost range.

1.2.7 As one might expect, things are not as straightforward as this as this is 'theory' based on historical travel patterns. A concessionary travel scheme which commences at 0900hrs (following on from the main 'peak' morning travel time) will have an impact on capacity for the bus operators, and there is a good chance that there will be financial claims for "additional capacity" from those operators. As a result, KCC propose to pay for any agreed additional capacity costs as a direct result of allowing travel between 0900hrs and 0930hrs (see item 2 listed above).

1.2.8 Whilst this proposal is not, perhaps, as attractive to the Council as the proposal that was agreed in principle in June last year (whereby the Council's financial exposure was to be "capped" at £811,000 and therefore removing any financial risk from TMBC), Cabinet are advised that it has taken many months to get to the point where an acceptable alternative proposal can be formally put to all the districts in Kent.

1.2.9 **This final proposal is, in our opinion, as good as we can now expect from a financial point of view.** We do not believe that KCC will increase the 'offer' beyond 4%, and the best we could ask for is 5-6%. For TMBC, 4% equates to approximately £30,000.

- 1.2.10 It is intended that this proposal, if agreed, is applied for the current financial year and for the following two years.

1.3 Legal Implications

- 1.3.1 The Transport Act 2000 and Travel Concessions (Extension of Entitlements) (England) Order 2005, as amended by the Concessionary Bus Travel Act 2007, require travel concession authorities (the district and unitary authorities in shire areas) to provide their residents who are 60 and over or who have certain disabilities with free off-peak local bus travel throughout England.
- 1.3.2 As a Travel Concession Authority (TCA), the Council is required to operate a Concessionary Travel Scheme between the hours of 0930 and 2300. The Council can 'enhance' the scheme, following consultation with operators, at its own cost.

1.4 Financial and Value for Money Considerations

- 1.4.1 As set out within the report.
- 1.4.2 At the time of writing, our consultants MCL have yet to provide detailed actual costs for the current financial year at individual TCA level as it has proven very difficult to put in place the arrangements to collect the data by fare stage. However, they advise that at **Kent Scheme** level, costs presently are within MCL's predictions. If this were pro-rated down to individual TCA level, then our costs would be contained within MCL's original prediction for TMBC of £811,000. We hope to receive detailed information at TCA imminently.
- 1.4.3 Members are reminded that this Council's original budget for 2008/09 is in excess of £900,000 as it was agreed, when setting the budget, that a cautious view should be taken given the number of appeals that were being found in the operators' favour.

1.5 Risk Assessment

- 1.5.1 The Council is exposed to financial risk from the statutory operation of this scheme as it has no control over the take-up of passes, the number of journeys made by pass holders, nor the prices charged by operators. Whilst the council receives government funding towards these costs, that funding is fixed so any additional costs have to be borne by the Council.
- 1.5.2 The decision taken earlier in the year by Cabinet to support KCC's decision to extend the concessionary travel scheme means that the total costs will inevitably be higher. The proposal contained in this report will mean that KCC will fund 4% of the total cost, plus agreed additional capacity costs. This will reduce the Council's financial liability.

1.6 Recommendations

- 1.6.1 Cabinet is **RECOMMENDED** to accept the proposal from KCC regarding the funding of the concessionary travel scheme as set out in the report.

Background papers:

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Nil

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