

Title: **Needs & Redistribution Technical Working Group**

Paper: **NR TWG 18/17 – Concessionary Transport Cost and Funding
By Paul Woods CFO North East Combined Authority**

Date: **21 September 2018**

Introduction

1. The Working Group considered a paper NR TWG 12/23 on Transport Cost Drivers at its meeting on 10 November 2016. The paper briefly outlined the concessionary travel costs and the current formula, which is based on modelled Bus Boardings. An extract of the sections of the report dealing with concessionary travel and the notes of the meeting are attached at Appendix A. The group had an informed discussion about the cost pressures and the statutory nature of the scheme and the minutes record that **“In conclusion the group agreed that concessionary travel should remain a bespoke formula and be updated in due course.”**
2. The update on the developing thinking about the formula grant approach at the last meeting appeared to indicate that the Ministry was no longer thinking about a bespoke formula for concessionary travel. As a CFO with over 20 years’ experience of working for a Passenger Transport Authority, I have prepared this paper to provide more information and evidence about the statutory nature of the majority of Concessionary Travel costs; the drivers for the costs; and issues impacting on the distribution of both costs and funding. Costs vary significantly and do not correlate well with resident population - as TCAs must fund costs of people boarding transport in their area regardless of where they live. I would recommend that the Ministry; the Department of Transport; and the group give careful consideration to the information set out in this report and confirm that **concessionary travel should remain a bespoke formula linked with boardings and be updated in due course. As a mainly statutory cost it is also important that the quantum of costs is more fairly recognised.**

Legal Framework

3. A mandatory half-fare off-peak concession was introduced in 2001 and was replaced by a statutory Free concessionary travel scheme in April 2006, which applied only to journeys made within an individual local authority. In April 2008 this was extended by the **English National Concessionary Travel Scheme** (ENCTS) to include free off-peak travel (between 09:30 and 23:00 on weekdays, and all day at the weekend and on bank holidays) in any part of England. Since

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April 2010, the age of eligibility has been increasing with changes to the state pension age. This means that eligibility for a bus pass is gradually increasing from 60 to 66 between 2010 and 2020.

4. The scheme is enshrined in primary legislation through the Greater London Authority Act 1999 and the Transport Act 2000 (as modified by the Concessionary Bus Travel Act 2007). There are different statutory Travel arrangements in London and in the rest of the country, and more information is set out in Appendix D. DfT is responsible for the national policy and provides guidance about the administration of the scheme.
5. Concessionary travel is administered locally by 89 Travel Concession Authorities (TCAs). Since 1 April 2011 County Councils, Unitary Authorities, Passenger Transport Executives and London Boroughs have been classified as TCAs. Responsibility for administering concessionary Travel was transferred from Shire Districts to Shire County Councils from 1 April 2011.
6. TCAs are required by law to reimburse bus operators for carrying concessionary passengers. In respect of the mandatory concession, TCAs must reimburse bus operators for all concessionary journeys starting within their boundaries, regardless of where the concessionary passholder making the journey is resident.
7. In addition to the mandatory bus concession, TCAs are also able to make use of powers provided by the Greater London Authority Act 1999 and the Transport Act 1985 to offer discretionary concessionary travel schemes. Local authorities have the ability to introduce additional “discretionary” concessions funded by their local tax base, such as extending the time of availability or allowing carers of disabled residents free travel when they accompany them. In London discretionary concessions are funded by Transport for London e.g. TfL fund the concession for older people in the weekday morning peak on TfL services (between 04:30 and 09:00). This accounts for around 5% of the cost of the concession overall. TfL also fund the 60+ Pass which is available to people who have reached 60 but have not reached the Government set eligible age for Freedom Pass which is gradually increasing in line with the women’s state retirement age.

Funding for Statutory Concessionary Travel Schemes

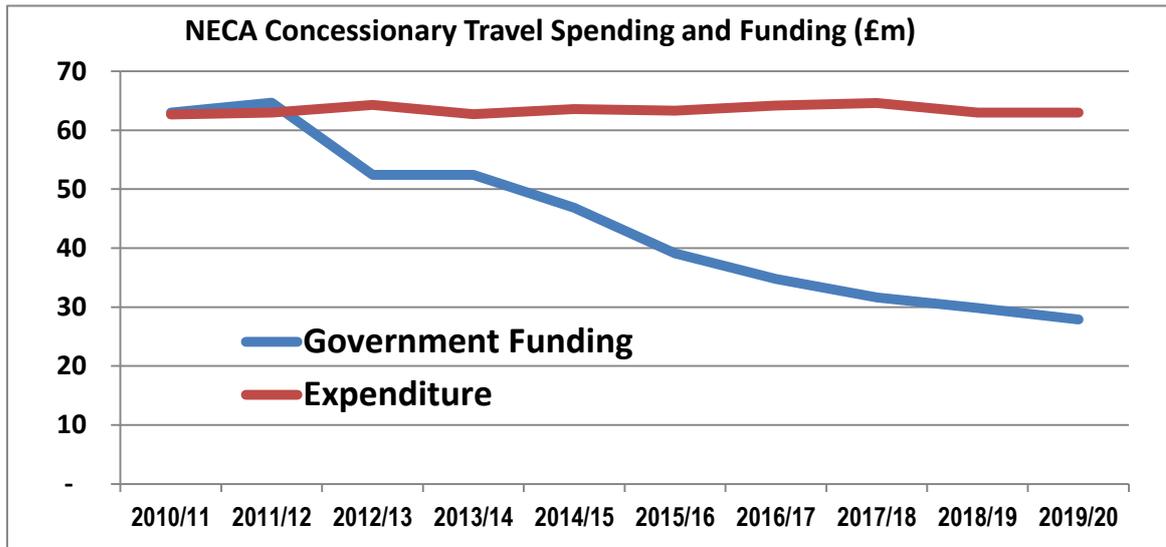
8. The statutory concessionary travel scheme was fully funded by money approved by Parliament for DfT to allocate by the most appropriate formula to the Travel Concession Authorities. The baseline funding for concessionary travel at 2000/01 was around £467m. Since then additional grant funding of £666m was approved by Parliament each time a statutory change was made, resulting in funding of over £1.1bn by 2008/09. The additional funding reflected an estimate of additional extra costs that councils would incur as a result of the statutory changes.

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Year	Funding and Statutory Change	Grant £m
1989/90	Separate GRE for Concessionary Travel prior to merger in EPCS in 1990/91	296.9
2000/01	Funding Rebased to spending	467
2001/02	Half Fare Scheme	+54
2003/04	Equal Half Fare for men aged 60	+50
2006/07	Free Fare Scheme Locally	+350
2008/09	Free Fare Scheme Nationally (specific Grant)	+212

9. In 2011/12 when the responsibility for concessionary travel was transferred from Shire District to Shire County Councils the estimated 2010/11 Net Revenue Expenditure was assumed to be £865m (excluding the spending funded by the specific DfT grant which had increased from £212m to £223m by then), giving a total level of funded expenditure on concessionary travel of £1.088m in 2010/11. In 2011/12 £224m of DfT specific grant for concessionary fares was transferred into Revenue Support Grant. A new formula for concessionary Travel was introduced into the settlement and this is shown in Appendix B.
10. In 2012 improvements to the formula for concessionary travel formula were considered in some considerable detail by the Settlement Working Group. A revised approach based on modelled boardings was considered to be the most appropriate option and the best fit with statutory spending patterns that was possible with the data available at that time. This was one of the few changes to the formula needs assessment that was made in the 2013/14 Local Government Settlement. The revised formula is also set out in Appendix B.
11. The funding for Concessionary Travel was subject to cuts in 2012/13 but was not reduced in 2013/14. In the 2014/15 Settlement the funding for concessionary travel was simply included in the upper tier block of funding that was divided between RSG (60%) and Baseline Business Rate Funding (40%). The decision not to protect the funding that had been provided by Parliament for Concessionary Travel was a concern and meant that in total funding for concessionary travel would be cut each year. It could have been protected by including most of the funding in the Baseline Business Rates, which was the approach taken for Transport funding for London.
12. I have identified the impact of the funding cuts for concessionary travel in our responses to LG settlement consultations each year and estimated the cut in funding and compared it with the profile of the concessionary travel costs of the North East Combined Authority (NECA). The following chart was included in our response to the 2018/19 Local Government Settlement consultation. It gives a simple illustration that funding has been cut considerably since 2011/12.

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Concessionary Travel Costs

13. The costs of Concessionary Travel are included in the Revenue Outturn forms for Highway and Transport services (RO2) and the budget estimates are included in the RA Budget returns each year. Since 2012/13 the costs are reported separately for Statutory and Discretionary Travel costs. Since 2008/09 costs have exceeded £1bn and have not fallen significantly despite funding cuts, due in the main to the mandatory nature of most of the costs.
14. In analysing the costs over the years I have found it necessary to undertake additional quality checks on the figures as sometimes the statutory costs are understated and reported in the discretionary cost cells or there is missing data for a few authorities. I have included a few estimates based on previous years actuals where necessary to try to provide a consistent picture of the costs over time.
15. The reported actual costs for Concessionary Travel since the transfer of responsibility to Upper Tier Authorities in 2011/12 is shown below. Actual costs are shown to 2016/17 and budget estimates are provided for 2017/18 and 2018/19. The figures include a few adjustments for misreported data to provide a more consistent and complete picture over the period.

National Concessionary Travel Costs 2011/12 to 2018/19(Estimate)

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	£m							
Statutory	1,109	1,026	1,052	1,077	1,088	1,095	1,105	1,097
Discretionary		100	113	113	102	85	85	88
Total	1,109	1,127	1,166	1,190	1,191	1,180	1,190	1,185

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16. The Statutory costs have tended to rise over the period. This reflects a combination of effects. Bus operators have to be reimbursed for income foregone and annual increases in bus fares would normally result in increasing costs. This has been partly offset by some reduction in ridership and by decisions by the Mayor of London to freeze fares for TfL operated services in London. Some authorities have made changes to their discretionary travel arrangements in response to funding pressures and this is reflected in the small reduction in discretionary costs in recent years.
17. Different arrangements for the delivery of concessionary travel exist in London, Metropolitan Areas and Shire County Areas. This affects the way that costs are recharged and reported, which is not on a comparable basis.
18. An analysis of the 2016/17 Actual costs by class of Authority is summarised below. This starts to reveal the complexity and differences that exist in the reporting of costs. The costs that are recharged by TFL in London to London Boroughs are generally reported as Statutory costs and include costs from travel on non-bus modes of Transport. Other Discretionary cost in London and funded by TFL and are not included in the RO forms as concessionary travel costs. In Metropolitan Areas the costs are reported by the Combined Authorities that cover metropolitan districts at the larger geography of a Combined authority level – they are later recharged to each constituent Authority as part of a ‘Transport Levy’. Most Combined Authorities report concessionary travel costs on non-bus services - Trams, Metros, ferries etc in the ‘Discretionary’ cost box and show the costs of bus reimbursement as ‘Statutory’ Costs and this makes up the majority £53.8m of the so called ‘discretionary’ costs.

REPORTED CONCESSIONARY TRAVEL COSTS 2016/17				
		Statutory	Discretionary	Total
CLASS BREAKDOWN		£m	£m	£m
LONDON BOROUGHS	L	351.4	1.0	352.4
METROPOLITAN DISTRICTS	MD	-	1.4	1.4
UNITARY AUTHORITIES	UA	200.9	5.8	206.8
SHIRE COUNTIES	SC	267.6	21.4	289.0
SHIRE DISTRICTS	SD	0.3	1.2	1.5
COMBINED AUTHORITIES	O	274.8	53.8	328.6
		1,095.1	84.6	1,179.7

19. Metropolitan areas have made their own free/discounted travel arrangements for pensioners and disabled people available on trams, metros, ferries etc (although sometime for a flat annual pass fee) for their convenience as these modes of transport form part of an established urban transport network. These costs are considered to be almost equivalent to ‘statutory costs’ because if pensioners did

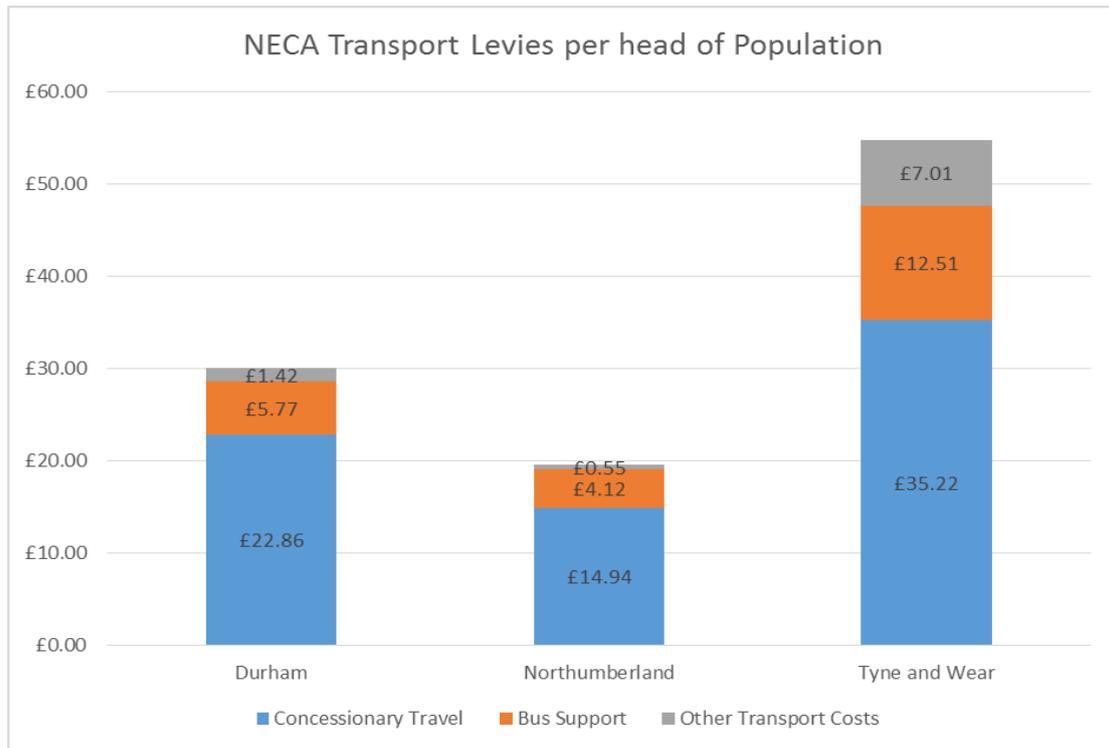
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not receive free travel on metros, trams etc, many of them would most likely choose to travel for free on bus services instead.

20. An analysis of the 2016/17 Actual costs by class of Authority is summarised in the table above. This starts to reveal the complexity and differences that exists in the reporting of costs. The costs that are recharged by TFL in London to London Boroughs are generally reported as Statutory costs and include some costs from travel on non-bus modes of Transport, in line with the statutory arrangements in London. In Metropolitan Areas the costs are reported by the Combined Authorities that cover metropolitan districts at the larger geography.
21. In Shire areas only a few Counties report significant 'Discretionary' costs, with the majority of costs being incurred in six county areas – Kent (£9.1m); Gloucestershire (£3.9m); Dorset (£2.8m); Leicestershire (£1.7m); Hertfordshire (£1.6m) and Herefordshire (£1.5m).
22. A London-wide scheme has been in operation for many years. It is operated by Transport for London. Pensioners and qualifying disabled people in London can use the Freedom Pass to travel on all modes of transport including London Underground. Visitors resident outside of London can use their passes to get free travel on busses. The costs of the statutory scheme are apportioned and recharged to the London boroughs on an agreed basis each year and are included in the RO forms for the individual London Boroughs. The basis of the apportionment of the costs to London Boroughs is agreed each year and information extracted from the report to the London Councils Transport and Environment Committee on 8 December 2016 is attached at Appendix C. Costs that are recharged to Boroughs are apportioned to London Boroughs based upon a model which includes information on travel usage e.g. Boardings.
23. In Metropolitan areas schemes operate at Metropolitan County boundary area, operated by Passenger Transport Executives and funded initially by Metropolitan Passenger Transport Authorities. The costs are then added to other transport costs and form part of a Transport Levy, which is then apportioned on a statutory basis between the constituent authorities (generally resident population) which takes no account of the boardings in the individual metropolitan districts. These Metropolitan Passenger Transport authorities have now been incorporated into Combined Authorities.
24. The complexity of the funding arrangements can be illustrated by the example of my own combined authority – “The Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside, and Sunderland Combined Authority” - NECA for short. NECA was formed in April 2014 incorporating the Transport functions of the former Tyne and Wear Passenger Transport Authority and the Unitary Counties of Durham and Northumberland. The transport costs

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were so different between the Metropolitan Areas and the Shire Areas that NECA could only be formed by a legislative agreement that it would make 3 separate Transport Levies. A separate levy for Durham, Northumberland and for Tyne and Wear. The Levy for Tyne and Wear continues the requirement to apportion transport levy costs on the basis of mid-year population estimates. The difference in concessionary Travel cost and levy costs between the three areas is shown in the following chart from our annual budget report.

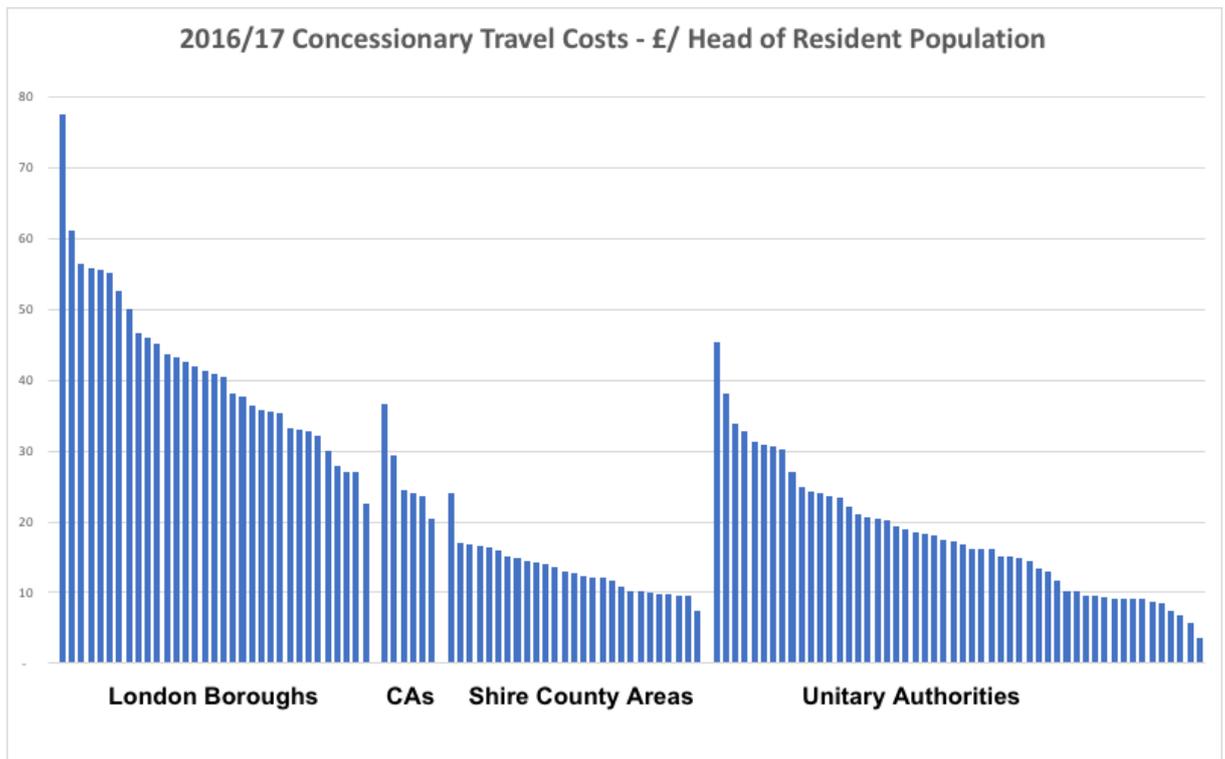


25. The difference in actual concessionary travel costs per head of population is considerable, ranging from £14.94/person in rural Northumberland to £22.86 in Durham and £35.22/person in the more urban Tyne and Wear area.

26. There is a significant difference in costs per head of resident population around the country, with cost per resident population ranging from £4/head to £71/head. There are significantly higher costs in more Urban Areas as well as in areas that are likely to attract significant additional pensioner visitors. This is because reimbursements are based on the location where a person boards the bus as opposed to where they live. This is shown by an analysis of total actual concessionary travel costs per resident person in 2016/17, with authorities grouped by London Borough, Combined Authorities, Unitary Authorities and Shire County areas. The high London figures do not include discretionary travel costs funded by TFL. Discretionary costs in Shire Districts have been included in the costs in their county areas.

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27. The highest costs/head of resident population are in Inner London – particularly areas where pensioners have low car ownership and areas which would also be visited by people using their free passes, for shopping/entertainment etc – for example City of London (£77/head); Kensington and Chelsea (£61/head); Westminster (£56/Head). Outside London high costs/head include - Nottingham (£45/head); Brighton and Hove (£38/head); Isle of Wight (£34/head); Torbay (£33/Head). The highest cost in Shire County areas is Cumbria (£24/head), with the Lake District being a popular tourist area. The lowest costs/head appear to be in wealthier areas of the country with higher car ownership among pensioners, which has been proven to reduce concessionary travel rates.



28. The determinant of concessionary travel take up around the country was considered in the report published by the Department of Transport on the Evaluation of Concessionary Bus Travel - The Impact of the free bus passes, published in 2016. The report examines statistical and academic evidence about the use and impacts of concessionary travel and provides an economic appraisal of the policy's costs and benefits.

29. The report shows an increase in take up of concessionary travel passes from 2006, as shown in the following chart and goes on to describe the characteristics of those that make more use of the pass and goes on to note that there has been a fall in the number of trips per passholder in recent years.

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1.2. Take-Up of Concessionary Passes

1.2.1. General Take-Up of Concessionary Passes

As can be seen from figure 1, the percentage of eligible older people in England (excluding London) who have taken up the option of holding a concessionary pass has increased from 53% in 2002 to 76% in 2012.

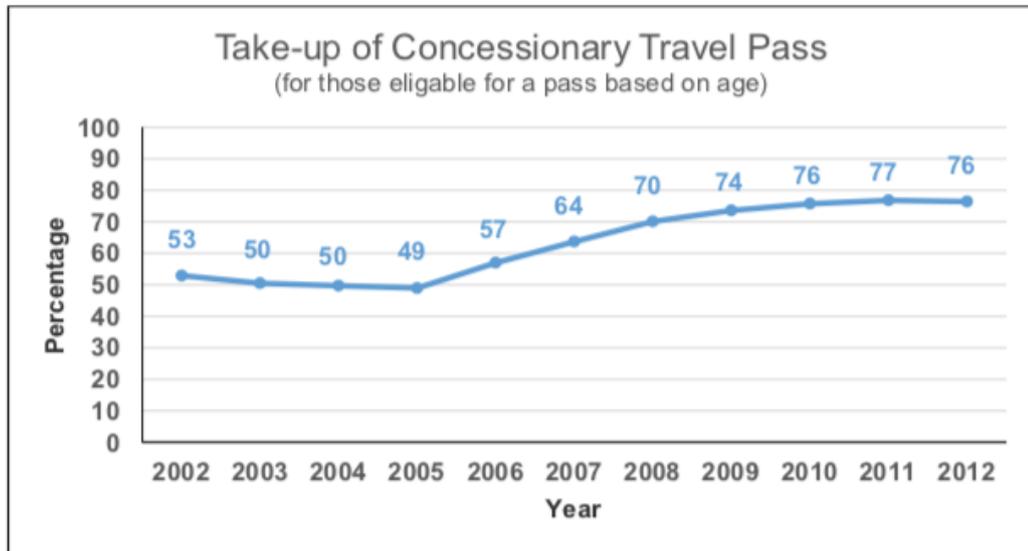


Figure 1: Take up of Concessionary Travel Passes

30. Since the concession was introduced, take up of the pass has steadily increased. *“We find that females have consistently had a higher take up of the concessionary bus pass, probably in part because the number of holders of driving licences is considerably lower for older women. Data shows that people are more likely to take up the pass if they: are in lower income households, have no access to cars, live in metropolitan areas or generally live near better bus routes”.*
31. *“In terms of bus pass usage, passholders without access to a car make more than three times as many trips as passholders with access to a car. Those from lower income households also make more trips – pass holders with income of less than £10,000 per annum made twice as many trips than those receiving £20,000 or more”.*
32. *“The number of trips per passholder per year falls, as the area type becomes less populated. These areas typically have less frequent bus services with fewer destinations served (it may be that in some rural areas, no bus services run or there is one return service a day to the local town centre). London borough pass holders make the greatest number of journeys per annum (around 200), and this reduces to around 150 in metropolitan and 50 in rural areas. Additionally, concessionary pass holders who live closer to a bus stop and are served by more*

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frequent buses make considerably more trips. Some of these findings are also corroborated by the academic literature”.

33. *Notably, there has been a decline in the number of trips per pass holder over time, from 118 per pass holder per year in 2002, to 94 in 2012. Some of this decline could be due to the fact that those who may have most pressing need for a pass, and therefore are most likely to make a lot of trips with it, took up the pass prior to bus travel becoming free travel in 2006. Those with the most pressing need might include people on low incomes or lacking a car, who might take up the first opportunity to have a pass, and these groups of people tend to make more journeys using their pass.*
34. The report predicts that the increases in eligibility age over the next few years are expected to shrink the number of eligible pass holders. “*We project that they might fall from 10.9m in 2015 to 10.2m in 2021 as new pass holders are added at a slower rate.*” It projects a small decline in the number of concessionary trips by 2021 in both London and the rest of England, which reduces costs to government from their 2015 level of £1,139m to £1,085m in 2021 at constant 2015 prices. However, when inflation is taken into account, costs are unlikely to reduce much in cash terms. Without increasing the eligibility age further post-2021, the costs to government are expected to start increasing in real terms with the ageing population.

Conclusion

35. This reports shows that up to 2011/12 the cost of statutory Concessionary Travel and reported discretionary travel costs was effectively fully funded from Government grant. Since 2011/12 grant funding has been cut significantly as the majority of the funding was incorporated in the Upper Tier element of RSG, which has been cut over the period. There is now a considerable gap between the costs of concessionary travel which have continued to increase over the period. This places a considerable additional pressure on those authorities with above average concessionary travel costs.
36. There is a very different profile of costs between local authorities, due to different demand from resident population where there is significant impact from low income, low car ownership and the access to bus services and the impact of reimbursement of the cost of visitors, which cannot easily be reflected in a funding formula based on resident population – due in the main to the requirement for TCAs to reimburse bus operators for boardings in their areas. Since the introduction of the National Concessionary Travel scheme this can include visitors from any area of England.

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37. Over the years since Statutory Concessionary Travel was introduced and Parliament made funding available to fully fund the scheme in addition to the discretionary costs that were being incurred at that time. Considerable effort has been made to find the best method of allocating the funding to meet the statutory costs where they are likely to fall. After considerable work over many years the modelled Boardings method was developed and considered to represent the best fit. Particularly with the development of ready access to electronic boarding data used to calculate reimbursement to operators.
38. Trying to fit concessionary Travel costs within a foundation model based predominantly on resident population, would be technically challenging in terms of fairly apportioning net revenue costs, particularly in areas covered by Combined Authorities. It would require the inclusion of factors reflecting density as well as deprivation and visitor information.
39. While the issue of unmet need may exist in rural areas, Government have in the past only allocated funding based on expected additional real costs. Given the current shortage of funding, which no longer meets half of the statutory costs, these real costs of concessionary travel must be funded as a first priority. Once these actual costs are met, unmet need could also be considered for additional funding by the Government based on evidence that can be provided. If funding is allocated to meet unmet transport need in relation to transport costs and more bus services are subsidised in rural areas, the increase in concessionary travel boardings in rural areas would be reflected in future funding distribution arrangements.
40. It is recommended that, based on the available evidence, the group reaffirm their conclusion in November 2016 that **concessionary travel should remain a bespoke formula linked with boardings and be updated in due course**. In any updating of boarding information and finding allocations from 2020/21, consideration will need to be given to the different treatment of discretionary travel between London and other parts of the country and the method of the allocation of concessionary travel costs in London and Combined authority area to their constituent authorities taking into account the legislation relating to transport levies in each Combined Authority area. In addition, given the statutory nature of the majority of these costs and evidence of continuing costs of c £1.1bn it is also important that **the quantum of costs is more fairly recognised and that the cost of Statutory Concessionary Travel should be fully funded**.

Extract from Paper NR TWG 12/23 on Transport Cost Drivers

Concessionary bus travel (reimbursement)

The English National Concessionary Travel Scheme (ENCTS) allows free off-peak local bus travel to older and eligible disabled people in England. Under the ENCTS, eligible concessionaires are entitled to free travel on local bus services between 9.30am and 11.00pm on weekdays and all day at weekends and on Bank Holidays.

Local authorities also have powers to offer further concessions, such as earlier start times, however, these are not funded centrally but by the authorities themselves and are generally only valid within the authority boundaries.

Almost £1 billion p/a is spent on ENCTS with about 81% of this on the ENCTS and the remaining 19% on discretionary schemes.

Eligibility for ENCTS is based on age or disability. For older people, this means the age of retirement or pensionable age. At present, the age of eligibility for the State pension is gradually rising for women from 60 to 65, to match the current eligibility age for men. This will be completed by 2018, following which the age for both will be raised further, to 66, by 2020.

Reimbursement is paid by local authorities to bus operators for carrying concessionary passengers. The main principle which applies to reimbursement is that bus operators should be financially 'no better and no worse off' as a result of concessionary travel.

The 2013-14 relative needs formula is given at Annex D.

The cost drivers are:

- The ageing demographic – the projected number of eligible older people is due to rise significantly in future years. This is likely to have a significant impact on the costs of reimbursement.

Annex D: 2013-14 Concessionary Travel Relative Needs Formula

Concessionary Travel	
(a)	MODELLED CONCESSIONARY BUS BOARDINGS is multiplied by the scaling factor given in Annex E for <i>Concessionary Travel</i> .
(b)	The result of (a) is then divided by 10,000,000,000.

Where:

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MODELLED CONCESSIONARY BUS BOARDINGS

The annual number of concessionary bus boardings by older and disabled people, as estimated by the Secretary of State for Transport.

The estimate for modelled concessionary bus boardings uses information derived from the following sources: mid-2009 and mid-2010 population estimates; rural/urban status classifications; the Annual Population Survey; the Public Service Vehicle Operator Survey; the Light Rail Operators Survey; the National Public Transport Data Repository and vehicle registration statistics. The coefficients for these data inputs are based on analysis of data from the DfT National Travel Survey.

NOTE of the Discussion

5. Department for Transport (DfT) Paper – Transport cost drivers (NR TWG 16/23)

- 5.1. Haydn Davies and William Walker presented this paper.
- 5.2. Geoff Winterbottom asked how often DfT survey bus and concessionary fare usage. DfT responded that they survey annually and that last year bus patronage fell by 2 to 3% outside of London. The number of concessionary passes is rising – from 8.8m to 9.9m this year – and the number of journeys is consistent. DfT stated that there is a decline in bus services operated in rural areas due to lack of commercial viability.
- 5.3. Paul Woods commented that the 3 areas of revenue expenditure identified by this paper were appropriate but asked about capital expenditure which is funded through separate DfT grant. Would this be included in business rates, as the quantum of revenue and capital spend in one allocation could give councils more choice. DfT replied that there was a balance to be struck between revenue and capital funding and that value for money should be of principal concern: capital investment can prevent revenue expenditure on repairs.
- 5.4. Paul also stated that the cost of statutory concessionary fares are rising for authorities; authorities are therefore less likely to offer discretionary enhancements.
- 5.5. Paul stated the importance of weighting cost drivers for highways in more densely populated areas. He disagreed with the paper's discussion of rurality as a cost driver of local transport spend as there is generally higher spend in urban areas for different reasons – for example in the north east the latter spend three times as much on, for example, night time services to hospitals. Paul noted that there could be unmet need in rural areas but that statutory services should be recognised first.

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- 5.6. James Walton argued that support for bus travel in rural areas was important due to social need, such as school pupils and there is a high cost associated with this. DfT replied that funding for school travel is a concern for Department for Education but acknowledged the cost for authorities.
- 5.7. Dave Shipton argued that the most important cost drivers for highways were the number of miles travelled by HGVs and road length. DfT replied that they agreed with that, and that their paper focussed on likely future cost pressures (such as cost of oil).
- 5.8. Graham Soulsby stated that funding for the National Concessionary Travel Scheme is quite high and should be looked at by the group. It was a good scheme but are there other pressures which might need some of the funding. DfT replied that means testing this scheme would cost more money than it would save but there are sustainability questions with demographic pressures.
- 5.9. Dave Shipton added that councils have no choice in funding concessionary travel and that the needs assessment should take this into account. DCLG replied that this is a separate formula in the current approach and that as it is statutory funding, it could remain as a separate formulae, while appreciating this retains an element of complexity in the overall approach.
- 5.10. Nikki Bishop stated that this formula does not cause much unhappiness, it performs a good function. Dave Shipton noted that it has not been updated; DCLG replied that no data or formula has been updated since 2013-14. Paul Woods agreed with Nikki that it has a statutory purpose and so warrants a particular approach. **In conclusion the group agreed that concessionary travel should remain a bespoke formula and be updated in due course.**

Concessionary Travel Formula Introduced in 2011/12

The Local Government Finance Report (England) 2011/2012

4 The calculation of Relative Needs Formulae

Concessionary Travel

4.35. The client group for this service is the total projected population in an area. There are adjustments for density, social and economic conditions, car ownership and differences in the cost of provision between areas.

4.36. An RNF element for *Concessionary Travel* is calculated for the following classes of authority:

non-metropolitan district councils which have functions of county councils,
metropolitan district councils,
county councils,

London borough councils,
Common Council of the City of London.

4.37. The RNF element for these services for a particular authority consists of a basic amount per resident and top-ups for density, deprivation, car ownership and area costs:

Basic amount

CONCESSIONARY TRAVEL BASIC

AMOUNT

Top-ups

CONCESSIONARY TRAVEL DENSITY TOP- UP

CONCESSIONARY TRAVEL DEPRIVATION TOP-UP

CONCESSIONARY TRAVEL CAR OWNERSHIP TOP-UP

The full formula used to calculate the *RNF* element for this service is:

1.1056

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-2.0027 *multiplied by* **POPULATION SPARSITY FOR PEOPLE AGED 60 AND OVER**

12.7408 *multiplied by* **INCAPACITY BENEFIT AND SEVERE DISABLEMENT ALLOWANCE FOR CONCESSIONARY TRAVEL**

4.1149 *multiplied by* **PEOPLE AGED 60 AND OVER WITH NO CAR OR VAN**

Concessionary Travel

1. (a) **PROJECTED POPULATION IN 2011** *multiplied by* the result of:
CONCESSIONARY TRAVEL BASIC AMOUNT; plus CONCESSIONARY TRAVEL DENSITY TOP-UP; plus CONCESSIONARY TRAVEL DEPRIVATION TOP-UP; plus CONCESSIONARY TRAVEL CAR OWNERSHIP TOP-UP
2. (b) The result of (a) is then *multiplied by* **AREA COST ADJUSTMENT FOR ENVIRONMENTAL, PROTECTIVE AND CULTURAL SERVICES;**
3. (c) The result of (b) is then *multiplied by* the scaling factor given in Annex F for this service;
4. (d) The result of (c) is then divided by 10,000,000,000.

Note : This formula was considered to need replacement and was replaced with the boardings approach set out in Appendix A

Extract from a Report to London Councils Transport and Environment Committee 8 December 2016 – Concessionary Fares Settlement & Apportionment 2017/18

Negotiations with Transport Operators

3. Each year, negotiations take place between London Councils Transport and Environment Committee (on behalf of boroughs) and TfL for buses, tubes, DLR, Tramlink, London Overground and TfL Rail to determine the cost of the scheme on the basis that both parties are neither better nor worse off. This is based on:
 - The revenue foregone by the operators i.e. the revenue which if the concessionary fares scheme did not exist would be collected from Freedom Pass holders. This excludes fares income from generated travel; and
 - The additional costs to the operator i.e. generated travel by permit holders for which operators receive no fares revenue but do receive the cost of increasing the service to allow for the extra trips made.
4. The resulting settlement is based on:
 - a) The estimated average number of journeys made by Freedom Pass holders over the previous two years. In estimating these journey volumes; Oyster data, passenger surveys and automated passenger count information are used.
 - b) The expected average fare per trip, which is the actual adult fare paid in the absence of the scheme taking into account fare increases and decreases within a 'basket of fares'. This basket of fares is modelled to be an accurate reflection of typical fares paid across TfL ticket types.
5. If the overall cost of the TfL elements of the scheme (regardless of whether there has been a change to any part of the scheme) is not agreed by the 31 December the reserve free scheme described in the GLA Act 1999 comes into effect in relation to TfL services.
6. Negotiations are also carried out with ATOC for the cost of the Freedom Pass usage on national rail services excluding the London Overground and Crossrail network which is managed by TfL.
7. This year, the negotiations with ATOC were relatively straightforward, as London Councils and ATOC have negotiated a further extension of 2016/17 deal, which allows for a year on year increase in line with the July 15 Retail Price Index (RPI).
8. Concessions are also offered on local bus services in Greater London outside the TfL bus network. The statutory entitlement is provided under the Transport Act 2000 as amended by the Concessionary Bus Travel Act 2007. The draft Scheme was published on London Councils' website before the 1st of December 2016 to meet the statutory notice required to the bus operators. Though there is no change proposed to the scheme, the reimbursement arrangements have to be agreed with bus operators as reimbursement is made in accordance with these arrangements¹.
9. Overall, the 2017/18 settlement represents a £9.407 million (2.64%) reduction compared with 2016/17-see Table 1. Settlement Overview (below). This is the first reduction in the history of the scheme. This is made up by a decrease of 2.92% for TfL, which accounts for nearly 94% of the total cost, an increase of 1.9% for ATOC and no change for LSP and support services and issue costs. A further explanation of each element is provided below.

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Table 1. Settlement Overview

Operator	2017/18 (£million)	2016/17 (£million)	2017/18 weight	2016/17 weight	Change
TfL	324.181	333.940	93.62%	93.9%	-2.92%
ATOC	18.872	18.520	5.45%	5.2%	1.9%
LSP	1.7	1.7	0.49%	0.5%	0.0%
Reissue	1.52	1.52	0.44%	0.4%	0.0%
Total	346.271	355.678	100%	100%	-2.64%

Table 2. TfL Modes

Journeys in million	2017/18	2016/17	% change	Weight of the journey volumes	Weighted change
Bus	290.096	297.028	-2.3%	71%	-1.65%
London Underground	50.641	50.674	-0.1%	24%	-0.02%
DLR	4.414	3.892	13.4%	1.4%	0.19%
London Overground	3.424	3.465	-1.2%	1.4%	-0.02%
Tramlink	4.509	4.855	-7.1%	1.3%	-0.09%
Crossrail	1.822	1.537	18.5%	0.9%	0.16%
Greater Anglia	1.152	0.885	30.2%	0.5%	0.16%
	356.058	362.336	-1.7%	100.0%	-1.27%

Table 3 TfL Settlement

Mode	Settlement 2017/18 (£m)	Settlement 2016/17 (£m)	% change
Bus	232.275	240.965	-3.6%
London Underground	77.541	76.270	1.7%
DLR	4.532	3.716	21.96%
Tramlink	4.156	4.475	-7.1%
London Overground	4.690	4.746	-1.2%
Crossrail	2.836	2.392	18.5%
Greater Anglia	1.791	1.376	30.2%
Sub-Total	327.821	333.940	-1.9%
Retrospection	-3.640		
Total	324.181	333.940	-2.9%

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Apportionment of 2017/18 costs between boroughs

39. In order to apportion costs between boroughs, London Councils has obtained usage data from Oyster clicks on the various transport modes; bus, underground, DLR, tram, London Overground and National Rail.
40. The following paragraphs set out how this data is used when apportioning costs to boroughs. They also consider in more detail the impact of using London Overground and ATOC usage data as well as how to treat services that transfer from Train Operating Companies to TfL when apportioning costs. Further detail is provided at Appendices 1 and 2.

Usage data – general principles

41. On the bus and underground, there is a very close match between total usage data derived from Oyster clicks and the total number of estimated journeys outlined in the paragraphs above. On these modes, which largely require customers to tap their passes on readers, 95% of the concessionary journeys are captured electronically. This gives officers a high level of confidence regarding the accuracy of apportionment of costs to boroughs for these two main modes, which account for 89% of the total concessionary fares costs.
42. On the other modes, the proportion of journeys captured electronically is lower, either because there is no requirement for Freedom Pass holders to touch in on the readers and/or because there are still ungated stations. On London Overground, 50% of journeys are captured, on National Rail the figure is 60% and for the DLR and tram modes only about 12% of concessionary journeys are captured.
43. Nevertheless, officers closely scrutinise the profile of journeys shown by the usage data that is available and are confident that it is sufficiently robust i.e. in line with expected observations, to be used for the purposes of apportionment. In simple terms, for example, the data shows that residents of boroughs nearest to tram and DLR services use these modes more than residents of boroughs who reside further away from these services.

Usage data – impact on individual boroughs settlements

44. The fact that the individual modes of transport included in the Freedom Pass settlement are not evenly geographically distributed means that while the overall settlement is down by 2.64%, not all boroughs will benefit in equal measure. This is particularly true where there have been changes in transport operator i.e. ATOC services transferring to TfL.
45. The effect of these changes on individual boroughs varies and can be both amplified and dampened depending on journey patterns on other modes within individual boroughs. However, in the final analysis, thirty boroughs will see decreased costs in 2017/18. The range of these decreases is -5.89% (Westminster) to -0.94% (Brent).
46. Three boroughs will see an increase in costs. The range of these increases varies between +0.05% (Waltham Forest) and +1.09% (Havering). Members are asked to note that due to continued negotiations with TfL, these increases are not as large as indicated to this committee in October.

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A schedule showing the complex calculation of the of the proposed 2017/18 recharges to London Boroughs is attached as an Appendix to that report. Schedules of the proposed allocation for 2016/17 was attached to the report in December 2015. London Councils and TFL would no doubt be able to provide the details of the actual apportionment of costs used in each year.

Statutory Arrangements In London and the rest of the Country

Current statutory arrangements outside London

1. Outside London, the statutory concession currently consists of guaranteed free off-peak travel for older and disabled people on all local buses anywhere in England from 09:30 until 23:00 on weekdays and all day at weekends and on Bank Holidays.

Eligible older people

2. Due to the rising state pension age for women, the eligible age for the statutory concession is also increasing. The eligible age for the concession will rise to 66 by October 2020.

Eligible Disabled people

3. Eligible disabled people are defined as a person who:
 - i. is blind or partially sighted,
 - ii. is profoundly or severely deaf,
 - iii. is without speech,
 - iv. has a disability, or has suffered an injury, which has a substantial and long-term adverse effect on his ability to walk,
 - v. does not have arms or has long-term loss of the use of both arms,
 - vi. has a learning disability, that is, a state of arrested or incomplete development of mind which includes significant impairment of intelligence and social functioning, or
 - vii. would, if they applied for the grant of a licence to drive a motor vehicle under Part III of the Road Traffic Act 1988, have their application refused pursuant to section 92 of that Act (physical fitness) otherwise than on the ground of persistent misuse of drugs or alcohol,
4. Certain people are therefore automatically 'passported' to free bus travel based on their eligibility for other schemes / welfare benefits. These include:
 - People in receipt of the higher rate Disability Living Allowance mobility component,
 - People receiving Personal Independence Payments (PIP) who have been awarded at least 8 points against either the PIP "Moving around" and/or "Communicating verbally" activities,
 - Recipients of the War Pensioner's Mobility Supplement, and

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- People registered with a local authority as blind, partially-sighted, or profoundly or severely deaf.
5. It is for a local authority to determine whether someone is assessed as a 'disabled person' or not based on the definitions set out in legislation and guidance issued by the Department for Transport (DfT).

Eligible transport services

6. Broadly, eligible transport services are defined as 'local services', which are buses carrying passengers at separate fares locally, other than on private trips.
7. In 2009 the definition of 'eligible services' was revised to exclude services on which the majority of seats can be reserved in advance of travel; that do not run for a period of at least six consecutive weeks; that are operated primarily for their historical interest or for tourism; rail replacement services; and services where the fare charged by the operator has a special amenity element. If they wish, local authorities can still fund these services as part of their discretionary schemes.

Current statutory arrangements in London

8. Within London the most significant concessionary fare legislation remains the 1999 GLA Act. Whilst the statutory concession in London still applies to older and eligible disabled London residents, the concession applies to off-peak travel on the whole London Local Transport Network rather than just buses; these services can be defined as the London Bus Network, guided transport modes provided by TfL; rail, and river boat services provided by TfL. The scheme is administered by London Councils, on behalf of the 32 London Boroughs and the City of London.
9. There are differing rules on where and when permit holders can travel:
- *Buses* - all TfL local buses (in the Greater London area) at any time of day or night,
 - *Underground, Overground and DLR* - all day, every day on the whole of the London Underground, Overground and Docklands Light Railway (DLR) network,
 - *National Rail* - free in all standard class train carriages on most local rail services between 09:30 and 04:30 the following morning Monday to Friday; and all day at weekends and on public holidays. On some routes Freedom Pass holders may travel free 24 hours,
 - *London Trams* - all day, every day,

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- *River services* - 50 per cent discount on normal river fares on a number of services including Thames Clippers and the Woolwich Ferry after 09:00 Mondays to Fridays and at any time on Saturdays, Sundays and public holidays, and
- *Cable car* - a discount of £1.10 on a single ticket.

10. In addition to these requirements London Boroughs are also responsible for ensuring that eligible pass holders from other parts of England are able to receive concessionary travel on all London local bus services, including those operated under London Service Permits. The concession that must be offered is the full waiver of the fare between 09:30 and 23:00 on weekdays and all day on weekends and bank holidays. The eligibility criteria are the same as for London residents.

Discretionary concessionary travel

11. In addition to the statutory concession, local authorities in England (outside London) are permitted under legislation to offer further concessionary fares to specified groups of people. These groups include:

- children under the age of 16,
- children under the age of 18 in full-time education,
- people who are blind or partially sighted,
- people who are deaf,
- people who are without speech,
- people who have a disability, or have suffered an injury, which has a substantial and long-term adverse effect on their ability to walk,
- people who do not have arms or have long-term loss of the use of both arms,
- people who have a learning disability (i.e. a state of arrested or incomplete development of mind which includes significant impairment of intelligence and social functioning),
- people who, if they applied for the grant of a licence to drive a motor vehicle would have their applications refused on grounds of physical fitness (otherwise than on the ground of persistent misuse of drugs or alcohol);
- any person travelling as the companion of an eligible disabled person and who requires the assistance of a companion in order to travel on journeys on public passenger transport services; and
- any other classes of persons as the Secretary of State for Transport may by order specify.

London

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12. Whilst the London statutory concession includes the whole London Local Transport Network rather than just buses, the London Freedom Pass extends the available concession to a wider proportion of London residents on a discretionary basis. The discretionary element includes:

- Free bus travel for children under 16 with the concessions by other modes of travel varying by age range - <https://tfl.gov.uk/fares-and-payments/travel-for-under-18s> ,
- Discounted travel for young people aged between 16 and 18 and students above 18 in full time education,
- free travel for injured war veterans travelling in London – whether resident or visitors,
- half price bus and tram travel to jobseekers, and reduced fares for apprentices;
- free travel to all those aged between 60 and the state pension age who are ineligible to receive a freedom pass excluding the majority of morning peak National Rail services not operated by TfL.

13. Full details on the adult concessionary fare travel are available at <https://tfl.gov.uk/fares-and-payments/adults-free-and-discounted-travel>. Londoners with long term disabilities and residents aged 85 or over are also eligible to use Dial a ride (which is 100% funded by TfL). The taxicard scheme also provides subsidised taxi fares for eligible Londoners with long term disabilities with the costs shared between TfL and boroughs although the scheme eligibility criteria and level of support varies by borough.

14. In London, the discretionary elements of the Freedom Pass (primarily 24 hour travel) are funded by TfL, rather than individual London Boroughs who only fund statutory travel (i.e. excluding the morning peak). Non discretionary travel costs are primarily born by TfL's subsidiaries and National Rail operators as reduced fare revenue rather than being a cost to the TfL Corporation (the local authority entity whose expenditure and income is reported via MHCLG statistical returns).