

Subject:	Concessionary Bus Travel – 3 Year Fixed Deal		
Date of Meeting:	4 May 2017		
Report of:	Executive Director for Finance & Resources		
Contact Officer:	Name:	James Hengeveld	Tel: 29-1242
	Email:	James.hengeveld@brighton-hove.gov.uk	
Ward(s) affected:	All		

FOR GENERAL RELEASE**1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 Eligible older or disabled people are entitled to free off-peak travel on local buses throughout England with a concessionary bus pass. There are approximately 45,000 residents of Brighton & Hove who have passes.
- 1.2 By law the council has to reimburse bus operators for their loss of revenue and increased costs as a result of carrying concessionaires. The operators have to be made no better or worse off as a result of the free travel scheme. The Department of Transport (DfT) have developed a reimbursement model, and most authorities use it as the basis for determining payments to their bus operators. Operators can appeal to DfT over the level of their reimbursement, and the model is used to determine the appropriate amount.
- 1.3 Rather than use the DfT model the council has entered into fixed deals with both the major bus operators in the city. These arrangements have benefits for both parties in that they provide greater certainty over future payments and ensure that the administrative costs of any appeals are avoided.
- 1.4 The purpose of this report is to seek committee approval for:
 - the extension of the fixed deals on the basis of the negotiations so far with Brighton & Hove Bus and Coach Company and Stagecoach South; and
 - delegation of the the finalisation of the deals to the Executive Director for Finance & Resources following consultation with the Chair of this Committee.
- 1.5 The financial information set out in this report is commercially sensitive and is set out in a part 2 report of the agenda.

2. RECOMMENDATIONS:

That Policy, Resources & Growth Committee:

- 2.1 Notes the forecast comparisons between the current fixed deal payments and the estimated level of reimbursement through the DfT model and the progress made

to date on the negotiations for new fixed deals set out in the part 2 report of the agenda as this data is commercially sensitive;

- 2.2 Authorises the Executive Director of Finance & Resources, after consultation with the Chair of Policy, Resources and Growth Committee, to finalise terms for concessionary fares fixed reimbursement deals with both Brighton & Hove Bus and Coach Company and Stagecoach South.

3. CONTEXT/ BACKGROUND INFORMATION

Brighton & Hove Bus and Coach Company

- 3.1 A 3 year fixed deal with Brighton & Hove Bus and Coach Company was agreed by Policy & Resources Committee on 20 March 2014. The deal came to an end on 31 March 2017. Table 1 in part 2 of the agenda compares the actual payments made to Brighton & Hove Bus and Coach Company with the estimated payment that would have been made using the DfT reimbursement model.
- 3.2 Over the 3 year period the council is estimated to have made a small saving compared to potential payments under the DfT model which means that overall, the fixed deal has worked well for both parties and provided significant financial certainty. This saving takes account of any adjustments for new or withdrawn routes so is provided on a comparable basis.
- 3.3 Negotiations with Brighton & Hove Bus and Coach Company began in autumn 2016, and are now well advanced. Further financial information is given in part 2 of the agenda. The anticipated payment to them for 2017/18 can be met from the concessionary fares budget set by full Council in February. The main terms of the deal are similar to the previous deal with the exception of the inflation adjustment:
- The fixed deal will be for 3 years starting 1 April 2017.
 - After 2017/18 the payment will be increased with reference to the November increase in RPIX (Retail Price Index excluding mortgage payments) subject to a threshold below which no increase will be made.
 - It will be renegotiated if journey numbers increase or decrease by more than 7.5% from the current forecast annual journey numbers of 9.55 million.
 - It will be renegotiated if the Government makes fundamental changes to the Concessionary Travel Scheme.
 - The terms of the deal will also allow the payment to be varied if there are future changes made to the operation of council supported bus routes.
 - The payment will be varied for new services operating on new routes within the city. Similarly the payment will be reduced if any routes cease to operate.

Stagecoach South

- 3.4 A 2 year fixed deal with Stagecoach South was agreed by Policy & Resources Committee on 20 March 2014. The deal came to an end at 31 March 2016 and reverted to the DfT model for 2016/17. A fixed deal was not agreed in 2016/17

due to the volatility in journey numbers leading to too much risk for both parties. A further year's data has provided more certainty on the journey numbers and enabled negotiations for a further fixed deal starting in April 2017.

3.5 Negotiations with Stagecoach South are also well advanced. Further financial information is given in part 2 of the agenda. The anticipated payment to them for 2017/18 can be met from the concessionary fares budget set by full Council in February. The main terms of the deal are:

- The fixed deal will be for 1 year starting 1 April 2017.
- It will be renegotiated if journey numbers increase or decrease by more than 7.5% from the current forecast annual journey numbers of 484,500.
- It will be renegotiated if the Government makes fundamental changes to the Concessionary Travel Scheme.
- The payment will be varied for new services operating on new routes within the city. Similarly the payment will be reduced if any routes cease to operate.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 The council could use the DfT reimbursement model to pay both operators. This payment may be less than the fixed deal sums if journey numbers fall significantly and / or bus fares reduce. However previous fixed deals have proved value for money to the council and there has not been a significant reduction in passenger journey numbers or reductions in fares. The fixed deals have been rebased to ensure the starting point for the deals reflect expected passenger numbers and include safeguards for reopening the deals should passenger numbers vary by more than 7.5%. Therefore the certainty over costs is considered to outweigh the risk of overpayment when compared to the DfT reimbursement model and so this alternative is not recommended.

5. COMMUNITY ENGAGEMENT & CONSULTATION

5.1 This is a commercial deal between the council and the bus operators which does not require consultation. The council's specialist advisors on the concessionary travel scheme have provided advice and guidance on the likely reimbursement payments through the DfT model.

6. CONCLUSION

6.1 The fixed deal proposals set out in this report are designed to give the council greater certainty over future costs and potentially offer better value for money than using the DfT reimbursement model.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 These are set out in part 2 of the agenda. The Concessionary Fares budget for 2017/18 set by full Council on 23 February 2017 is sufficient to cover the payments made under these fixed deals and releases a recurrent budget of £0.25m in 2017/18. The use of this released funding is included in the Provisional TBM outturn report 2016/17 elsewhere on this agenda. Future year's budget estimates will be adjusted for the fixed deals within the medium term financial strategy, resulting in a reduction in the estimated budget gaps for both 2018/19 and 2019/20.

Finance Officer Consulted: Name James Hengeveld Date: 24/04/17

Legal Implications:

- 7.2 The council operates its concessionary fares scheme in accordance with the Transport Acts 1985 and 2000 and the Concessionary Bus Travel Act 2007. The provision of a concessionary travel scheme in accordance with the national minimum is a statutory duty. There is discretion for Councils to provide a scheme that extends the entitlement of services over and above the national minimum. The statutory framework for travel concessions does not stipulate a minimum or maximum duration for an individual scheme. It is for the travel concession authority (i.e. the council) to propose a start and end date, and to seek agreement with the bus operator over the length of this term.

Lawyer Consulted: Name Elizabeth Culbert Date: 21/04/2017

Equalities Implications:

- 7.3 None.

Sustainability Implications:

- 7.4 None.

Any Other Significant Implications:

- 7.5 The main risk is considered in paragraph 4.1.

SUPPORTING DOCUMENTATION

Appendices:

Commercially sensitive financial information shown in Part Two of the agenda.

Documents in Members' Rooms

None.

Background Documents

Files held within Financial Services

