

<b>DECISION-MAKER:</b>	CABINET
<b>SUBJECT:</b>	Concessionary Fares Scheme 2023/24
<b>DATE OF DECISION:</b>	14 March 2023
<b>REPORT OF:</b>	<b>Cabinet Member for Transport &amp; District Regeneration</b>

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### **STATEMENT OF CONFIDENTIALITY**

None

### **BRIEF SUMMARY**

Concessionary Fares enable those eligible (older people and disabled people) free travel on buses in England after 0930 and the reimbursement of bus operators for those journeys made. Southampton has a local enhancement that means Southampton residents with passes can use buses for free from 0900 rather than 0930.

Each year the Council needs to agree the final scheme and the reimbursement rate and methodology for bus operators for the Concessionary Fares Scheme in Southampton, and how this aligns with the Department for Transport (DfT) guidance for the English National Concessionary Fare Scheme (ENCTS).

The DfT has provided guidance for how Local Transport Authorities (LTAs) reimburse bus operators for the number of concessionary fare passenger journeys made. As bus patronage, particularly concessionary patronage, recovers gradually from the Covid-19 pandemic and not yet reached pre-pandemic levels, the DfT have produced supplementary guidance. This encourages LTAs to legally pay at higher levels (above that of the number of concessionary passengers carried up to a threshold) with the aim that the additional revenue will support the retention of essential public transport services until patronage stabilises at, or close to, pre-pandemic levels.

In creating the method of reimbursement for 2023/24 financial year the Council needs to take this guidance into account. Concessionary patronage in Southampton in 2022 was at 75% of its pre-pandemic levels. This report sets out the proposed methodology for 2023/24 for how the Council will reimburse bus operators and to what level.

The 2022/23 concessionary fare methodology was approved by Cabinet in July 2022 but has been reviewed following engagement with the local bus operators, who have raised concerns about inflationary pressures that have not been considered when setting the methodology. The methodology generated a baseline by removing 2.5% from 2019/20 levels annually to reflect national decline in concessionary patronage (this has been done each year since 2020/21, for 2022/23 3x annual reductions of 2.5% had been applied to reach 92.7% of 2019/20 baseline). The combination of this reduction and operator inflationary pressures (e.g. fuel and driver costs) has led to a review to ensure that the bus network is sustainable during this recovery phase.

The methodology was developed following DfT guidance published in February 2022 with the aim of reducing the level of additional support (payments above those paid on actual journeys made up

to the threshold) by 5% every two months to November 2022. From this point payments would have been made on actuals only.

With concessionary patronage levels, while increasing, having not increased to the extent anticipated and the inflationary pressures this report sets out an adjustment to the current year (2022/23) methodology which will retain the payments at 80% of an adjusted 2019/20 baseline and to remove one of the annual 2.5% assumed national decline in patronage.

### RECOMMENDATIONS:

(i)	That Cabinet agrees to the 2023/24 Concessionary Fare Methodology to reimburse bus operators in line with the Department for Transport Concessionary Fares Guidance and forecast to cost £0.06M less than budget, as detailed in Appendix 1.
(ii)	That Cabinet agrees the local enhancements above the statutory minimum, which is to allow concessionary travel from 0900 rather than 0930 and between 2300 and 0030 for Southampton residents.
(iii)	That Cabinet agrees the adjustment to the 2022/23 Concessionary Fare Methodology at the cost of £0.21M and payments are as detailed in Appendix 3.
(iv)	That Cabinet notes that the 2022/23 methodology adjustment goes beyond Essential Spend and to note the considerable financial challenges the authority faces as set out in the 2023/24 budget report and Medium Term Financial Strategy (MTFS) agreed by Council on 22 February 2023, in particular the comments of the S151 Officer on the major risks faced and the inadequacy of reserves. Cabinet is therefore urged to carefully consider very carefully any and all extra spending prior to making any commitment. The budget challenge is set out in paragraphs 38 and 39.

### REASONS FOR REPORT RECOMMENDATIONS

1.	To enable the Council to comply with the statutory requirement to serve bus operators with the minimum 28 days' notice of the local enhancements and the reimbursement rate that the Council will use.
2.	The Concessionary Fare Scheme for 2023/24 needs to be approved prior to the commencement of the Scheme on 1 <sup>st</sup> April 2023. The Methodology needs to reflect the latest DfT guidance on the level of support given to bus operators in the recovery from the Covid pandemic.
3.	The Concessionary Fare Methodology for 2022/23 which was approved by Cabinet in July 2022, needs to be adjusted to reflect the slower than anticipated recovery in the number of concessionary fare travellers from the Covid pandemic and inflationary pressures that operators are experiencing, both of which could affect the stability of the bus network in Southampton. The Scheme will remain unaltered.

### ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

4.	The Council could withdraw the local enhancements that are offered to City residents, but this is likely to achieve little saving as most passengers would just travel 30 minutes later in the morning once free travel is allowed.
5.	<p>For 2023/24 Methodology other options considered include:</p> <ul style="list-style-type: none"> <li>• Reimburse operators on rates higher, closer to pre-pandemic levels of patronage (i.e. at 85-98% of adjusted patronage baseline) to reflect the bus mileage carried out by operators, or</li> <li>• Pay based on actuals (the level of concessionary patronage carried).</li> </ul>

	<p>Both options have been rejected as reimbursing at higher rates would place a significant pressure on the Council's budget and paying on actuals would not provide the operators will sufficient reimbursement given higher inflationary pressures (e.g. fuel and driver costs) to maintain and invest in a sustainable bus network. There is a risk that the funding would not be re-invested into the bus network and that this would incur additional costs to the Council to support any withdrawn services.</p>
6.	<p>For 2022/23 Methodology other options considered include:</p> <ul style="list-style-type: none"> <li>• Retain the existing methodology following the approved methodology based on DfT's Alternative Recovery Strategy and pay on actuals from November 2022 – March 2023,</li> <li>• Adjust the baseline by remove 2 of the 2.5% reductions from 2019/20 base and pay at 80% of that from November 2022 to March 2023.</li> </ul> <p>The first option has been rejected as retaining the existing methodology would not resolve the objections from a bus operator. Given the inflationary pressures (e.g. fuel and driver costs) this would reduce the reimbursement and revenue available to sustain the network as it is. There is a risk that the funding would not be re-invested into the bus network and that this would incur additional costs to the Council to support any withdrawn services. If the objection is not resolved it could potentially leading to an appeal to the Secretary of State who may rule in favour of the operator, worsening relations with them in a period of significant change in the Southampton's bus market and the commencement of the Enhanced Partnership.</p> <p>The second option of adjusting the baseline has been rejected as while providing further reimbursement support, it would further place significant pressure on the Council's 2022/23 budget which could not be accommodated.</p>
<b>DETAIL (Including consultation carried out)</b>	
7.	<p>The Council is required by law to give bus operators 28 days' notice of the Scheme that will operate and the proposed methodology for determining the reimbursement rate. This report will allow the Council to give the required notice. Should the bus operator refuse to participate in the concessionary fare scheme the Council would need to issue a participation notice requiring them to do so. For the Notices to be effective, final confirmation is necessary of the additional local enhancements to the statutory minimum i.e., travel from 0900 rather than 0930 and between 2300 and 0030 for Southampton residents. Non-Southampton residents will qualify for the statutory minimum. The proposed Scheme for 2023/24 is the same as that which was agreed and operates in 2022/23. This offers residents greater opportunity to access health and other facilities so helping with well-being.</p>
8.	<p>The Department for Transport (DfT) publishes an annual set of guidance on concessionary reimbursement to Local Transport Authorities (LTAs) to assist them in reimbursing bus operators in line with their legal requirements. This takes various factors into account and the information on the scheme that the authority has submitted. This was published in November 2022 and the Council will apply this DfT Concessionary Fares Guidance including the Reimbursement Calculator to determine the reimbursement rates for each operator. This is the same methodology as applied for 2019/20 scheme year.</p>
9.	<p>The Scheme details for 2023/24 outline what will happen in normal operating circumstances i.e. the methodology using DfT guidance that will be applied. This ensures SCC has a legal Scheme that will reimburse the operator at 'no worse' off principles, as it would in any normal year. The Scheme details approved as part of this paper is separate from any methodology that will be considered to support bus operators during the current Covid-19 pandemic and recovery period.</p>
10.	<p>The Council also produces a claim form that operators are required to populate with data on concessionary fare use and average fares. As the bus network in Southampton has been</p>

	<p>subject to several changes, intensive competition and reductions in fares, the Council will continue to calculate the average fare and reimbursement as based on the DfT Concessionary Fares guidance as has been the case for the previous Scheme and will not be entering into a fixed arrangement with any of the larger operators. A fixed arrangement will continue with the three smaller operators in the city who generate nominal levels of reimbursement. Once the scheme starts on 1st April bus operators then have 56 days to appeal to the Secretary of State on the proposed reimbursement rates. Appendix 1 shows details of the proposed scheme for 2023/24.</p>
11.	<p><u>DfT Guidance for 2023/24</u></p> <p>Given the ongoing recovery from Covid, as well as a number of other Government policy initiatives, a Supplementary Note (Appendix 4a) was produced to accompany the 2023/24 Guidance. In November 2022, the Government extended the Statutory Instrument for Concessionary Fares that allows LTAs to continue to reimburse operators at a higher rate for 2023/24 financial year so operators are 'no worse' off. This is to support the bus sector whilst bus patronage continues to recover. This Statutory Instrument covers the period from April 2023 to April 2024 and provides continuity with previous Instruments.</p>
12.	<p>The Supplementary Note produced for the 2023/24 ENCTS set out the DfT's principles and strategies to consider when calculating reimbursement for concessionary fares. This notes that it is ultimately the choice of LTAs as to the most appropriate method of continuing concessionary fare funding for 2023/24 financial year. However, it is the DfT's strong preference that concessions are paid out at pre-Covid levels.</p>
13.	<p>In August 2022, the DfT set out in a letter (Appendix 4b) the continuation of the Bus Recovery Grant (BRG) to April 2023 as part of the Covid recovery support package for local buses. The letter set out that "if concessionary funding is paid at pre-pandemic levels, then funding can be used [by the operators] to maintain and improve service, or for LTAs to support operators in this way, or to instead reinvest into tendering services." This provides further preference to maintain concessionary funding at the pre-pandemic levels to maintain the viability of the bus network. Long-term funding for buses beyond April 2023 has not been confirmed yet adding to uncertainty about bus networks.</p>
14.	<p>Within the Supplementary Note the DfT's approach to reimbursement is set out:</p> <ol style="list-style-type: none"> <li>1. We are asking Local Transport Authorities to continue to pay concessionary fare payments to operators at pre-Covid levels, until the end of the 2023/24 financial year.</li> <li>2. If this is not possible due to following the Recovery or Alternative Recovery Strategies, or the Local Transport Authority does not believe it is appropriate, then we would request that they retain the funding within the wider supported bus sector – for example through greater support for tendered bus services.</li> </ol>
15.	<p>The DfT also note that funding for concessionary fares is included in annual Local Government Finance Settlements. A decline in concessionary bus usage will be reflected in the long-term decline in the Settlement. However, it should be noted that in the December 2022 settlement there was no change the basis for funding.</p> <p>It should also be noted that the DfT have not, as of February 2023, decided the long-term future of BRG. BRG has been provided to bus operators to support the pandemic recovery while patronage has been suppressed. Therefore, concessionary fares provide an important revenue income for operators and removal of BRG may impact on service viability. Reinvestment of concessionary fares budget into bus service, such as fare offers, can help to drive patronage increases that offset the potential negative impacts of service withdrawals.</p>
16.	<p><u>Position in Southampton</u></p> <p>The operating environment for buses is challenging, facing pressures around increased costs for fuel, driver shortage, and a slower than anticipated return of passengers – particularly concessionary fares. Nationally, concessionary fares account for around 22% of</p>

	<p>a bus operator's operating revenue. This funding helps to maintain sustainable bus networks and lower levels may affect the viability of that network, with further reductions in service provision potentially necessitating SCC to step-in and fund bus services.</p>
17.	<p>Southampton has an additional challenge following the decision by First Bus to cease the operations of their CityRed brand in February 2023 (First Solent services remain in Southampton). Go South Coast (GSC) have taken on the majority of the vacated CityRed services and will be monitoring the network during the first 6 months of operation. This volatile bus network may lead to further service changes impacting on concessionary fares. Therefore, retaining funding within the system helps SCC to achieve its objectives for buses and reduced the risk of bus routes being withdrawn and potentially more costly intervention by the Council to support socially necessary bus services via a direct subsidy for contracted services.</p>
18.	<p>Recovery the number of concessionary passengers in Southampton has been steady throughout 2022/23. When compared to 2019, the number of concessionary passengers rose from 67% of 2019 levels in April 2022 to 75% in November 2022. However, this is still below what was predicted in Summer 2022.</p>
19.	<p>Inflationary pressures in 2022 have increased operating costs for bus operators significantly – with driver costs up 12% and fuel up 12.6% compared to 2021. This has eroded the level funding available to invest in a sustainable bus network in Southampton. Concessionary fares account for on average 22% of an operator's income, and reductions in this income could affect the viability of some routes leading to them being withdrawn. While many routes are commercially viable those less so could be withdrawn, if socially necessary, the Council may have to provide financial support to maintain them. Currently the Council supports 4 routes using external funding until March 2024. This could be at a higher level than concessionary fare support. Retaining concessionary fare funding with some additional support would mean that there is the additional funding within the bus network to maintain these services without the need for the Council to provide additional support.</p>
20.	<p><u>2022/23 Reimbursement Methodology</u></p> <p>In July 2022, Cabinet agreed the 2022/23 Concessionary Scheme and Methodology which set out SCC's approach to reimbursing bus operators following the DfT's Alternative Recovery Strategy. During the pandemic bus operators were reimbursed at a higher level than the number of concessionary passengers carried.</p> <p>The reimbursement amount for each operator was calculated from a baseline based on their pre-pandemic patronage (which since 2019/20 was reduced annually by 2.5% - currently 92.7% of the 2019/20 level - to reflect national patronage decline). Operators were then paid for the number of concessionary passengers carried with additional SCC support up to the baseline. This is to ensure that no operators were 'worse off' in line with the DfT's Strategies.</p> <p>The approach was to transition concessionary payments towards those supported by actual patronage. Therefore, this additional financial support was to be tapered, resulting in payments to operators starting at 95% of the baseline in April 2022, tapering by 5% every 2 months until October 2022, after which reimbursement was to be paid on actuals without the additional support.</p>
21.	<p>The 2022/23 methodology has been reviewed following engagement with the bus operators and there is a risk that based on concerns raised, if a local agreement is not made, then an appeal can be made to the Secretary of State.</p> <p>It was predicted (in July 2022) that it was likely that concessionary patronage would reach 2019/20 levels from November 2022. However, the number of concessionary passengers</p>

	in November 2022 was at 75% of the 2019/20 levels. For the year to November 2022, SCC has paid additional support on average of 18% above adjusted 2019/20 levels.
22.	<p>A key concern for operators is operating costs have significantly increased with fuel rising by approximately 12.6% and driver costs by 12%. This is in the context of recovery in concessionary passenger numbers being slower than anticipated. These factors mean that there are risks that there is insufficient funding to support the current bus network.</p> <p>Therefore, to retain the network in a period of change, and in the interest of maintaining good relations with the bus operators and acknowledging that concessionary passenger numbers in 2022 have only recovered to 75%, the 2022/23 methodology is proposed to be adjusted. With concessionary fare revenue contributing approximately 20% of an operator's income, a lower level of income could impact on the viability of some bus routes and could see some routes being withdrawn or frequencies reduced.</p> <p>Officers have been working with the bus operators to negotiate a position that is acceptable to both SCC and the operators. This reduces the risk of services being withdrawn and the Council being required to financially support and removes the risk of challenge to the Secretary of State.</p>
23.	<p>DfT guidance sets out that LTAs can decide on the methodology that best meets their local conditions. The bus operator has objections on the 'double' deduction of multiple annual reductions of 2.5% and enacting the DfT's taper concurrently.</p> <p>The proposal is to:</p> <ul style="list-style-type: none"> <li>• Remove 1x 2.5% annual reduction from 2019/20 for all of 2022/23 – creating a financial baseline that is 95.1% of 2019/20 rather than 92.7% (back dated for all of 2022/23), and</li> <li>• Pay at 80% of adjusted 2019/20 levels from November 22-March 23.</li> </ul> <p>This will allow the existing bus network to be maintained. Appendix 3 shows the impact on payments to operators when compared to the previously approved methodology.</p>
24.	For 2022/23 the spend within this report is to provide a service over and above the agreed methodology and while Concessionary Fares are a statutory obligation, Cabinet are asked to carefully consider such a commitment. This is considered Essential Spend as it provides support to the bus network in a period of pressure from inflation (fuel and driver costs) and flux with the bus network. Reductions in concessionary fare payments could negatively impact on bus services and the Council may need to step-in to support any withdrawn bus services.
25.	<p><u>2023/24 Reimbursement Methodology</u></p> <p>The DfT recognises that it is an authority's choice to find the most appropriate method of continuing concessionary fares funding for the 2023/24 financial year, however, from their November 2022 guidance their strong preference is that <b>reimbursement for concessionary travel continues to be paid out at pre-Covid levels</b> until the end of the 2023/24 scheme year. Where authorities are following an alternative recovery strategy, the DfT requests that funding is retained within the wider supported bus sector, for example through greater support for tendered bus services.</p>
26.	After paying operators at pre-Covid levels for two years (considering an underlying trend of decreasing patronage), in 2022/23 Southampton City Council implemented the DfT's Alternative Recovery Strategy in line with DfT guidance. This meant operators' reimbursement dropped from the reduced baseline for national decline of pre-Covid levels on a tapered scale from April 2022, with payments made to operators being 80% November 2022 until March 2023.
27.	Based on the 23/24 DfT guidance, as SCC is currently following the Alternative Recovery Strategy for 22/23, SCC could increase payments to match mileage, continue the

	<p>payment schedule from 22/23, or move to paying on actuals only. The DfT's preference is that LTAs pay on pre-pandemic levels but acknowledge that some LTAs would be following the Alternative Recovery Strategy. For this they have set out some examples:</p> <ul style="list-style-type: none"> <li>• Operator A is running at 90% of their pre-Covid service levels entirely within the area of Local Transport Authority ('LTA') B with 80% of pre-covid concessionary patronage and is in receipt of BRG. Following DfT guidance, LTA B took the decision to reduce concessionary reimbursement payments in line with the original Recovery Strategy and is currently reimbursing at 80%. LTA B could either increase its concessionary reimbursement payments to the scale of pre-covid levels (90%) in 2023/24 or, if it continues to follow the Recovery Strategy can continue reimbursement at 80%. DfT suggests that if it does the latter, that any correspondingly available funding from its concessionary travel budget is directed towards other bus services.</li> <li>• Operator C is running at 90% of their pre-covid service levels in the area of LTA D with 70% of pre-covid concessionary patronage and is in receipt of BRG. LTA D has elected to continue to pay concessionary fare payments to operators at pre-Covid levels. LTA D would then continue its reimbursement at 90%.</li> </ul>
28.	<p>Southampton's bus mileage is at between 85% and 98% of pre-pandemic but concessionary fare patronage is at 75% (November 2022 v November 2019). The patronage baseline would be at 90.4% of 19/20 patronage after another 2.5% reduction from the 22/23 amount to match the decline in concessionary fare patronage. Therefore, the options for Southampton are:</p> <ol style="list-style-type: none"> <li>1. Increase concessionary fare payments to the scale of pre-pandemic levels (85-98% of patronage baseline) in 23/24. Indicative budget required - £3.39M-£3.91M;</li> <li>2. Continue to follow the Recovery Strategy and maintain payments at 80% of reduced annually adjusted 2019/20 baseline in 23/24, and direct available funding towards other bus services. The updated baseline (as set out in paragraph 22) would be subject to another annual reduction of 2.5%. This would provide operators additional support up to 80% of the 2023/24 base. If patronage figures reach 80% of the baseline then payments would be made on the actual patronage carried instead. If this doesn't happen during 23/24 then the top-up payments would continue to be made. Indicative budget required - £3.188M; or</li> <li>3. Pay on actuals (the level of concessionary patronage carried) in 23/24. Indicative budget required – £2.91M.</li> </ol> <p>The recommended approach is Option 2 which would continue the current payment arrangement through 2023/24.</p>
29.	<p>Payments to operators will be based on 2019/20 adjusted actuals (adjusted by three times 2.5% per year to represent the acknowledged national decline). Additional support from the Council will be between the actual concessionary passenger levels and 80% of the adjusted 2019/20 level. As concessionary passenger levels in Southampton continue to increase this level of support would decrease. It is unclear on when patronage would pass the support level, but when patronage reaches 80% then payments would be made on actuals – this would increase costs to the Council.</p>
30.	<p>This approach fulfils the expectations of the DfT in their November 2022 Guidance as a way of supporting the bus network as it continues to recover. Total patronage levels are currently still recovering and vary by operator, the changes to Southampton's bus network in February 2023 may mean concessionary fares are more difficult to predict. This approach takes a cautious way of reducing the level of support SCC provides to bus operators and avoids any sudden reduction that could lead to significant impacts on bus services levels.</p>

31.	For the 2023/24 Methodology the proposed approach for the Concessionary Fares Scheme is within the approved budget but see the comments of the S151 officer around budget risks. The provision of a compliant Scheme is a legal requirement and compliant methodology is important as the Concessionary passengers return to the bus network has been suppressed. This will continue to provide modest support to the bus network through recovery, supports with continued inflationary pressure (fuel and driver costs), and avoids the need for the Council to step if services are withdrawn due to concessionary reimbursement reductions.
32.	<p>There are risks associated with reducing concessionary fares reimbursements to operators in next financial year, as outlined in Risk Management section. But there are also benefits to sustaining reimbursement at a higher level. It allows operators to:</p> <ul style="list-style-type: none"> <li>• Protect those services that are most at risk, but vital for local communities, and reduce risk SCC has to step in to support services;</li> <li>• Sustain the bus network as a cohesive integrated network;</li> <li>• Develop and shape the network over the short term to allow for its longer-term survival.</li> </ul>

## RESOURCE IMPLICATIONS

### Capital/Revenue

33.	<p><u>2022/23</u></p> <p>The current forecast expenditure for concessionary fares for 2022/23, based on the approved methodology in July 22 including actuals for November and December and assumptions for payments against actual returns (which cover reimbursement for revenue foregone and other costs) for the remainder of the year (based on an average for the year to date of 73% for actuals compared to the approved reduced base line) is £3.32M. This represents an underspend against budget of £1.37M before offsets for bus subsidy schemes.</p> <p>The revised methodology, as detailed in paragraph 23, will increase the forecast to <b>£3.53M</b>. And will mean additional support to operators estimated at <b>£0.21M</b>, details of the monthly additional support are shown in Appendix 3. Of this additional cost £0.09M can be attributed to the cost of removing one of the 2.5% annual reductions and £0.12M can be attributed to paying at a minimum of 80% of adjusted baseline.</p>
34.	This additional support will impact on the budget underspend for concessionary fares. The Council is under significant financial pressure and Cabinet should be aware that agreeing to this would impact on in-year savings and worsen the already considerable budget gap.
35.	<p><u>2023/24</u></p> <p>The Concessionary Fares budget for in 2023/24 is <b>£3.24M</b> after an in-year saving of £1.03M and the transfer of the difference between the forecast and remaining budget after saving of £0.75M to central contingency for subsidies and higher reimbursement amounts based on actuals as approved by Council on 22<sup>nd</sup> February 2023. The budget is forecast at this time to be an appropriate level to fund the proposed scheme in 2023/24. This will be closely monitored as bus patronage levels adjust throughout the year as demand recovers and impact of the post-CityRed bus network become clearer.</p>
36.	<p>The three options considered for reimbursements of concessionary fares, as set out in paragraph 27 for 2023/24 are:</p> <ol style="list-style-type: none"> <li>1. Reimburse at minimum of 98% of revised annually adjusted pre-Covid levels,</li> <li>2. Reimburse at minimum of 80% of revised annually adjusted pre-Covid levels, or</li> <li>3. Reimburse on actual patronage (estimated).</li> </ol> <p>These options compared to the budget are set out in Table 1 below.</p> <p>Table 1</p>

	Reimbursement Method	Concessionary Fares Reimbursement Forecast	Concessionary Fares Budget	Potential Budget Variance
	Option 1	£3,905,218	£3,247,150	£658,068 A <small>(draw-down from contingency necessary)</small>
	Option 2 (proposed model)	£3,187,933		£59,217 F
	Option 3	£2,906,223		£340,927 F

37. Table 1 shows that the proposed model (option 2 – forecast of £3.187M) forecasts an underspend of **£0.06M** will be achieved against budget for 2023/24. Should Concessionary Fares recovery exceed the forecast in this model, then reimbursement will be made on actual patronage and a draw down on the contingency may be necessary. Budgets will be monitored monthly to ensure a robust forecast is reported.

38. The Council has set a balanced budget for 2023/24 by using reserves to cover the major budget shortfall of £20.6M. It also is forecasting an in-year deficit for 2022/23 of £10.3M as reported at Cabinet on 21 February 2023. Both issues are a very considerable financial challenge to the Council and a significant risk to its financial resilience and at a time when the Council continues to face significant financial risks due to economic pressures such as inflation and higher interest rates and escalating demand pressures for local services. Against this background, an Essential Spend only approach has been adopted across the Council, designed to ensure spend is minimised to legal requirements (including contractual) and avoidance of service failure. Attention is drawn to the fact that all decisions to spend, where not essential, further increase financial risk by limiting the options to mitigate the forecast deficit or address the future budget shortfall projection.

39. The overall Council budget and MTFs budget report agreed at Council noted the major financial risks the Council currently faces. The S151 officer stated “I would stress the need for the authority to take all possible action to reduce the financial risks it faces by continuing with the ‘essential spend only’ principles, avoiding new commitments where possible and continuing to make savings plans”. Concessionary Fares is a statutory duty but the budget setting and reimbursement methodology is down to the LTA. The S151 would urge the payment be kept to the minimum, given the current financial pressures the authority faces.

**Property/Other**

40. There are no property or other implications.

**LEGAL IMPLICATIONS**

**Statutory power to undertake proposals in the report:**

41. Concessionary Fares are governed by the Transport Acts of 1985 and 2000, and the Concessionary Fares Act of 2007. If it were to be agreed that the future that no enhancements over and above the statutory minimum will be offered, then the 1985 Act does not apply as all local enhancements are made under the Concessionary Fares Act 2007.

**Other Legal Implications:**

42. The Transport Act 2000, as amended by the Concessionary Travel Act 2007, and the Mandatory Travel Concession (England) Regulations 2011, provides a statutory basis for free off-peak travel for older and disabled people (resident in England outside London) on all local buses anywhere in England from 0930 until 2300 on weekdays and all day at weekends and on Bank Holidays. A Southampton adjustment means that Southampton residents who are

	concessionary pass holders are entitled to free travel on all local buses within Southampton between 0900 and 0000.
43.	The provision of a concessionary travel scheme in accordance with the national minimum is a statutory duty. A discretionary power exists to provide a scheme that extends the entitlement of services over and above the national minimum. Any scheme must be made having regard to the Human Rights Act 1998 (with any national minimum scheme will be deemed to comply). Statutory notice must have been given by 1st December 2019 and any representations received in accordance with the Notice considered and determined in accordance with the Act and Regulations.
44.	In putting forward the recommendations set out in this report an Equalities Assessment has been carried out to ensure the proposals accord with the Authorities duties under the Equalities Act 2010, including the implications of reduced funding resulting in withdrawal of services and the nature of the passengers most affected by that possibility.
<b>RISK MANAGEMENT IMPLICATIONS</b>	
45.	Once the scheme starts on 1st April bus operators then have 56 days to appeal to the Secretary of State on the proposed reimbursement rates. This could impact on the final reimbursement rates if the bus operators were to win an appeal. The risk of this is managed by the Council Scheme being consistent with the DfT Concessionary Fares guidance.
	<p>Some key risks to not having a compliant scheme and methodology are set out. To mitigate these SCC would have a compliant scheme and methodology that balances the needs of bus passengers, the Council's financial position, and the operator's position:</p> <ul style="list-style-type: none"> <li>• Network – increasing costs, driver shortages and uncertainty about future funding are making operators risk adverse. While best performing routes are sustainable those with lower patronage are at higher risk of withdrawal affecting local communities' ability to access healthcare, employment, education and increase social isolation. In areas not served by commercial buses SCC may be required to fund services deemed socially necessary. This would be an additional financial pressure beyond the short-term government funding in 2023/24. The Southampton network is also experiencing change with the withdrawal of First and Go South Coast taking financial risk to expand and cover those services.</li> <li>• Fare changes – alternatives maybe to increase fares. Fares in Southampton are low, and ambition of the BSIP is to have affordable bus fares. A knock-on impact of increased fares is on concessionary fare reimbursement which uses an average fare from fare-paying passengers to estimate the reimbursement. This would impact on passengers in cost-of-living and SCC's concessionary fare budget.</li> <li>• Operator Challenge – payments are based on pre-Covid levels of reimbursement, and operators may argue that these are not fit for purpose with decrease in concessionary travel. Where an operator feels that they are being undercharged by SCC they may seek to challenge this with DfT. This brings risk of paying more for reimbursement.</li> <li>• DfT Challenge – DfT specifically states that their expectation is for LTA's pre-Covid concessionary fares budget should be used to support the bus network. Letter from baroness Vere (Appendix 5) indicates that if funding spent on local bus services declines, then there is a risk to the Council of reduced funding in the future through the Revenue Support Grant;</li> <li>• Reputation and Relationships – the Council is preparing to enter an Enhanced Bus Partnership with local bus operators. This is taking the existing close and successful partnership working to a new level and is a way of legally collaborating to improve bus services and grow bus patronage in Southampton. This is also considered when Government decides on funding for transport schemes and grants.</li> </ul>

<b>POLICY FRAMEWORK IMPLICATIONS</b>	
46.	The provision of concessionary travel accords with the policy direction of the City's adopted Local Transport Plan (2019) and Bus Service Improvement Plan (2022) by helping the Council meet its targets for increasing the use of sustainable transport modes (and bus travel in particular) and increasing accessibility and promoting social inclusion.

<b>KEY DECISION?</b>	<b>Yes</b>	
<b>WARDS/COMMUNITIES AFFECTED:</b>	Not applicable	
<u>SUPPORTING DOCUMENTATION</u>		
<b>Appendices</b>		
1.	Concessionary Fare Scheme 2023/24	
2.	2023/24 Concessionary Fare Payments Schedule	
3.	2022/23 Concessionary Fare Payments Schedule	
4a.	DfT Concessionary Fare Supplementary Guidance Note, November 2022	
4b.	Baroness Vere Letter, August 2022	
5.	Equality Impacts Assessment	
<b>Documents In Members' Rooms - None</b>		
<b>Equality Impact Assessment</b>		
<b>Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA (Equality Safety Impact Assessment) to be carried out.</b>		<b>YES</b>
<b>Data Protection Impact Assessment</b>		
<b>Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.</b>		<b>No</b>
<b>Other Background Documents</b>		
<b>Other Background documents available for inspection at:</b>		
<b>Title of Background Paper(s)</b>	<b>Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)</b>	