

Subject: Concessionary Bus Travel – 3 Year Fixed Deals
Date of Meeting: 20 March 2014
Report of: Executive Director for Finance & Resources
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Ward(s) affected: All

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 The council has by law to reimburse bus operators for their loss of revenue and increased costs of carrying concessionaires so that the operators are 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 this model as the basis for determining payments to their bus operators. Operators can appeal the level of their payment to the DfT who will use the model to determine what the council should pay.
- 1.2 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. The purpose of this report is to seek Member approval to 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 to delegate the finalisation of the deals to the Executive Director for Finance & Resources in consultation with the Chair of this Committee. The financial information set out in this report is commercially sensitive and is set out in appendix 1 in part 2 of the agenda.

2. RECOMMENDATIONS:

That Policy & Resources Committee:

- 2.1 Note –
- (i) the forecast comparisons between the current fixed deal payments and the estimated level of reimbursement through the DfT model; and
 - (ii) the progress made to date on the negotiations for new fixed deals; as set out in appendix 1 (in part 2 of the agenda)
- 2.2 Authorise the Executive Director of Finance & Resources, after consultation with the Chair of Policy & Resources Committee, to finalise terms for concessionary fares fixed reimbursement deals with both Brighton & Hove Bus and Coach Company and Stagecoach South.

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 Cabinet on 9 June 2011. The deal comes to an end at 31 March 2014 and negotiations for a further fixed deal began in the Autumn of 2013. Table 1 in appendix 1 in part 2 of the agenda compares the actual payments made to Brighton & Hove Bus and Coach Company to 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 saved a significant sum compared to potential payments under the DfT model. This saving takes account of the reduction in concessionary journey numbers when a number of supported bus routes were transferred to other operators in 2012.
- 3.3 Negotiations with Brighton & Hove Bus and Coach Company are well advanced and a deal is close. Further financial information is given in appendix 1 in part 2 of the agenda. The anticipated payment to them for 2014/15 can be met from the concessionary fares budget for next year set by full Council. The main terms of the deal are likely to be the same as the previous deal with the exception of the of the last two bullet points which are new:
- The fixed deal will be for 3 years starting 1 April 2014.
 - After 2014/15 the payment will increase each year by the November increase in RPIX (Retail Price Index excluding mortgage payments)
 - It will be renegotiated if journey numbers increase or decrease by more than 7.5% from the current forecast annual journey numbers of 9.9 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 but only to cover the cost of the concessionaires using the service. 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 29 November 2012. The deal comes to an end at 31 March 2014 and negotiations for a further fixed deal began at the beginning of January. Table 2 in appendix 1 in part 2 of the agenda compares the actual payments made to Stagecoach South to the estimated payment that would have been made using the DfT reimbursement model.
- 3.5 Over the 2 year period the council is estimated to have saved a small amount compared to potential payments under the DfT model.
- 3.6 Negotiations with Stagecoach South are well advanced and a deal is close. Further financial information is given in appendix 1 in part 2 of the agenda. The anticipated payment to them for 2014/15 can be met from the concessionary

fares budget for next year set by full Council. The main terms of the deal are likely to be the same as the previous deal:

- The fixed deal will be for 2 years starting 1 April 2014.
- After 2014/15 the payment will increase each year by the average annual increase in RPIX (Retail Price Index excluding mortgage payments)
- It will be renegotiated if journey numbers increase or decrease by more than 10% from the current forecast annual journey numbers of 389,325.
- It will be renegotiated if the Government makes fundamental changes to the Concessionary Travel Scheme.

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 bus fares rise by less than the going rate of inflation. The likelihood of these events is considered to be relatively small therefore 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. ITP 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 appendix 1 in part 2 of the agenda. The Concessionary Fares budget for 2014/15 set by full Council on 5th March 2014 is sufficient to cover the payments made under these fixed deals.

Finance Officer Consulted: Mark Ireland

Date: 28/02/14

Legal Implications:

- 7.2 The council operates its concessionary fares scheme in accordance with the Transport Acts 1985 and 2000 and the Travel Concession Schemes Regulations 1986. 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:

Oliver Dixon

Date: 04/03/14

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:

1. Commercially sensitive financial information shown in part 2 of the agenda.

Documents in Members' Rooms

None.

Background Documents

1. Files held within Strategic Finance & Procurement.