

Supplementary Note for 2023-24 English National Concessionary Travel Scheme Guidance

Introduction

Maintaining concessionary reimbursement payments has reduced the severity of reductions in bus services post pandemic that we would have seen. Over the last two and a half years, we have seen exceptionally close working between Local Transport Authorities and Bus Operators in order to continue to deliver high quality bus services in challenging circumstances.

We recognise the importance of concessionary funding to the financial model of many Bus Operators, with it representing 22% of operating revenue in 2020/21, as well as the scale of the concessionary travel budget within Local Government financial planning.

The Department publishes an annual set of guidance on concessionary reimbursement for Travel Concession Authorities ('TCAs') in order to assist them in reimbursing bus operators in line with their legal requirements. Given the ongoing recovery from Covid, as well as a number of other policy initiatives, this supplementary note has been produced to accompany the 2023/24 guidance.

It is focused on a planned review of the guidance, reimbursement in 2023/24 and the approach to reimbursement in the context of a £2 fare cap from 01 January to 31 March 2023, as well as other promotional fares.

Approach to Reimbursement

In November 2020, DfT published the Concessionary Travel Supplementary Guidance, which set out principles to consider when calculating pre-covid payments. In October 2021, DfT followed this by publishing the Covid-19 Recovery Guidance, followed by the Alternative Recovery Strategy. These set out DfT's requests with regard to concessionary reimbursement, alongside potential strategies to follow if they were going to transition concessionary payments toward those supported by actual patronage.

Ultimately, it is the choice of Authorities as to the most appropriate method of continuing concessionary fares funding for the 2023/24 financial year. However, it is our strong preference that concessions continue to be paid out at pre-Covid levels.

Statutory Instrument

DfT plans to lay, subject to the normal processes, a Statutory Instrument in Parliament early next year that will extend the removal of the "no better and" element from the concessionary reimbursement regulations. This Statutory Instrument will cover the period from April 2023 to April 2024 and will provide continuity with previous Instruments.

For the avoidance of doubt, it is DfT's position that the continued suspension of the "no better and" provision gives authorities the ability and legal grounds to pay out ENCTS funding above the statutory minimum level. Whilst we have, and continue to, provide guidance on how to implement recovery in practice, authorities have the autonomy and flexibility to establish the right approach for a local area considering local circumstances.

Subsidy Control

In all cases, the Local Transport Authority will need to take account of, and comply with, subsidy control rules in making payments to operators, including where payments are not directly aligned with concessionary travel patronage levels.

Reimbursement Rates

In August 2022, Baroness Vere wrote to Local Transport Authorities to confirm the £130m extension to the Bus Recovery Grant. As part of this letter, the letter noted that *"If concessionary funding continues to be paid out at pre-pandemic levels, this funding can be used by operators to maintain and improve services, and we would encourage Local Authorities to support operators in this way, or to instead reinvest this into tendering services."*

This is still the case. We know that paying out at pre-Covid levels would allow Operators to maintain the services they do have, in the face of a number of operating challenges. Equally, we are aware that concessionary patronage recovery has not necessarily occurred at the rate which Operators or Local Transport Authorities were expecting. Further, we are conscious of the budgetary pressures elsewhere within Local Authorities, including on supported services.

Correspondingly, our advice is as follows:

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.

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.

As we have previously stated, funding for concessionary fares is included in the annual Local Government Finance Settlement. Councils' core spending power was £54.1bn in 2022/23, £3.7bn higher than in 2021/22. A decline in concessionary bus usage will be reflected in the long-term in a decline in the Settlement.

Reasoning

The approach we set out above is one that will:

- Provide operators with further support for as long as possible while patronage continues to recover
- Provide flexibility for areas depending on their local circumstances
- Retain concessionary funding within the broader bus industry

Examples

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.

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%.

Appeals

Ordinarily, bus operators should financially be "no better and no worse off". However, as a result of some TCAs providing concessionary fare reimbursement payments at levels above that purely justified by patronage, it could be argued that they are "better off". Correspondingly, we plan to extend the Statutory Instrument as set out above.

Given this, and the continued extensive funding to the sector, while legislation does allow operators to appeal, we would continue to encourage operators to take a pragmatic approach to appeals and work closely and collaboratively with their Local Transport Authority. We are encouraged at what we have seen in 2021/22 on this front and would hope that this continues in future.

Return of Patronage

The National Bus Strategy included a commitment for the Government to support industry-led efforts to encourage the return of passengers following the pandemic. The Government recently announced plans to invest up to £60 million to introduce a £2 fare cap on most services in England outside London from the start of the New Year. The cap will be introduced on 1 January 2023 and will be in place until the end of March. The cap will apply to single bus tickets only and is intended to help people save money on travel costs and increase patronage on buses.

The Government also recognises the importance of supporting improvements to bus services as part of increasing modal shift to bus and that is why we have committed to investing £3 billion in buses this Parliament, including over £1 billion to make bus services more frequent, more reliable, easier to understand and use, better co-ordinated and cheaper.

We recognise that improvements to pricing will not have a direct impact on concessionary patronage, given the ENCTS. However, we have been encouraged by the authorities who have made significant efforts to assist with the return of concessionary passengers to bus services, including through targeted advertising. This has often been delivered in close partnership with Operators and demonstrates the value of the close relationships that we can develop across the bus sector.

£2 Fare Cap, Promotional Fares and Reimbursement

The Government is introducing a scheme for the first 3 months of 2023 where participating Operators will not charge more than £2 on most routes for a single bus fare.

Local Authorities who are receiving funding for Bus Service Improvement Plans (BSIP) are often, as part of their BSIP and Enhanced Partnership, planning to introduce temporary fare reductions and promotions. These are often limited by time (such as after 7pm), geographical area or age (such as allowing young children to travel for free). The amount of time and the scale of these planned promotions vary. Local areas will need to decide locally how they wish to incorporate BSIP funded fare offers in terms of reimbursement.

This supplementary guidance is designed to provide operators and Local Authorities with confidence in how to interpret the national £2 Fare Cap in concessionary reimbursement.

Average Fare Foregone

Local Authorities use a variety of methods to compute their Average Fare Foregone for reimbursement. This existing guidance envisages discounted fares, basket of fares and average cash fares being used, with the possibility of local methods as well. DfT statistics based on the annual concessionary travel survey (BUS0831) show that the majority of respondents use the discounted fare or basket of fares models.

The national fare cap could affect concessionary reimbursement as it could:

- Boost the proportion of single fares
- Reduce the proportion of weekly, season or other tickets
- Boost the overall number of single fares due to attracting new passengers onto the bus
- Reduce the value of average single fares charged

The extent to which it would do these would depend on the individual local circumstances of the areas involved, including their local levels of patronage, fare structures and other factors. Areas which had a higher current average single fare would be likely to be more affected.

If these impacts occur, they would be likely to reduce the Average Fare Foregone received by bus operators for the duration of the fare cap. This would have the

consequent impact of temporarily removing money from the bus funding system, only to be reinstated when the fare cap or promotion ends.

[Guidance on how to incorporate the national £2 fare cap into reimbursement](#)

Given the Department's interest in promoting a stable bus sector with predictable funding, this would run contrary to these aims. Furthermore, it would represent a risk to the viability of a number of services.

Correspondingly, the DfT guidance is:

that the national £2 Fare Cap is not included within calculations for concessionary reimbursement.

Local areas should continue the approach they have agreed with local Operators for their own local fare caps.

[Potential methods to follow](#)

If they are not incorporating the £2 Fare Cap into reimbursement, Operators and Local Authorities may wish instead to calculate their appropriate reimbursement in some other fashion.

The other methods to follow would vary based upon the current method for calculations for reimbursement in the authority, data availability and the structure of ticket types within the area. Local Authorities are best placed to pick the most appropriate method for their area.

One potential method is to calculate a set of 'shadow' fares for the various ticket types operating during the period of the promotion and use these to calculate the Average Fare Foregone for concessionary travel over this period. Shadow fares would represent the 'actual' ticket prices in the first three months of 2023, were a national fare cap not in place. This would allow authorities and operators to have greater certainty over reimbursement. It may be particularly appropriate where there could be a local operator who is not participating in the national fare cap scheme or where there are infrequent buses with reimbursement calculated under the basket of fares or average cash fares methods.

Alternatively, there may be agreement between Local Authorities and Operators that other data periods are more appropriate to use than the first three months of 2023, given that there may be some changes to demand type due to the Fare Cap. In this case, authorities would not incorporate the national Fare Cap period into their reimbursement calculations and would base reimbursement on the other 9 months of the financial year or earlier representative periods. This may be appropriate where there has been stability in patronage levels over time or there are multi-year arrangements for reimbursement that run across the national Fare Cap period. For example, a Local Authority may have an arrangement for reimbursement that covers the period 1st April 2022 to 1st April 2024, in this case the Local Authority could agree with operators to calculate average reimbursement for the other 21 months and apply this to the fare cap period.

Review of Reimbursement Guidance

In the 2021 National Bus Strategy, DfT committed to undertaking a review of a number of elements of concessionary bus travel. The English National Concessionary Travel Scheme ('ENCTS') has been in operation for a considerable number of years and given changes to both travel behaviour and the bus industry over this time, it is appropriate to conduct a review. Any review would only apply to England, rather than other schemes across the UK.

Given the significant changes over the last two years in both concessionary patronage, and wider bus and travel markets, it would have been premature to conduct this research and make wide-ranging changes to guidance. Undertaking this research next year will allow us a greater understanding of post-covid travel markets.

We have also taken into account the responses we received as part of the *Concessionary Travel Covid-19 Recovery Strategy Consultation: Call For Evidence* in 2021 . These have helped shape our approach to the review.

In order to assist with this review, we will commission external consultants to support DfT with the work. This will be competitively tendered in the usual manner, and we would expect a provider to be in place in the new year.

The scope of the work will include:

- A full review of the guidance and the calculator,
- A review of the appeals process,
- Reviewing the current eligibility criteria
- The potential to extend or amend the scheme in terms of its hours of operation
- Assessment of the overall Value for Money of the scheme

None of these reviews will definitively lead to any changes to ENCTS and they will be conducted by consultants independent of DfT.

The appointed consultant will be expected to engage fully with users of the current ENCTS – including Travel Concession Authorities, Bus Operators and other day to day users of the scheme. When consultants are in place, we would expect them, or DfT on their behalf, to reach out to the users of this guidance, as well as other stakeholders.

While this work will inevitably be complex and challenging, we hope to be able to conduct a review of at least some elements in time for the publication of Reimbursement Guidance for 2024/25.

We are aware of the challenges of using the guidance and calculator in the current environment, particularly with issues such as the generation factor. We would remind Local Authorities and Operators that it is guidance rather than a prescriptive tool. Local Authorities and Operators will have a range of local evidence to use which may also provide valuable information.

Should you have any queries, please contact the team at concessionaryfares@dft.gov.uk