

From: Matthew Balfour, Cabinet Member for Environment & Transport, Environment & Transport Cabinet Committee

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To: Cabinet – 1 June 2015

Decision No: 15/00051

Electoral Division: All

Summary:

The Young Persons Travel Pass (YPTP) is a discretionary scheme, providing subsidised bus travel for Kent students in years 7 to 11.

For 2015/16 its budget is £8,840,500 net, with £4,596,000 income. Due to increasing demand, the scheme is facing a budget deficit of some £1.4M in 2015/16

This Cabinet report details the background to this budget pressure and outlines the Executive Decision requested to address this budget issue.

Recommendation(s):

Cabinet is asked to agree:

- a) A reduction in subsidy of £50 to the YPTP full cost pass, raising the price to the user by £50 for September 2015.
- b) To maintain the price of low income YPTP at £100.
- c) To maintain the current arrangement for carers and those in local authority care of a free pass.
- d) On an annual basis, the cost of the standard pass will increase in line with operator fare increases and will be capped at 5% of the gross cost of the scheme divided by the number of standard passes in circulation.
- e) To maintain all current YPTP terms and conditions for users.

1. Introduction

1.1 The Young Persons Travel Pass (YPTP) is a discretionary scheme, providing subsidised bus travel for Kent students in years 7 to 11.

1.2 For 2015/16 its budget is £8,840,500 net, with £4,596,000 income, meaning the budget was built on an assumed average pass value £537.

1.3 Due to increasing demand, the scheme is facing a budget deficit of some £1.4M in 2015/16 and this report outlines the scheme, the background to the budget pressure and proposes a reduction in the level of subsidy to mitigate the pressure.

2. Policy Framework

- 2.1 The scheme directly links to the strategic outcome of Children and young people in Kent get the best start in life. In continuing to provide the YPTP, KCC are providing those parents, who would not qualify for free home to school transport with the opportunity to select schools which meet the needs of their children, rather than just on locality, whilst providing these parents with subsidised bus transport and promoting sustainability.

3. Report

3.1 The Scheme

- 3.1.1 The Young Persons Travel Pass replaced the Kent Freedom Pass from September 2014. It enables students, in years 7-11, to use the public bus network of Kent, with no need to present cash on services. On production of a pass, a student can travel at any time between 06.00 and 19.00 Monday to Friday, during the Academic year. It is a discretionary travel product, provided by KCC to promote sustainable home to school travel on the public bus network and has been taken up by 25,000 users across Kent.
- 3.1.2 The YPTP pass is delivered across the Kent bus operators, through a concessionary fares arrangement as recognised by the 1985 Transport Act.
- 3.1.3 The YPTP comprise two main elements. The re-imbusement element to bus operators for journeys undertaken and payments to bus operators for the provision of additional bus journeys, where demand from YPTP pass holders is higher than the standard capacity provided. The payment to operators for additional capacity buses comprises a fixed daily rate per vehicle and a small re-imbusement element. At this present time, there are 42 vehicles provided as additional capacity buses.
- 3.1.4 The YPTP re-imbusement administration, validation and technical consultancy is provided by MCL to KCC. MCL are a consultancy specialising in concessionary fare schemes, providing administration, forecasting and technical support to local authorities. At present they provide these services to over 10 local authorities in the South East, East Anglia and the Midlands.
- 3.1.5 The operator records each journey made by pass holders, and sends details to MCL, either electronically or on a form. MCL validate the data provided, through analysis of trends and on bus surveys/data cleansing. The journeys are valued based on average fares and categorised as peak or off peak so that the appropriate reimbursement rate can be applied (lower for off peak).
- 3.1.5 Reimbursement comprises revenue foregone and additional costs. As with most concessions schemes, it is assumed that the scheme generates extra patronage, and for these journeys the operator only gets an amount estimated to be the additional cost of carrying, not the fare for the journey.

3.1.6 The pass cost to users is set at £200 for standard purchases, £100 for those on a low income (subject to eligibility) and is free to carers/those in local authority care, however the average value per pass is currently estimated at £588 per pass, resulting in a subsidy of £388 per pass.

3.2 Benefits Realisation

3.2.1 The Kent Freedom Pass was in deficit in both 2012/13 and 2013/14 and this trend continued into 2014/15 with increased journey numbers. At £100 per pass and unlimited travel, this was a very generous and popular scheme. There were in excess of 29,000 KFP passes in issue – each pass heavily subsidised by KCC, with an average subsidy per pass of £450.

3.2.2 The budget that was approved for 2014/15, in terms of both KFP and YPTP, was based on the KFP quarter 3 forecast (for 2013/14) as the budget was approved in February 2014 and hence before final outturn. At this time, the quarter 3 and 4 MCL reconciliations were not available and the outturn proved to be +£590k (gross +£851k, income +£261k) in excess of that quarter 3 position. Hence the year and the new scheme commenced in a deficit position, causing part of the £1.4M pressure.

3.2.3 The KFP scheme was therefore an unmitigated success in terms of the options and flexibility it gave to young people to travel: to and from school; to and from after school clubs; to travel to and from leisure activities, both during the week and at weekends. However, this was not something the authority could continue to fund to such an extent and YPTP was introduced in September 2014

3.2.4 The introduction of YPTP was expected to deliver significant savings, straddling both 2014/15 and 2015/16, as the price increased to £200 for a full year full cost pass and usage limited to Monday-Friday and 6am-7pm. The school summer holidays were also excluded and hence the pass moved away from a leisure/freedom pass and was now an alternative to home to school transport. Hence the level of subsidy reduced whilst still providing a viable and value for money scheme.

3.2.5 The new budget was predicated on a number of assumptions around: the revised number of passes in issue, the usage (in terms of both number of journeys and distances travelled); additional capacity reductions and in essence an estimate was made as to the average pass value, which was deemed to be £537 per pass. The budget was built on this basis accordingly.

3.2.6 The primary reason for the budget pressure however is the increase in journey numbers, which have been above budgeted/affordable levels in each of the three quarters to date.

3.2.7 What has transpired is that the c25, 000 passes in circulation are now being primarily and extensively used for home to school. By virtue this is peak travel (higher average fare) as well as journey numbers are higher than anticipated and is creating an additional financial cost to the authority. This, combined with the budget being set as quarter three 2013/14 KFP levels, with operators increasing their prices mid-year (which form part of the reimbursement calculations), as well as the full impact of additional capacity bus payment reductions not fully being achieved, has meant the budget approved for 2015/16 and beyond again shows a deficit.

3.3 Addressing the Budget Pressure

3.3.1 A deficit of some £1.43M is forecast (net budget £8.84m, MCL forecast £10.27m). This deficit would have been £2.4M, if £1m of base funds not been added to the YPTP budget, in February 2015.

3.3.2 Officers are taking appropriate steps with bus operators to reduce the cost of the additional capacity buses, through operators transferring the additional capacity buses from the present fixed/re-imbursement arrangement to the reimbursement arrangement, which is expected to generate a saving of £500k against the current arrangement. Discussions are set to be concluded in June.

3.3.3 Further action is required to address the budget deficit as there would still be a £900K shortfall.

3.3.4 It is proposed that there is no scope within the current YPTP to restrict travel validity further, which would deliver significant savings which would address the budget pressure. Accordingly no change to terms and conditions is proposed.

3.3.5 It is also proposed that the current arrangements for those on low income (the £100 pass), for carers and those in local authority should not change, on the basis any change would disproportionately affect this group and would have limited impact on the budget pressure.

3.3.6 To address the pressure, a reduction in the subsidy provided to the standard YPTP pass (£200 pass) by KCC, which in turn increases the cost of the pass to the user, would partially address this budget pressure, alongside the additional capacity negotiations.

3.3.7 There is also a need to ensure that in addressing the budget pressure in 2015/16, there is an annual increase in place to enable the cost of the standard pass to be increased in line with bus operator inflation. These annual increases would be based on the inflationary increase in the gross value of the scheme, capped at 5%.

3.3.8 Based on forecasting provided by MCL a reduction of £50 per pass in subsidy, a £50 cost increase to user will address broadly for the current year and based on current demand the budget.

3.4 Financial Implications

3.4.1 MCL, KCC's concessionary fares consultants have produced a forecast, shown in Appendix A, for a range of pass subsidy/price options.

3.4.2 The level of subsidy per pass to KCC, will remain on average at £338 upwards

3.4.3 The reduction in subsidy is expected to reduce the cost of the scheme to £14,853,700 gross.

3.4.4 Income will rise to £5,551,625, delivering a net cost scheme of £9,302,075. Based on the current budget, a deficit of £461,575 will derive. Officers believe this will be addressed through the on-going process to reduce the cost of additional capacity vehicles.

4. Recommendations

Cabinet is asked to agree ;

- a) A reduction in subsidy of £50 to the YPTP standard pass, raising the price to the user by £50 for September 2015.
- b) To maintain the price of low income YPTP at £100.
- c) To maintain the current arrangement for carers and those in local authority care of a free pass.
- d) On an annual basis, the cost of the standard pass will increase in line with operator fare increases and will be capped at 5% of the gross cost of the scheme divided by the number of standard passes in circulation.
- e) To maintain all current YPTP terms and conditions

5. Background Documents

Appendix A - MCL Forecast – YPTP Price Options

6. Responsible Officers:

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