

EXETER CITY COUNCIL

**SCRUTINY COMMITTEE –ECONOMY
6 SEPTEMBER 2007**

**DEVONWIDE BUS OPERATOR AUDIT AND PLANS FOR THE DELIVERY OF THE
NATIONWIDE FREE LOCAL BUS TRAVEL SCHEME**

1 PURPOSE OF THE REPORT

- 1.1 To summarise results of audit work to examine the accuracy and reliability of bus operator ticketing and recording procedures. To outline plans for the introduction of free nationwide local bus travel for the over 60s and people with disabilities from April 2008.

2 BACKGROUND

- 2.1 The current Devonwide scheme offers free county-wide travel to the ‘over 60s’ and people with disabilities. Members will be aware that this scheme has proved very popular and has generated much higher volumes of travel than was originally predicted.
- 2.2 The Devonwide Partnership, of which the City Council is a member, reimburses bus operators on the basis of an *average* fare calculation which is fixed at the start of each financial year. This means that in any one year only the *volume* of tickets issued impacts directly on the reimbursement that Devonwide authorities pay to local bus operators.
- 2.3 The average fare used in 2006/07 was originally derived from a calculation made in March 2006, just *prior to* the introduction of free fares. The 2007/08 figure was calculated simply by adding an inflationary increase to the 2006/07 value. In other words, current bus operator records were not used in the calculation of the 2007/08 average fare value. It is worth noting however that Stagecoach has appealed against the Devonwide Partnership’s reimbursement proposals for 2007/08 and that the decision of the Department for Transport’s adjudicator is awaited on this.
- 2.4 To support future negotiations with bus operators and address a general concern to ensure that bus operator procedures for recording fare trips are robust, the Devonwide Partnership commissioned a multi-stranded audit of bus operator procedures for recording journeys made under the concessionary fare scheme. This report summarises the results to date of this analysis.
- 2.5 This paper also summarises the model for delivering the new nationwide free travel scheme agreed by the Portfolio Holder for Transport and Sustainable Development.

3 AUDIT RESULTS AND UPDATE

3.1 The audit results and update cover three strands relating to:

- Strand 1: An independent review of the process by which bus operators calculate and submit claims for reimbursement under the Devonwide scheme to assess whether a robust audit trail is in place to support claims. This review was undertaken by Devon Audit Services between January and February 2007. The focus of this strand was on back-office processes and did not assess the accuracy with which bus drivers issue tickets (strands 2 and 3 do this).
- Strand 2: Mystery shopping to determine the accuracy of tickets issued by bus drivers under the Devonwide Scheme (tickets should reference the correct fare zone, rather than necessarily the precise destination).
- Strand 3: A programme of on-board inspection across bus services by an independent consultant

Strand 1 results

3.2 The Auditor's summary opinion is given in full below:

In our opinion the claims that are submitted to Devonwide by Bus Operators are generally accurate and we consider that, although we have identified passenger number discrepancies, they are not material in the overall context of the claims. The largest discrepancies as a percentage of passengers carried have been identified at smaller operators, and generally smaller operators were identified as holding the poorest audit trails of the passengers they carry. In several cases the base data used to compile claims was 'gappy', contained poor quality printouts from ticket machines or was based on manual recording sheets that were poorly compiled. The quality of such audit trails is inadequate and Bus Operators need to be put on notice that improvement is required.

3.3 Overall, these results are reassuring. The large operators - and biggest claimants - were found to have robust systems in place - the audit team recorded tiny error rates in their analysis of these operators (for example, 0.004% of cases explored). For all claimants, there was no evidence of systematic over (or under) claiming – errors worked both ways. However, weak administrative procedures were found in some cases, particularly among the smaller operators. The Devonwide Partnership has shared individual results with bus operators and will expect significant auditor recommendations to be implemented.

Strand 2 results

3.4 Of the 179 mystery shopping pass-holder journeys conducted in the first quarter of 2007:

- 156 tickets were issued showing the correct destination
 - 11 tickets were not issued or seen by the pass-holder
 - 6 tickets did not show a clear destination on the issued ticket
 - 4 tickets showed a destination that was further than that requested
 - 2 tickets showed a destination that was less distant than the one requested
- 3.5 Clearly the vast majority of journeys have the correct ticket issued. However a minority of journeys appear to have no ticket issued against them. To the extent that back office procedures for recording ticket volumes are reasonably accurate (see strand 1 results) and to the extent that this implies some level of under-recording of concessionary travel at the point of sale, it would seem that bus operators are marginally under-recouping their costs. However the numbers are relatively small and, in the context of an overall modest sample size, it is difficult to draw a definitive conclusion here.
- 3.6 Whilst there is some evidence of under- and over-recording of destinations on *issued* tickets, the numbers are also small. There is no evidence to suggest systematic and widespread over-recording of destinations on tickets. Nevertheless, the Devonwide Partnership has asked the scheme administrators at Devon County Council to maintain a regular programme of mystery shopping so that partners can continue to monitor the practices of bus operators and drivers (and give regular feedback to them).

Strand 3 update

- 3.7 This strand of work was initially undertaken by an independent contractor working on behalf of the Devonwide Partnership. Despite giving the contractor an extension to the deadline for this work, they have failed to deliver a robust and comprehensive piece of analysis. This is a disappointment. The Partnership have therefore elected to cease working with this contractor and, subject to their availability, intend to use Devon Audit Services to carry out a programme of ‘without warning’ on-board bus inspection. Members will be advised of the results of this work as soon as they become available.

4 FUTURE ORGANISATION OF FREE BUS TRAVEL FROM APRIL 2008

- 4.1 A statutory England-wide free local bus travel concession will be introduced from 1st April 2008. Responsibility for funding and delivery of that concession will remain with District and Unitary authorities. Under the current Devonwide scheme, the City Council pays for all travel undertaken by its residents within Devon. Under the April 2008 nationwide scheme, Exeter City Council will pay for all local bus travel starting in their district *regardless of where the passholder lives*. At the same time, the City Council will no longer be responsible for paying the costs of travel by its residents where that travel takes place outside Exeter.
- 4.2 To deliver the statutory nationwide scheme, the City Council and other members of the current Devonwide Partnership have negotiated a shared service arrangement with Devon County Council. This arrangement will deliver significant economies of scale.

The County Council will continue to provide an administration service which will include, for each participating authority:

- (i) dealing with the pass application process, and providing a key interface with residents and with bureau services appointed to print the new passes. This is a significant task. Government has said that replacement smartcard-enabled and photographed passes should be issued for the nationwide scheme (old Devonwide passes will be obsolete). New passes need to conform to a standard design. Replacement of passes will begin in early Autumn 2007. Government is providing additional funding in 2007/08 to cover the costs associated with pass renewal.
- (ii) analysis to inform the appropriate reimbursement values to bus operators for each travel concession authority
- (iii) negotiation with, and payment of reimbursement to, bus operators
- (iv) bus inspection and audit services (and facilitating user surveys as required)

4.3 Under this model, the current Devonwide Officer Partnership would become a steering group to oversee county council delivery of this service. It would also provide an informal mechanism for sharing experiences, a vehicle for sponsoring joint research and audit work linked to the scheme, and a mechanism for collective lobbying. To be clear though, the '*Devonwide scheme*' will, in effect, cease to exist once the nationwide scheme is introduced during 2008.

4.4 The question of exactly how the City Council will be funded under the nationwide scheme, and how much funding it will receive is still to be determined by government. Recent lobbying activity in Devon has concentrated on the need for government to develop a funding model which takes full account of the relatively large number of elderly visitors to Devon and specifically in relation to Exeter, of the role of regional cities, not only as a visitor attraction in their own right (for Devon residents and tourists), but also as an important transport interchange.

4.5 The current Devonwide county-wide travel scheme allows free travel from 9am and allows 'companion' passes in some circumstances. The nationwide scheme will offer free travel from 9.30am and will not allow companion travel. In theory, the City Council could offer 'enhancements' to the national statutory service, for example by providing free travel from 9am. The City Council does not propose to offer scheme enhancements because of the likely significant increase in, and uncertainty surrounding the costs associated with the nationwide scheme. It is understood that the other Devonwide partner authorities are proposing to adopt a similar approach.

5 FINANCIAL IMPLICATIONS

5.1 The indicative cost for the shared service arrangement administered by Devon County Council for the delivery of the nationwide free travel scheme is £35,000. This is equivalent to just over 2% of the city council's budget for Devonwide in 2007/08.

5.2 Preparation for 2008/09 concessionary fare budgeting as a whole depends on a clearer

indication from government on the method (special grant or formula grant) and funding formula to be used to fund the nationwide extension. Clarification on this is unlikely to be received before late Autumn. The question of whether additional funding will be sufficient to meet increased travel demand will, of course, remain well into the financial year 2008/09.

6 RECOMMENDATION

- 6.1 That Members note the findings of the Devonwide audit programme and resolve to support regular mystery shopping exercises in relation to free local bus travel as a tool for on-going monitoring and to receive strand 3 audit results as soon as they become available.
- 6.2 That Members note and endorse plans for the future organisation and delivery of free nationwide local bus travel in Exeter from April 2008.

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ECONOMY AND DEVELOPMENT DIRECTORATE

Local Government (Access to Information) Act 1985 (as amended).

Background papers used in compiling the report:

None.