Dear Jason,

PUBLIC AUDIT COMMITTEE 5TH REPORT 2011 – ‘NATIONAL CONCESSIONARY TRAVEL’

Thank you for your email of 28 February in which you invited comment on the Public Audit Committee’s 5th report entitled ‘National Concessionary Travel’. The report covers a number of areas and makes some observations on matters that are not necessarily specific to the National Concessionary Travel Scheme and/or Transport Scotland. In the time available before the dissolution of Parliament, it has not proved possible to address all of these broader points in detail. I have therefore looked to address those specific recommendations/comments regarding Transport Scotland in the order in which they appear in the report.

- **Paragraph 28**

As the Committee acknowledges, there continues to be dialogue with the Permanent Secretary regarding the Electronic Ticket Machine (ETM) project. We will keep the Committee informed of progress in that regard as we discuss the matter with Audit Scotland.

- **Paragraph 29**

The Committee has made a specific recommendation that the Scottish Government urgently review their record-keeping procedures for the initial stages of implementing national policies in order to improve knowledge transfer and accountability when staff or policy responsibility move between directorates or public bodies’. This is something that we will certainly bring to colleagues attention although in relation to the ETM project the concerns appear to be more about the application of those procedures rather than their absence. Accountability of course remains with the respective body, regardless of any changes in personnel.
• Paragraph 30

The Committee has indicated that it would welcome information from the Scottish Government on how it will ensure continuity of staff and policy knowledge following the recent restructuring of the Scottish Government Transport Directorate and Transport Scotland. We have and continue to manage that restructuring process, completed in August 2010, with a clear need to retain areas of expertise to enable us to continue to provide the added value that Minister's and senior officials would expect.

• Paragraph 46 and 47

The Committee has endorsed the recommendation from Audit Scotland that the Scottish Government should ‘ensure that timescales and budgets for the roll-out of IT developments are realistic and that staff with the relevant skills are in place to manage the development of the systems effectively’. As recognised good practice for all projects, not just those involving new technology where arguably the risks can be somewhat higher, this is certainly a methodology that we look to follow. Similarly there are procedures for managing private sector contracts and guidance for those involved. These are reviewed on a regular basis. Part of the sign off process for any public sector contract requires a clear understanding of the purpose and objectives, and the mechanism for reviewing progress and delivery against outcomes.

• Paragraph 71

The Committee also recommends, given the ‘current economic climate’, that Transport Scotland consider undertaking its own research on operator costs in order to reassure itself that the costs cannot be driven down further and that the reimbursement rate remains appropriate. The Committee will be aware that the legislation makes clear that we should compensate operators such that they are "no better and no worse off" than they would be in the absence of a scheme. That means we should compensate them for the foregone ticket revenue as well as for any additional costs they incur from carrying additional concessionary passengers. Calculating both of those values is by definition complex as it requires a range of data and knowledge of passenger and operator behaviour if no scheme existed – clearly that is not something we can know with certainty.

We have already invited the Institute of Transport Studies from the University of Leeds to conduct some research into the reimbursement rate. That work was, very deliberately, conducted independently but with contributions both from Transport Scotland and the Scottish bus industry. That way we were able to avoid accusations that we were simply looking to reduce the rate because we wanted to save money (perhaps especially as a consequence of the current financial climate) but more that we wanted to ensure that the rate of reimbursement was credible. The net product of that work was an informed reimbursement rate which was agreed with the Industry and which is now detailed in legislation.

There is a general recognition that as a consequence of the factors that make up the reimbursement rate, it is not static and is subject to change.

• Paragraph 77

On the matter of measurable objectives, the Scottish Government recognises the difficulty in assessing the effectiveness or otherwise of the scheme although it acknowledges that the Committee can identify the benefits that a free travel scheme can provide. This is a matter to which we will give further consideration.
• Paragraph 84

The Scottish Government has no plans to change the current eligibility criteria for the scheme. Costs of the scheme are managed through a capped level of funding detailed in legislation.

• Paragraph 96, 97 and 98

In relation to complaints from the public with regard to bus ticketing, these can be taken up directly with the relevant bus company or through the Bus Passengers' Platform (BPP).

When the National Scheme was launched in April 2006, managed by Transport Scotland, the necessary technology for electronic ticketing had not been developed. As a consequence audit of claim data was difficult and there was significant scope for fraud both by passengers and operators. This was recognised and processes were progressively developed to address this.

In January 2009 Ministers approved a Fraud Strategy which provided clear guidance on the separation of fraudulent claims to those where an error has been made. From April 2010 operators were restricted to claiming by "shadow fare" – the actual adult single fare for each journey made.

ETMs were installed on all buses by July 2010. With data now flowing from ETMs, all operators' data can be viewed daily, reducing the financial risk to Transport Scotland, and ensuring claims are validated.

• Paragraph 106

We will consider further the comments with regard to emerging technologies to help further reduce the incidence of overstaging.

I hope this is helpful.

David Middleton