

London Councils' Transport and Environment Committee

Freedom Pass Progress Report Item No: 18

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Summary:

This report provides Members with an update on the provision of the Freedom Pass service including proposals for:

1. A mid-term review of continued eligibility for Freedom Passes that expire on 31 March 2020;
2. The renewal of Freedom Passes that expire on 31 March 2018;
3. Reducing contact centre costs over the life of the new contract with ESP Systex (October 2017-September 2022).

Recommendations: Members are asked to:

1. Agree to a mid-term review of eligibility of Freedom Passes that expire on 31 March 2020
2. Note the plan to renew Freedom Passes that expire on 31 March 2018
3. Agree to officers exploring customer contact centre option three in the context of the new Freedom Pass managed service contract.

Background to the Mid-Term review Process

1. Prior to the introduction of the English National Concessionary Travel Scheme (ENCTS) in London in 2010, Freedom Passes were issued for a period of two years. This meant that older persons Freedom Pass holders had to provide proof of their residence, and that disabled passholders had to provide proof of residence and eligibility, every two years. It was agreed by TEC that from 2010 that passes would be issued for a period of five years.

2. Whilst a five year validity has benefits in terms of reduced pass issuance costs, it does increase the risk of fraudulent use by passholders who may have moved out of London or by relatives of deceased members who may continue to use the pass.
3. TEC agreed in November 2011 that there should be a review of the status of Freedom Pass holders in 2012/13 – broadly the mid-point of the 5 year validity of the passes. This was to address the concerns mentioned above. To be eligible, a person's sole or principal residence must be in London.
4. The main focus was on older pass holders, as boroughs normally have an on-going relationship with disabled pass holders and will generally discover if a disabled person has moved out of the borough or died. London Councils used the services of the credit rating agency, Experian QAS, to verify that pass holders still lived at the same address as London Councils has on its database.
5. Of 1.1million records checked 96,983 matches were found indicating people who had died, moved or gone away. Following additional checks, including a mail out to those matched, London Councils stopped 25,979 passes.
6. The table below shows an estimate of savings from the previous mid-term review.

Table 1 – Mid Term Review 2015 expiry passes - estimated savings

| Review | Cost of review (£000) | Estimated savings by March 2015 (£000) | Estimated net savings (£000) |
|---------------|------------------------------|---|-------------------------------------|
| Total | 292 | 1,535 | 1,243 |

7. Where passholders still living in London discovered that their passes had been stopped, they could contact the helpline to obtain a free replacement pass once they provided proof of their address and it was verified. Of these, around half had moved without informing London Councils or their borough and half had not moved, but had not responded to the letters they had been sent.

Mid-Term Review of 2020 expiry date passes

8. Officers propose to undertake a further mid-term review of Freedom Pass holders whose passes expire on 31 March 2020, towards the end of 2017. This is approximately the half-way period of their validity. There are approximately 797,000 older persons and 107,000 disabled passes expiring on that date.
9. London Councils officers, including Communications colleagues, have met to discuss the approach and to review what can be learned from the previous exercise.
10. The procedure will be similar to that outlined above, but with some changes in approach. The review will not consider deceased passholders as these are now reviewed twice a year using the National Fraud Initiative, and passes are hotlisted where individuals are reported as deceased.
11. London Councils will request quotations from suitable credit reference agencies to identify people who have moved from the address at which they lived at the time of applying for their 2020 pass. Once the preferred company has been selected, the Freedom Pass

database will be sent to them to identify those who have moved out of London or to another address within London. At all times data protection and security protocols will be followed.

12. It is intended to only check the residence of older passholders, and individual boroughs will continue to be responsible for reviewing the eligibility of their own disabled passholders. It is estimated that around 7% of passholders may be flagged as potentially having moved, which equates to around 56,000 people.
13. The passholders identified will be sent a letter (or email where appropriate) to both the address on the database and any forwarding address in the UK (if available) requesting that they provide documentary evidence that they are still eligible. They will be given one month to respond and those who do not reply by the deadline will have their passes hotlisted i.e. stopped.
14. Good communication is critical, and the letter will clearly inform passholders why they have been written to and that their passes will be stopped if they do not reply by the deadline. Any passholders who do not respond and who have their passes stopped, but are still eligible, can be sent a new pass if they provide sufficient proof of their sole or principal residence being in London.
15. As plans progress further updates will be provided to this Committee.

Renewal of 2018 expiry date passes

16. To date, London Councils and the boroughs have undertaken two large scale renewals of Freedom Passes with a five year expiry date – in 2015 and 2016.
17. Around 870,000 older person and 100,000 disabled person Freedom Pass holders were invited to renew their passes which expired on 31 March 2015. 86% of passholders renewed, with 74% renewing online.
18. Around 142,000 Older Person and 30,000 Disabled Person Freedom Pass holders were invited to renew their passes which expired in March 2016. 83% were renewed, with 79% renewing online – a 5% increase on 2015 (74%).
19. Both renewals were completed within the allocated budgets.
20. As no Freedom Passes were issued with a 2017 expiry date, there is no renewal this year. However, around 66,000 older and 11,000 disabled passes will expire on 31 March 2018. Plans will need to be made to renew these passes, and there will be a renewal every year from then on. The numbers in 2018 are considerably smaller than in 2015 and 2016, and the 2019 renewal will be smaller still, with around 59,000 passes in total to renew. The next large scale renewal will be in 2020.
21. For both the 2015 and 2016 renewals London Councils set up a Project Board to oversee the planning and implementation of the process. The board consisted of London Councils officers, TfL, RDG (formerly ATOC), borough officers, ESP and Journeycall contractors, Age UK and Transport for All. It was generally considered that the board was successful, and it is proposed to reconvene the board to oversee both the 2018 renewal and the Mid-Term review. This group will meet monthly until June 2018.
22. It is likely that the renewal will follow a similar timescale to 2016, with the board convening in September 2017 to start planning. Letters / emails will be sent to the 66,000 older person's passholders in January 2018, inviting them to either renew online or by returning

a form by post. It is hoped to at least match the 79% online renewal rate achieved for the 2016 renewal. Our contractors ESP and Journeycall will process phone calls, e-mails and written proofs from passholders who contact them.

23. Passholders will have to renew by 31 March 2018 when their passes will stop working, although there is a potential to offer a short grace period for late renewers where passes can be shown to transport staff for visual inspection.
24. In 2016 LB Camden carried out its own renewal and LB Sutton offered an online only renewal. Boroughs will be consulted to see if there will be any further variations to the standard approach in this renewal.
25. The renewal of Disabled Person Freedom Pass holders is the responsibility of the local authority. Boroughs will confirm the continued eligibility of their pass holders against the Transport Act 2000 criteria and check residency, updating the database of any changes by a specific deadline. Any passes not renewed by the borough by that deadline will be hotlisted.

Mid-Term Review and Renewal Budgets

26. The Mid-Term Review exercise is estimated to cost approximately £203,774, which covers the credit reference agency providing the database matches, letter production and postage, phone call and e-mail handling from passholders, processing of proofs of residence and a 20% contingency budget. However, it is anticipated that costs avoided of fraudulent use of passes could be up to in the region of £2.50 million by March 2020, meaning net costs avoided of £2.29 million.
27. It is estimated that the 2018 renewal exercise will cost approximately £266,000, with expenditure of £218,000 in 2017/18 and £48,000 in 2018/19.
28. It is anticipated that the combined 2017/18 costs of £421,774 for both exercises will result in a £1,100 overspend against the base Freedom Pass Survey and Reissue annual budget of £1.518 million. However, it is likely, given historic trends that this amount can be covered by excess income in respect of replacement passes.

Consultation

29. The Project Board will meet monthly and their minutes will be circulated to boroughs. There will be regular progress reports to this Committee and briefings to other relevant stakeholders throughout the process.

Freedom Pass Customer Service Model

30. At its meeting in March 2017, TEC members expressed concerns regarding the future costs of providing the current customer contact centre model when the new managed services contract for Freedom Pass begins in October 2017. Officers reported an increase in standard unit costs for phone calls and emails. The new rates for these items could increase the cost of contact centre provision by 33% (£162,123) compared with the current contract based on historic trends.
31. A number of members noted that their own boroughs' customer service offerings had been changed to reduce levels of telephone contact. As a result, members asked officers to present the committee with a range of options to be considered in the context of the Freedom Pass scheme. This section of the paper sets out some high-level options for

decision. Officers will then work up detailed proposals for further consideration by this committee.

Customer Service Options

| Option | Advantages | Disadvantages | Officer Recommendation (order of preference) |
|---|---|---|---|
| 1. Remove telephone contact centre completely and replace with on-line channels | <ul style="list-style-type: none"> • Could generate significant contract savings • Speeds up channel shift by forcing people to self-serve. | <ul style="list-style-type: none"> • Reduces the ability to communicate with the service for those who cannot access IT • Increased level of complaints about the service leading to reputational damage to the scheme • Passholders will find ways to contact London Councils and boroughs by telephone increasing the administrative burden on London Councils and borough staff • Would require consultation (and cost) with members, as would represent a significant change to the service • Could require additional development costs | <ul style="list-style-type: none"> • Not recommended (4) |
| 2. Replace call centre service agents with Interactive Voice Response (IVR) technology and other channels | <ul style="list-style-type: none"> • Could generate significant savings • Speeds up channel shift by forcing people to self-serve | <ul style="list-style-type: none"> • IVR is not suitable for all users, some have specific requirements that are best met by human | <ul style="list-style-type: none"> • Not recommended (3) |

| Option | Advantages | Disadvantages | Officer Recommendation (order of preference) |
|---|--|--|---|
| | <ul style="list-style-type: none"> Ensures that those that need it still have the option to communicate by telephone | <p>interaction</p> <ul style="list-style-type: none"> Increased level of complaints about the service leading to reputational damage to the scheme Passholders will find ways to contact London Councils and boroughs by telephone increasing the administrative burden on London Councils and borough staff Would require consultation (and cost) with members, as would represent a significant change to the service Could require additional development costs | |
| 3. Increased use of Interactive Voice Response (IVR) technology and on-line channels, but retain some call centre provision | <ul style="list-style-type: none"> Could generate some savings Speeds up channel shift by encouraging people to self-serve Ensures that those that need it still have the option to communicate by telephone Ensures that those who cannot use an IVR still have | <ul style="list-style-type: none"> Unlikely to generate as much savings as options 1 and 2 Could require consultation (and cost) with members, as would represent a significant change to the service Could require additional development costs | <ul style="list-style-type: none"> Recommended (1) |

| Option | Advantages | Disadvantages | Officer Recommendation (order of preference) |
|-----------------------------|---|--|---|
| | <p>the option to speak to a person</p> <ul style="list-style-type: none"> Unlikely to significantly increase the level of complaints about the service minimising reputational damage to the scheme | | |
| 4. Retain the service as is | <ul style="list-style-type: none"> Ensures that those that need it still have the option to communicate by telephone Ensures that those who cannot use an IVR still have the option to speak to a person Requires no consultation with members | <ul style="list-style-type: none"> No reduction in costs. | <ul style="list-style-type: none"> Not recommended (2) |

32. Officers recommend option three: Increased use of Interactive Voice Response (IVR) technology and on-line channels, but retention of some call centre provision, as this provides the best balance between retaining levels of customer service and cost reduction.

Financial Implications for London Councils

The Director of Corporate Resources reports that as detailed in paragraph 28, the cost of the mid-term eligibility review and the 2018 pass expiry process can broadly be met from the approved budgetary provision of £1.518 million for 2017/18. The Executive Sub-Committee will be updated of the actual cost implications of both processes in the quarterly budget monitoring reports that are presented to the Sub-Committee. Any additional costs over the estimated £421,000 can be met from probable additional income arising from the replacement of lost, stolen or damaged Freedom Passes.

Legal Implications for London Councils

None

Equalities Implications for London Councils

None

Recommendations

Members are asked to:

1. Agree to a mid-term review of eligibility of Freedom Passes that expire on 31 March 2020
2. Note the plan to renew Freedom Passes that expire on 31 March 2018
3. Agree to officers exploring customer contact centre option three in the context of the new Freedom Pass managed service contract.