

CABINET – 9TH JULY 2009

Report of the Director of Development

ITEM 10 GOVERNMENT CONSULTATION ON POSSIBLE CHANGES TO THE ADMINISTRATION OF CONCESSIONARY TRAVEL

Purpose of the Report

To agree a response to a consultation on options to change:

- A) the responsibilities for administering the statutory free off peak bus travel scheme across England for older and disabled people; and,
- B) the ability of local authorities to introduce their own discretionary travel concessions formally under the 1985 Transport Act.

Recommendation

- I. That the consultation response set out in Appendix I be submitted to the Department for Transport but that it be made clear to the Department that the failure of the consultation exercise to consider in any detail the funding implications of potential changes is a matter of significant concern to the Borough Council. Without this information it is not possible to properly determine the financial risks and make a properly reasoned response to the options for changing the responsibilities for administration of the statutory minimum concession.

Reason

- I. To clarify the Borough Council's views on the options proposed and to affirm that any changes to the administration arrangements for concessionary travel need to be accompanied by changes to formula grant that reflect the actual costs to each local authority of providing travel concessions.

Policy Context

Travel concessions provide older people and those with disabilities with improved access to public transport. This helps tackle social inclusion and maintain well being.

Background

A) Current situation in Leicestershire and Leicester

The District Councils and Leicester City Council act as Travel Concession Authorities providing eligible residents with:

- (a) statutory free off peak national bus travel using government funding; and
- (b) additional discretionary concessions funded from Council resources. (Most districts offer half fare bus travel at peak times, vouchers for those unable

to use public transport services, half fare rail travel and half fare travel by community transport).

Administration arrangements are complex. In 2008/09 the Borough Council issued its own passes and managed a voucher scheme. The County Council acted on behalf of Charnwood to negotiate the reimbursement rate with operators, validate operator claims and pay reimbursement to operators. Elsewhere the County Council administered all concessionary travel arrangements for Leicester City Council and the other Leicestershire districts.

B) Summary of the Department for Transport consultation document

The government is aware of problems with current arrangements raised by local authorities, operators and others. It is accepted changes to concessions in recent years have made administration more challenging with problems including:

- schemes varying across local authority boundaries,
- too many negotiations with operators,
- lack of capacity and expertise,
- inadequate funding,
- transport responsibilities split between different authorities.

The government believe the right changes could make arrangements more efficient, adequately funded, sustainable in the long term and benefit users.

Views are sought on options that might improve the long term delivery of concessionary travel, a significant policy area benefiting millions of people nationwide. The suggested options are summarised below:

Options for change- The statutory minimum concession

Suggested options for administration of the statutory concession are:

- Leaving things as they are now, largely with districts
- Moving responsibility to upper tier authorities mainly at the County level
- Transfer to the regional level
- Central government administration

Maintaining the status quo would not address current problems for district councils, but would be likely to perpetuate high levels of appeals, the many different negotiations with operators and the difficulties of allocating funding by formula.

The regional level seems least favoured as it would require primary legislation and take too long to implement to match planned changes to government spending plans.

It is acknowledged that a move to central administration could secure efficiency savings and reduce negotiations but there would be significant costs to create a new structure. Removing formula grant may have unforeseen consequences for local authorities. Centralisation would be at odds with the wider strategy of devolving powers down to local authorities.

The government's initial view favours moving responsibility from district to county councils. In their view this could realise some efficiencies and simplification of administration and funding arrangements and harmonise concessionary travel with wider transport responsibilities. This option seems best suited to rolling out smart ticketing nationwide.

Options for change – Discretionary concessions

Three options for changes to the powers available under the 1985 Transport Act are put forward:

- District Councils retain the ability to establish discretionary travel concessions
- District Councils lose this ability
- District Councils can only establish discretionary travel concessions jointly with the relevant upper tier authority

The consultation document acknowledges that if one level of authority administers the statutory minimum and another persists with its own concessions then efficiency savings may be reduced. Operators would have to negotiate with two authorities and accept different cards in the same area. Users could have two different passes.

If districts lose these powers arrangements could be simplified and current concessions retained if an upper tier authority were prepared to fund them.

A joint arrangement between district and upper tier authority would simplify arrangements for users and operators but agreement would need to be reached between the two authorities about costs and funding of concessions. If agreement could not be reached there is a risk concessions could be lost.

The government's initial preference is to move responsibility to upper tier authorities (along with the administration of the statutory minimum concession). With these changes local concessions could still be implemented either at the instigation of the upper tier authority, or by a district council agreeing to fund a concession administered by the upper tier authority or by a district using well-being powers under the Local Government Act 2000 & Local Transport Act 2008.

Transferring Concessionary Travel funding

The consultation focuses on administration issues to allow time for the implementation of changes and their financial implications during 2010 as part of discussions on the wider local government settlement. However the mechanisms of any funding transfers are discussed.

If the statutory minimum concession were transferred to upper tier authorities the government would have to:

- calculate the amount of formula grant to remove from a district council allocation. This is difficult as allocations are not made for individual activities.

- make a simple transfer of Special Grant from lower tier to upper tier authorities. The transfer could be complicated if discretionary concessions were retained by a district and spending on them had to be estimated.

It is expected that after any changes the Special Grant would be diverted into formula grant. The government would seek to make the best distribution of formula grant to upper tier authorities for the 3 year period from April 2011 using best available data, such as concessionary bus patronage, as the basis for the distribution.

C) Borough Council response to the consultation document

A suggested response is set out in Appendix I answering the questions posed by the Department for Transport. However a caveat is added that in the absence of information on the financial implications of the options it is not possible to submit properly reasoned responses to the consultation.

Financial Implications

The failure of the DfT's consultation exercise to consider in any detail the funding implications of potential changes to the administration of concessionary travel is a matter of significant concern.

In 2009/10 Charnwood will receive an estimated £1.278k of government grant but the cost of concessionary travel is forecast to be £1.664k resulting in a shortfall of £386k. (Of this shortfall about £100k will be for discretionary concessions funded by the Borough Council.) Some other districts in Leicestershire have a surplus of grant over expenditure. Therefore the mechanism of transferring the responsibilities and funding of concessionary travel is crucial to this Council. However as mentioned above the consultation is silent on this issue.

Risk Management

Risk Identified	Likelihood	Impact	Risk Management Actions Planned
District councils continue as TCAs and the costs of funding the statutory minimum concession continue to rise.	Low	High	Press the DfT to reconsider the special grant allocations to TCAs so that they accurately reflect the actual costs of providing the concession.
Higher tier authorities, most likely County Councils, are made TCAs but the Borough Council loses significant funding as a result of resultant changes to formula grant	High	High	Work with other local authorities to ensure changes to administration arrangements are only made where they are accompanied by adjustments to formula grant reflecting the real costs incurred by TCAs in providing the statutory minimum concession.

Risk Identified	Likelihood	Impact	Risk Management Actions Planned
Discretionary travel concessions are made the responsibility of higher tier authorities. Changes to these concessions have a significant impact on Charnwood users.	Medium	Medium	Press the DfT to introduce arrangements whereby the Borough Council could fund affordable discretionary concessions as part of a wider concessionary travel scheme administered by a higher tier authority, most likely the County Council.

Key Decision: No

Background Papers: The full consultation document can be viewed online at:
<http://www.dft.gov.uk/consultations/open/concessionarytravel/>

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APPENDIX I

DfT CONSULTATION RESPONSE FORM

**POSSIBLE CHANGES TO THE ADMINISTRATION OF
CONCESSIONARY TRAVEL**

PART 1 - Information about you

Name	A D Herrington
Address	Southfields, Loughborough
Postcode	LE11 2TN
email	tony.herrington@charnwood.gov.uk
Company Name or Organisation (if applicable)	Charnwood Borough Council
Please tick one box from the list below that best describes you /your company or organisation.	
<input type="checkbox"/>	Small to Medium Enterprise (up to 50 employees)
<input type="checkbox"/>	Large Company
<input type="checkbox"/>	Representative Organisation
<input type="checkbox"/>	Trade Union
<input type="checkbox"/>	Interest Group
X	Local Government
<input type="checkbox"/>	Central Government
<input type="checkbox"/>	Police
<input type="checkbox"/>	Member of the public
<input type="checkbox"/>	Other (please describe):
If you are responding on behalf of an organisation or interest group how many members do you have and how did you obtain the views of your members:	
If you would like your response or personal details to be treated confidentially please explain why:	

PART 2 - Your Comments

<p>1. Are there other problems, stemming from current administrative arrangements, that are not covered by this list?</p> <p style="padding-left: 40px;"> -scheme variations across authority boundaries, -too may negotiations and conflicts between authorities and operators, -lack of capacity in some authorities -difficulty of accurately funding authorities -concessionary travel and wider transport expertise are not aligned in one authority </p>	<p>Yes X</p>	<p>No <input type="checkbox"/></p>
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Please explain your reasons and add any additional comments you wish to make:
 See Q11

All the problems listed above are apparent to varying degrees in Leicestershire. An additional issue is that effective audits of concessionary travel data are usually unaffordable for individual districts. Audits may be needed to ensure claims for operator reimbursement reflect actual take up of concessions.

<p>2. Do you think that the current level of administration is the most appropriate?</p>	<p>Yes <input type="checkbox"/></p>	<p>No X</p>
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Please explain your reasons and add any additional comments you wish to make:
 See Q11

The majority of reimbursement paid by the Borough Council goes to a few bus operators operating the well used routes in the Borough. The Borough Council's experience of operating its own scheme in 2007/08 is that a district council does not have the expertise or bargaining power to negotiate effectively with operators. The main local operators are part of national groups and have extensive expertise gained working in different parts of the country. Since 2008/09 Leicestershire County Council has once again undertaken negotiations with operators on behalf of the Borough Council and other Leicestershire districts using their significant expertise and wider experience of local bus markets. Since 2007/08 the Borough Council has administered its own travel pass and voucher scheme. Whilst this locally delivered service is popular there are cost concerns (see Q11). In addition the passes need to be upgraded at the end of 2009. Initial work suggests that procuring them through the County Council's supplier would offer economies of scale.

<p>3. Do you think a system of 'higher-tier' administration would be the most appropriate?</p>	<p>YES X</p>	<p>NO <input type="checkbox"/></p>
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Please explain your reasons and add any additional comments you wish to make:

See Q11

The reasons given in answering Q2 are also applicable here: potential economies of scale, greater knowledge of local bus markets and strength in negotiating with operators apparent at County level locally. The County Council's concessionary travel team is already providing an effective service for Leicester City Council and local district councils.

4. Do you think a centrally administered statutory minimum concession would be most appropriate at this time?	YES <input type="checkbox"/>	NO <input checked="" type="checkbox"/>
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Please explain your reasons and add any additional comments you wish to make:

See Q11

A national concession does have merits in terms of reducing the need for the many, complex negotiations, securing economies of scale and better cost effectiveness. However it would be very expensive to create a new national structure. This does not appear to be a justifiable use of public spending at a time when funding is severely constrained. In addition serious funding problems could arise for local authorities as a result of the adjustments needed to formula grant.

<p>5. Do you think a regional tier of administration might ultimately be most appropriate?</p>	<p>YES <input type="checkbox"/></p>	<p>NO <input checked="" type="checkbox"/></p>
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Please explain your reasons and add any additional comments you wish to make:

See Q11

Similar reasons given in answering Q4 are applicable here .

<p>6. Are there other options for administering the statutory minimum concession that are missing from this list?</p>	<p>YES <input checked="" type="checkbox"/></p>	<p>NO <input type="checkbox"/></p>
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Please explain your reasons and add any additional comments you wish to make:

See Q11

The simplest and potentially most cost effective option to provide travel concessions for older and disabled people could be to pay a travel allowance as part of pensions/ income allowances.

<p>7. Should all local authorities retain the ability to establish discretionary travel concessions using powers under the 1985 Transport Act as now?</p>	<p>YES <input type="checkbox"/></p>	<p>NO <input checked="" type="checkbox"/></p>
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Please explain your reasons and add any additional comments you wish to make:

Cost effective administration of concessions and an easy to use scheme for operators and passholders should result from schemes covering broad bus market areas with one travel pass for users and one set of negotiations with operators. These outcomes seem more likely if there is one TCA dealing with all concessions under the 1985 Act.

However in circumstances where higher tier authorities are the TCAs there could be benefits from district councils retaining some influence over discretionary concessions under the 1985 Act. See also Q 9 below.

<p>8. Should the ability to establish discretionary travel concessions using powers under the 1985 Transport Act be limited to upper tier authorities only?</p>	<p>YES <input type="checkbox"/></p>	<p>NO <input checked="" type="checkbox"/></p>
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Please explain your reasons and add any additional comments you wish to make:

See answers to Q7 & Q9.

<p>9. Should lower tier authorities ability to establish discretionary travel concessions using powers under the 1985 Transport Act be limited to circumstances where they had to act jointly with upper tier authorities only?</p>	<p>YES <input checked="" type="checkbox"/></p>	<p>NO <input type="checkbox"/></p>
<p>Please explain your reasons and add any additional comments you wish to make:</p> <p>District Councils focussing on local issues in their areas are well placed to identify the need for specific travel concessions. By contrast higher tier authorities operate at a strategic level and tend to apply concessionary travel policies uniformly across wider areas. Policy changes at the higher tier level can impact on some local areas more than on others.</p> <p>In Leicestershire seven district councils presently fund a range of additional half fare concessions for travel on peak hour buses, rail and community transport by older people and those with disabilities. Take-up of these concessions varies significantly between districts. In the case of rail Charnwood residents account for about half of countywide reimbursement.</p> <p>In a hypothetical situation where powers to introduce concessions rested solely with the County authority a decision to remove eg the rail concession could create problems for local users. The Borough Council might wish to reintroduce a concession (or introduce a different one) formally using the best available powers. This may not be possible if all powers under the 1985 Act rested with the County. A suitable arrangement may be for the Borough to retain the power to fund an affordable concession with the County administering it.</p>		

<p>10. Do you have any relevant data that could inform the cost/benefit estimates that will be used in the final Impact Assessment?</p>	<p>YES <input checked="" type="checkbox"/></p>	<p>NO <input type="checkbox"/></p>
<p>Please explain your reasons and add any additional comments you wish to make:</p> <p>The Borough Council administers the issue of about 4750 new and replacement travel passes pa and operates a voucher scheme with 1100 users. In 2008/09 the annual cost of administration (including staff, printing, stationery and postage) and overheads amounted to about £116k. In addition the County Council managed reimbursement arrangements with operators as part of the wider countywide scheme at a cost of £10k for the Borough Council. Therefore in total the Borough Council incurred costs of about 126k for the administration of concessionary travel.</p>		

<p>11. Bearing in mind that there would be a separate consultation on the funding implications of any changes to the administration of concessionary fares, are there any other issues around funding that are not considered here?</p>	<p>YES <input type="checkbox"/></p>	<p>NO <input type="checkbox"/></p>
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Please explain your reasons and add any additional comments you wish to make:

The failure of the DfT's consultation exercise to consider in any detail the funding implications of potential changes to the administration of concessionary travel is a matter of significant concern.

In 2009/10 Charnwood will receive an estimated £1.278k of government grant but the cost of concessionary is forecast to be £1.664k resulting in a potential shortfall of £386k. (Of this shortfall about £100k will be for discretionary concessions funded by the Borough Council.) Some other districts in Leicestershire have a surplus of grant over expenditure. Therefore the mechanism of transferring the responsibilities and funding of concessionary travel is crucial to this Council. However as mentioned above the consultation is silent on this issue.

If you have any other general comment that you would like to make concerning this consultation, please give them here:

n/a