

Consultation on Possible Changes to the Administration of Concessionary Travel

Head of Department Julie Crellin, Head of Finance and Management Information Systems
Report Author Neil White, Scrutiny Support Officer

The purpose of this report is to advise the Executive on a Government consultation on possible changes to the administration of Concessionary Travel.

Recommendation: that in respect of the consultation on possible changes to the administration of Concessionary Travel the Department of Transport be advised that this council supports:

1. for the administration of the statutory scheme Option 2 - Only upper-tier authorities administer the concession, and
2. for the administration of the discretionary scheme Option 3 - District councils can only establish discretionary concessions jointly with the relevant upper tier authority.

This assumes that a funding transfer will be made to the County Council on the basis that the District Council has an influencing role which is formally recognised by the County Council.

The reason for these recommendations is that the council would not wish to lose its discretionary schemes as it is considered that they are essential for promoting social inclusion, addressing rural isolation and supporting rural transport links.

1. BACKGROUND

- 1.1 The Department of Transport has issued a consultation paper that looks at options for possible changes to two aspects of the administration of concessionary travel in England.
- 1.2 The first is the responsibility for administering the statutory minimum bus concession.
- 1.3 The second is the ability of local authorities to introduce their own discretionary travel concessions which might be in addition to, instead of, or completely different from, the statutory minimum bus concession.
- 1.4 The consultation period began on 28 April 2009 and will run until 21 July 2009.

- 1.5 This report provides a summary of the consultation paper. The full consultation paper is 79 pages and can be viewed at <http://www.dft.gov.uk/consultations/open/concessionarytravel/>.
- A copy has also been placed in the members' room.
- 1.6 The Children, Young People and Healthy Communities Overview and Scrutiny Committee considered this report at its meeting on 17 June 2009 and supported the proposed recommendations. The Executive is asked to consider the report and advise on the recommendations so that a response on behalf of the Council can be submitted to the Department of Transport.
- 1.7 Any changes to the statutory responsibility for administering concessionary fares are most likely to be implemented at the beginning of the next three year local government finance settlement which is April 2011.

2 PROPOSALS

A Statutory Scheme

- 2.1 The Concessionary Bus Travel Act 2007 guaranteed free local bus travel to eligible passengers aged 60 or over or disabled on off-peak services anywhere in England. Total national spending on concessionary travel is now over £1 billion per annum.
- 2.2 The current scheme is a national scheme administered at local level, with the District Council being the responsible authority in shire areas.
- 2.3 The consultation document suggests that in general terms, there are four key responsibilities associated with administering a concessionary fares scheme:
- Assessing the eligibility of applicants for passes, issuing passes and managing a passholder database;
 - Assessing which local bus routes might be eligible for the concession;
 - Defining and publishing a concessionary fares scheme and reimbursing bus operators; and
 - Using enforcement powers where necessary.
- 2.4 The Government is proposing four options for how the statutory scheme should in the future be administered. These are:
- 1. Leave things as they are now**
- 2.5 The consultation states that this will not address the number of problems that exist in the current arrangements. These include scheme variations across authorities; a large number of authorities for bus companies to negotiate with; difficulty in accurately forecasting an individual authority's expenditure on the scheme and the non – alignment of those authorities that issue the bus passes to those with Transport Authority responsibilities.

- 2.6 It does, however, allow District Councils to make improvements to the statutory minimum that are appropriate to local needs.

2. Only upper-tier authorities administer the concession.

- 2.7 This would mean that administering the statutory scheme in Cumbria would move from the district councils to the county council.
- 2.8 This option would align responsibility for those authorities who issue the bus passes with those authorities who have Transport authority responsibilities. It should also assist local transport plans.
- 2.9 It should enable efficiency savings to be made due to the economies of scale, the capacity of the larger authority and mean less councils for the operators to negotiate with. It could also facilitate smart ticketing as some small Districts are not able to support the costs associated with the introduction of the Smartcard technology.
- 2.10 There would also be the possibility under this option, for county councils to continue to liaise with district councils (or indeed to sub-contract some of the associated administrative activities such as pass-issuing).
- 2.11 There is a risk though that local knowledge about the needs of the users would be lost with a move from the districts to the county council.

3. The administration of the statutory minimum concession is moved to Central Government.

- 2.12 This option would remove all problems associated with accurately funding local authorities and could create funding efficiencies as hundreds of local negotiations would be replaced with one. There would also be a reduction in the burden of negotiation currently on bus operators and local authorities.
- 2.13 However, this option would require the creation of a new structure of administration at a cost i.e. the establishment of a specific national agency. Also the question of local enhancements would be difficult to address, either the statutory minimum concession would have to be upgraded to include all enhancements currently offered locally but on a national basis, which would be prohibitively expensive; or all local enhancements currently offered would have to be removed, which would be extremely unpopular.
- 2.14 It would also mean a significant amount of formula grant to local authorities effectively disappearing which could have unintended consequences.
- 2.15 Even with this arrangement, local authorities would still need to form and develop relationships with local bus operators to undertake local transport planning and consider letting contracts for subsidised routes.

4. Administration is moved to a regional level

- 2.16 This option would require primary legislation and would require a longer timescale to implement.
- 2.17 Whilst reducing the number of authorities that bus operators have to deal with where there is no regional government there is no obvious candidate authority to take on this function.
- 2.18 Some of the problems around funding and the continuing transport role for authorities from option 3 above arise under this option also.

Government Preference

- 2.19 The consultation document makes it clear that the Government's initial view is in favour of option 2 - of a shift of responsibility from district to county councils.
- 2.20 It considers option 1 to be unattractive as it feels that there are clear signs that the current arrangements are under strain and may not be sustainable in the longer term.
- 2.21 A fully centralised statutory concession (option 3) has some attractions and could generate efficiency savings. However, it is inconsistent with wider policies towards devolving the delivery of services and could lead to complexity and duplication because of the current pattern of discretionary concessions.
- 2.22 Option 4, a move to regional administration of concessionary fares is considered to be not a realistic option for change in time for the start of the next 3 year local government finance settlement in 2011.

Copeland

- 2.23 Provisional direct total cost (subject to Audit) of the statutory scheme, before the apportionment of central overheads, to the council last year was £541,169.
- 2.24 There was also shared direct administrative costs between the statutory and discretionary schemes) of £8,712.
- 2.25 The council received a grant of £207,893 for administering the scheme leaving a direct net cost to the council of £333,276.
- 2.26 It would be fair to say that the cost of the statutory scheme has been highly volatile over the last two years with the council underestimating and then over estimating the cost.
- 2.27 It is expected that with no major changes to the scheme this year nor substantial national advertising or promotion of the scheme that the cost should be much closer to the predicted estimate, subject to any major local effects.

B Discretionary Schemes

2.28 The mandatory concession scheme may be supplemented with more generous concessions at the discretion of a local authority under section 93 of the Transport Act 1985.

2.29 The Government is proposing four options for how the discretionary scheme should in the future be administered. These are:

1. District councils retain the ability to establish discretionary travel concession schemes under the 1985 Act, as now

2.30 There would be no change in the pattern of travel concessions currently offered to those eligible. If there is no change to who administers the statutory minimum concession then it would make sense to make no changes to who can implement local enhancements to the minimum concession. However, if responsibility for the statutory minimum concession is moved up a tier, then retaining the ability to implement discretionary concessions at the lowest level could nullify many of the benefits of such a move.

2.31 It would make calculating how much funding to transfer between the tiers extremely difficult if only part of the responsibility for concessionary travel were moved. It would also complicate matters hugely for operators and could lead to significant confusion. It could conceivably lead to concessionaires holding two different passes and to confusion over enforcement and reimbursement.

2. District councils lose the ability to establish discretionary travel concessions

2.32 Using the 2007 Concessionary Bus Travel Act, District Councils could have the powers to establish travel concessions removed. This would mean that the County Council would inherit the existing pattern of discretionary concessions across Cumbria. The District Councils would be unable to implement new discretionary schemes under this Act. The County Council would be able to persist with the existing pattern of concessions or rationalise it.

2.33 The consultation suggests that this option would make sense if District Councils also lost the responsibility for the statutory minimum concession. It would enable many of the efficiency savings from such a move to be fully realised and could also result in a simpler map of discretionary concessions.

2.34 The risk with this option is that moving responsibility for both the statutory and discretionary concessions away from district councils could result in the loss of some of those discretionary concessions.

2.35 The County Council would be responsible for developing and implementing schemes and reimbursing operators. The County Council would also be able to introduce new discretionary concessions and

these could exist at the district council level if the County Council so wished.

2.36 It would be possible under this option for a district council to originate and fund a proposal for a discretionary concession in its area, but ask the County Council to implement it provided there was agreement over the necessary transfer of funding. However the bus operators would only have to deal with the county council.

2.37 This could be introduced in one of three ways:

- At the instigation of the county council which would retain the ability to introduce concessions in a defined geographical area;
- At the instigation of a district council which would agree to fund the concessions but have it administered by the county council;
- At the instigation of a district council using well-being powers which would see it liaise directly with operators.

2.38 However, the consultation accepts that under the well being powers all local authorities may retain some ability to introduce travel concessions in their areas. In so doing, to provide as simple and consistent framework for operators and concessionaires, the consultation expects that this would happen with the authority with the responsibility for the statutory concession taking the lead.

3. District councils can only establish discretionary concessions jointly with the relevant upper tier authority

2.39 This option would see formal responsibility for the reimbursement for discretionary concessions moving from the Districts to the County. District Councils would still be able to implement discretionary concessions but only if they act jointly with the County Council's.

2.40 The Secretary of State has the power under The Concessionary Bus Travel Act 2007 to assign certain functions to the County Council – such as, for example, reimbursement or pass issuing. Therefore, districts could still have a say in what sort of discretionary concessions they wanted but would no longer be responsible for negotiating with and reimbursing operators or for issuing passes if these functions were assigned to the County Council only.

2.41 The consultation suggests that this approach might strengthen the ability of district councils to influence the pattern of discretionary concessions in their area but could still realise some of the efficiency savings from moving administration up a tier. It would formally allow for a pattern of discretionary concessions that exist at the sub-county level accurately reflecting local needs. This means that the existing map of local discretions could remain largely unchanged.

2.42 However, if funding and reimbursement both moved to the county council there may be little sense in district councils retaining any

interest in concessionary travel. Moreover, the idea of joint co - operation between the tiers might be difficult to implement in practice although Cumbria has an established mechanism for cross County negotiation in the form of the Concessionary Travel Group.

Government Preference

- 2.43 The consultation states that it is probable (and possibly preferable) that the authority with the responsibility for the statutory concession in an area would also lead on implementing discretionary concessions.
- 2.44 Because of this, and because of the need to provide as simple and consistent a framework as possible for operators and concessionaires in dealing with concessionary fares, the Government's initial preference is to pursue Option 2 and move responsibility for discretionary concessions to upper tier authorities only.

Copeland

- 2.45 The Council introduced discretionary schemes as it was considered that they promoted social inclusion and were important in addressing rural isolation, in addition to supporting rural transport links.
- 2.46 The cost of the discretionary schemes, before apportionment of central overheads, to the council last year was £121,519. This includes vouchers, railcards and peak time travelling reimbursements.
- 2.47 There was also administrative costs (some of which related to the discretionary schemes) of £8,712.
- 2.48 Overall the concessionary travel schemes have 17,000 eligible users which represent around 75% of those who could, have taken up the scheme.

3 FUNDING

- 3.1 The Government takes the view that the statutory concessionary travel scheme is funded by Central Government, through a combination of formula grant (administered by Communities and Local Government) and Special Grant (administered by Department for Transport).
- 3.2 The Special Grant allocation for the three years beginning in April 2008 was at the specific request of local authorities to recognise the challenge of allocating additional funding purely to meet the costs of the new national concession. The Government has always made clear its intention to divert this funding into the wider formula grant settlement once the impact of the new concession was clearer.
- 3.3 Any changing of responsibility for the statutory scheme from District to County Councils would see a calculation of how much to remove from the District Council's current formula grant allocation. This is not a simple process because allocations are not separately identified for individual activities. Any change would be subject to detailed

consultation during 2010 as part of the Government's regular timetable for developing the wider local government finance settlement.

- 3.4 No data is available at this stage to inform the effects of any changes.
- 3.5 The Government though is committed to the new burdens principle and any activity transferred to upper tier authorities would therefore be fully funded.
- 3.6 Any transfer of formula grant funding is complicated by the presence of discretionary schemes which are offered by authorities out of their own funds. If the responsibility for administering both the statutory minimum and discretionary concessions is moved away from lower tier authorities then the task of estimating how much funding to transfer is simplified. However if the two responsibilities are split with, say, the statutory minimum responsibilities moving to the upper tier but discretionary responsibilities remaining with all tiers of local government then calculating how much funding to transfer is more complicated.
- 3.7 This is because this spending is not separately identified by authorities in their spending returns but the Department of Transport have, after the start of this consultation, asked authorities to indicate how much they are spending on their discretionary schemes. The questions relate to 2007/08 actual spending.

4 TIMETABLE

- 4.1 The consultation makes it clear that any changes that are implemented will be for the longer term.
- 4.2 However the Government is consulting separately about the principle of who should administer concessionary travel (this consultation) and how it should be funded (the Communities Local Government consultation on the wider local government finance settlement starting in 2010). This will allow for a decision in principle on how concessionary travel should be administered in advance of the wider consultation on local government funding.
- 4.3 So this will mean that any changes to the statutory responsibility for administering concessionary fares are most likely to be implemented at the beginning of the next three year local government finance settlement. This indicative timetable suggests that detailed discussions on concessionary travel funding would not start until decisions on how the concession should be administered have been announced, with the formal Formula Grant Distribution consultation due for issue in July 2010, and conclusions being reached by around November 2010.

5 CONCLUSION

- 5.1 Concessionary Fares is a significant budget area and it is necessary to consider carefully the potential financial implications of the options included in the consultation paper when making a response. It cannot

be assumed that any changes to the responsibility for operating concessionary travel would be cost neutral for the Council. However, at this stage, it is a “in principle” consultation as there is no data from government to help inform this decision.

- 5.2 All of the options proposed have their advantages and disadvantages. However, if we consider the opportunities for efficiencies which will probably influence government thinking in terms of the Comprehensive Spending Review 2010 and in particular funding to local authorities, Option 2 - Only upper-tier authorities administer the statutory concession, and therefore, for the administration of the discretionary scheme, Option 3 - District councils can only establish discretionary concessions jointly with the relevant upper tier authority are the options which balance local needs and economies of scale.
- 5.3 However if funding and reimbursement both moved to the county council there may be little sense in district councils retaining any interest in concessionary travel. Moreover, the idea of joint co - operation between the tiers might be difficult to implement in practice.
- 5.4 These two options will deliver administrative savings from the schemes; reduce any potential duplication and confusion that the Government is seeking as a result of this consultation without losing the Council's Discretionary schemes. This assumes, however, that if this option is adopted by Government, some funding will remain at a local level to provide for discretionary concessionary fares.
- 5.5 The Government is not in favour of Option 1 for the discretionary schemes as it would not achieve the full level of savings, it could result in duplication from having potentially two different schemes in an area that would cause confusion for users of the schemes. It would also be inefficient from both the County and District Council's perspective.
- 5.6 It is worth remembering that the Council introduced the discretionary schemes as it was considered that they are essential for promoting social inclusion, addressing rural isolation and supporting rural transport links. An agreement would need to be struck with the County Council to ensure that these principles are kept intact in any future discretionary schemes run in Copeland.
- 5.7 The report therefore, recommends these options to be expressed as a preference and the Executive is invited to give its views on the proposed options so that a response on behalf of the Council can be submitted to the Department of Transport.
- 5.8 The Executive will recall that the council is a member of the Cumbrian Concessionary Fares Group. The recommendations in this report were submitted to the meeting of this Group on 11 June and were they were consistent with the views expressed at that stage.
- 5.9 This is also an issue which the Local Government Association has asked authorities to submit their response to them so that they can

formulate their own response and it may provide an opportunity to join with other authorities if the council so wishes.

List of Appendices

Appendix "A" – Consultation Questions

List of Background Documents

Department of Transport Consultation Paper – Possible Changes to the administration of Concessionary Travel

List of Consultees

Corporate Team

Leader and Deputy Leader of the Council

Chair and Vice Chair of this Committee

CHECKLIST FOR DEALING WITH KEY ISSUES

Please confirm against the issue if the key issues below have been addressed. This can be by either a short narrative or quoting the paragraph number in the report in which it has been covered.

Impact on Crime and Disorder	None
Impact on Sustainability	None
Impact on Rural Proofing	Scheme includes concessionary element of travel vouchers and rail cards.
Health and Safety Implications	None
Impact on Equality and Diversity Issues	None
Children and Young Persons Implications	None
Human Rights Act Implications	None
Section 151 Officer Comments	None – report author
Monitoring Officer Comments	None