

Report for Resolution

Report to Executive
8 July 2009

Report of Head of Transportation and Landscape

Subject Response to Government Consultation on Possible
Changes to the Administration of Concessionary Travel

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Purpose

This report considers the Government's consultation on possible changes to the administration of concessionary travel and recommends a response

Recommendations

The Executive:

1. Notes that changing administration of concessionary travel whilst providing advantages is secondary to the more significant issue of funding
2. Notes that the cost of providing statutory concessionary travel for the council is significantly greater than the funding provided by Government
3. Calls on Government to urgently review the distribution of concessionary fares funding to ensure that the council is fairly reimbursed its costs in 2010/11
4. Requests that Government provide funding to make good shortfalls in Government funding in 2008/09 and anticipated in 2009/10
5. Sees merit in transferring responsibility for the administration of concessionary travel to upper tier authorities to help ensure that access to public transport is maximised
6. Sees merit in transferring responsibility for administration of concessionary travel to Government if a sustainable long term funding mechanism cannot be achieved
7. Suggests consideration of a system whereby local authorities would administer concessionary travel but with Government funding the costs in a way similar to housing benefit
8. Is unable to form a definitive view on the best administrative arrangements in the absence of clarity about future funding arrangements
9. Asks Government to ensure that any transfer of funding from District Councils to other level of administration is based on the funding provided by Government – rather than expenditure – to avoid making permanent, present funding inequities
10. Asks Government to ensure that all local authorities retain powers to establish discretionary travel concessions

Financial Consequences

There are no direct financial consequences that arise from the Government's consultation. This is because its focus is on the most suitable form of administration rather than the cost of providing concessionary travel. The consultation does not deal with present under/over funding within existing Travel Concession Authorities. It also fails to properly address the transfer of funds from TCAs to either upper tier authorities or central government should a change in administrative responsibility be agreed.

Risk Assessment

The council has to provide concessionary travel but there is a significant shortfall in Government funding (estimated to be £1.2 million 2008/09). The main risk issues are:

1. That Government continue to provide insufficient funding;
2. That Government transfers too much funding from the council to any successor administering authority; and
3. Operator appeal against the scheme.

Strategic Priority and Outcome/Service Priorities

The report helps to meet the strategic priority “Opportunities for all – communities to be able to access the wide range of services in the city provided by the Council” and the service plan priority ‘Administration of Norfolk concessionary bus travel scheme’.

Executive Member: Councillor Morrey - Sustainable City Development

Ward: All

Contact Officers

Andy Watt

01603 213511

Background Documents

Possible changes to the administration of concessionary travel – Consultation Paper, Department for Transport, April 2009

Report

Background

1. The introduction of free off-peak concessionary bus travel throughout England from 1 April 2008 is funded by central government and administered by local authorities known as Travel Concession Authorities (TCAs). The majority of TCAs are currently 'lower-tier' local authorities: in Norfolk the district councils including this council.
2. TCAs are also able to offer discretionary concessions over and above the statutory minimum, reflecting each authority's own specific financial, demographic and transport circumstances. Such discretionary elements must be funded from the TCAs own resources.
3. A number of problems with the current arrangements for administering concessionary bus travel have been identified by local authorities, stakeholder groups and operators. The government has identified a comprehensive list of issues :
 - Scheme variations across TCA boundaries;
 - Too many negotiations with bus operators;
 - Lack of capacity in some TCAs;
 - Difficulty of accurately funding TCAs;
 - The non-alignment of TCA and Transport Authority responsibilities; and
 - Conflict; between TCAs and bus operators and between TCAs and Transport Authorities.
4. Other problems not identified in the consultation also include:
 - Lack of clarity about the purpose and desired outcomes of free concessionary travel;
 - Frequent policy changes in recent years;
 - Difficulties in determining reimbursement to operators; and
 - Funding from Government is fragmented and incremental.
5. The Government is therefore considering what improvements can be made to the current arrangements. This consultation is part of that process.
6. In addition to addressing some of the problems of the current arrangements, the Government also wishes to ensure that the experience of the concessionary passenger is enhanced, that the system is administered as efficiently as possible and is sustainable in the long term.

Options for change

7. The government has proposed four alternative options for administering concessionary travel:
 - Transferring responsibility to upper tier authorities (i.e. locally Norfolk County Council);

- Transferring responsibility to central government;
 - Transferring responsibility to regional government; and
 - Leaving responsibility unchanged.
8. The government's initial view is in favour of a shift of responsibility from district to county councils. The government also considers that discretionary travel concessions should be administered by upper tier authorities to maximise potential efficiency savings.
 9. The consultation will inform a decision in principle on how concessionary travel should be administered. Communities and Local Government (CLG) will consult separately on the funding implications of any proposed changes. This will be undertaken as part of the formal consultation on the next three-year local government finance settlement.

Discussion

Administration

10. Concessionary travel offers many benefits to pass holders. Its main purpose is to achieve social inclusion benefits for older and disabled people by allowing them greater freedom to travel by local bus. Equally, however, there have been a variety of problems associated with the introduction of free travel. Consultation on changes to administrative arrangements is therefore welcome.
11. In recent years concessionary travel has undergone several changes. The Transport Act 1985 granted discretionary powers on local authorities, however, this changed to a statutory half fare scheme from 2001. This in turn changed to a full fare statutory scheme in 1 April 2006 followed by the England wide eligibility and completely revised responsibility for funding reimbursement from 1 April 2008. There is therefore a argument to leave administration with existing TCAs therefore and let the system stabilise rather than introduce further uncertainty and risk through yet further change. This could help resolve many of the problems identified in the consultation.
12. Also some of the arguments cited by Government to change administrative arrangements are not altogether persuasive. For instance efficiency savings could be met by existing TCAs working more closely together (as for instance already happens in the case of Norfolk), such joint working also ensuring adequate capacity to deal with this specialist area of local government expenditure. It is suggested that other drivers (such as Gershon efficiency savings) are sufficient to ensure this happens without a need for specific action by the Government.
13. However moving administration of concessionary travel to upper tier authorities (i.e. transport authorities) has the advantage of better integrating concessionary travel with other aspects of public transport provision. This is a strong argument in its favour.

Funding

14. Merely moving administration however, whilst providing advantages, is secondary to the more significant issue of funding. Unfortunately this issue is not addressed in the consultation which makes it difficult to come up with a firm

view on the most appropriate form of future administration.

15. Concessionary travel is a statutory requirement which TCAs must provide to any eligible pass holder travelling in their administrative area. Whilst government funding is fixed, costs to TCA are variable depending both on the amount of free travel undertaken and fares charged by operators. TCAs have no control over these variables but must make up shortfalls in funding accordingly. In short, TCAs have no control over funding, little control over expenditure but must bear all of the risk.
16. At present some authorities benefit by being 'over-funded' by Government whereas others are 'under-funded'; this council is significantly underfunded alongside similar cities such as Cambridge, Oxford, Exeter and Nottingham. This is not a sustainable position and without being addressed it will inevitably have an impact on other services. The distribution of funding therefore urgently needs to be revised.
17. Secondly those TCAs which have incurred significant shortfalls in 2008/09 (and/or are expected to in 2009/10) need to be provided with retrospective funding to make good the difference and thereby safeguard other services. In that sense decisions about future administrative arrangements are premature not least because county councils are unlikely to welcome such a responsibility when in many cases funding for concessionary travel is either uncertain or insufficient.
18. Looking ahead there are major inflationary pressures on concessionary travel, such as growth in the eligible population (+4% p.a. in Norfolk) and year on year above inflation increases in bus fares. Thirdly, therefore, future funding needs to reflect these trends and not be tied to more general inflationary indices. Alternatively the nature of the concession may need to be reviewed to deliver the objectives associated with concessionary travel and ensure a balance between cost and available budget.
19. Given the above circumstances the option of moving administration to central government is attractive as it would remove the risk born by local authorities and strengthen the link between the concession provided and how it is paid for.
20. The danger with such an approach is that it might result in a 'one size fits all' approach which to satisfy operators might either be costly (as in the case of the Scottish scheme) or result in some services no longer being viable. The latter could therefore increase social exclusion; access to public transport being a function of both price and availability.
21. Whilst not suggested in the consultation a way to resolve these difficulties might be to
 - Administer concessionary travel via local authorities as at present; but
 - For the direct cost of providing statutory reimbursement being paid for by Government along similar lines to the system of paying housing benefit.
22. In keeping with local government's desire for freedom and flexibility over spending decisions and the Government's wider policy to reduce the number of ring-fenced grants the way forward suggested in paragraph 21 may appear

unattractive. However in reality concessionary travel is tightly prescribed in legislation and any freedoms or flexibility available to local government are limited.

Transfer of funding

23. In moving administration of concessionary travel to either upper tier authorities, government or even as suggested in paragraph 21, funding provided to district councils would also need to be transferred. The consultation discusses some of the issues associated with this and describes the accounting procedure that could be involved.
24. The main element of concessionary funding comes via the CLG through Rate Support Grant (RSG). CLG's normal practice when considering transferring funding is to base the amount on expenditure. Worryingly the consultation suggests that the approach "has the advantage of clearly leaving no TCAs worse off after the transfer than they were before". However such an assumption is only valid if the particular TCA is being adequately funded in the first place which is not the case. In the case of this council it would merely preserve present funding inequities and for this reason is wholly unacceptable.

Discretionary concessions

25. The Government's preference to shift responsibility for discretionary concessions to upper tier authorities appears to be based on an aim 'to provide as simple and consistent a framework as possible for operators and concessionaires in dealing with concessionary fares'. Under the Transport Act 1985 operators can be forced to provide discretionary concessions (albeit with rights of appeal) and it seems sensible for any change in responsibility for statutory concessions to be mirrored in respect of discretionary concessions.
26. Were responsibility to shift, this council might still want to provide some sort of discretionary concession however. Under the Government's proposals it could achieve this either through arrangements with the county council or of its own accord using 'well being' powers. It is important that this ability be retained to deal with particular local circumstances.