

EXETER CITY COUNCIL**ECONOMY SCRUTINY COMMITTEE
11 JUNE 2009****EXECUTIVE
29 JUNE 2009****CONCESSIONARY TRAVEL SCHEME****1.0 PURPOSE OF REPORT**

- 1.1 To advise Members on developments in relationship to the concessionary travel scheme and seek their views on options for changing the administration of the scheme.

2.0 BACKGROUND

- 2.1 Members will be aware of the financial challenge which the concessionary travel scheme now presents to the Council. Since the statutory minimum bus concession was first introduced in 2001, it has evolved from a scheme which allowed half-fare local travel to one which, from April 2008, permits free travel on a national basis. The basis on which local authorities pay for concessionary travel has also changed: prior to April 2008, Councils paid for all trips undertaken by passholders resident in their area. Since April 2008, Councils pay for all trips originating in their area, regardless of where the passholder making the trip actually lives. This has had a dramatic impact on cities such as Exeter which generate a large number of inward trips, as the Council is responsible for paying for the return or onward portion of each journey.
- 2.2 In addition to the cost pressures generated by the new scheme, the extra funding provided by government, in the form of special grant, has been unevenly distributed and led to a large imbalance between additional costs and additional funding in many authorities, including Exeter. The shortfall in funding for the City Council amounted to some £1.3 million in 2008/09 and is estimated to be approximately £1.67 million in the current financial year.
- 2.3 In response to this situation, the Council has been lobbying the Department for Transport (DfT) for a more equitable funding settlement, both on an individual basis and jointly with other affected authorities via the Local Government Association. Although Ministers at the DfT are reportedly "sympathetic" to the situation faced by Exeter and others, no firm commitment to change the funding formula has yet been forthcoming. The DfT has, however, published a consultation document on possible changes to the administration of concessionary travel with a likely implementation date of April 2011. This consultation exercise is covered in paragraph 3 below.
- 2.4 Officers have also sought to limit the costs of concessionary travel to the Council insofar as it is possible to do so. To this end, at its meeting on 27 January 2009 Executive agreed a three year financial settlement with Stagecoach (who account for the overwhelming majority of the Council's expenditure on concessionary travel) which effectively 'caps' the amounts we pay to them this year and next. The crucial advantage of this settlement is that Stagecoach have withdrawn their appeal against the reimbursement rate applied to them (put simply, the percentage value of an average fare which compensates them for carrying

concessionary passengers) and have undertaken to indemnify the Council and partner authorities in the Devon Concessionary Bus Travel Partnership against the outcome of a Judicial Review which is proceeding against the methodology used in determining reimbursement appeals. In the absence of a fixed sum settlement, the implications of decisions on reimbursement rates going against the Council would be very significant. Officers understand that two Councils have recently lost bus operator appeals. In one case, it is believed this has cost the authority an additional £250,000, and in the other case £600,000. Officers have recently been finalising the technical details of the agreement with Stagecoach and it is expected that it will be concluded and signed off imminently.

3.0 DEPARTMENT FOR TRANSPORT CONSULTATION

- 3.1 As noted in paragraph 2.3, the Department for Transport has published a consultation paper on possible changes to the administration of the concessionary travel scheme and is inviting responses by 21 July 2009. Although the consultation does not address the Council's immediate issues regarding funding, it does have implications for how the scheme might be financed by government in the future.
- 3.2 The main options put forward are moving responsibility for concessionary travel to upper tier authorities only (i.e. the County Council in the case of Devon as it is currently organised); moving responsibility to central government; or leaving the arrangements as they are (i.e. largely with District councils). A further option of moving the administrative arrangements to a regional level is referred to, but it is noted that such a move would require primary legislation and would therefore take longer to achieve.
- 3.3 The government's initial preference is to shift responsibility from District to County Councils. This is in part because of the efficiency savings that could be achieved, but principally because of the synergies this would offer between concessionary travel on the one hand and the wider strategic transport responsibilities of upper tier authorities on the other. In principle, officers would support this approach (because of the synergy argument and also to help even out local funding differentials), but the key question would be the financial implications that would follow.
- 3.4 The consultation document acknowledges the difficulties associated with removing funding from lower tier authorities. At the level of special grant it is straightforward: the amount payable to each District Council would be withdrawn and paid to the County Council instead. However, in the case of formula grant (the block grant given to local authorities to spend on the range of services they provide), the position is far less clear cut as it is not possible to separately identify the allocations which authorities have historically made to fund concessionary travel. The DfT identify a two stage process for removing formula grant, but the critical consideration for the Council will be that this process does not perpetuate or reinforce the funding deficiencies which we have experienced since April 2008.
- 3.5 Of the possible changes being proposed for concessionary travel, officers would recommend against the option of it remaining a District Council responsibility. Whilst there may be some advantages in moving responsibility to central government, this would involve very significant organisational changes and, as the consultation document itself points out, would remove considerable sums in formula grant from the local government system which might have unintended consequences. On balance, therefore, officers would support the principle of

transferring responsibility to upper tier authorities on the proviso that the funding implications of doing so were very carefully calculated and consulted upon.

- 3.6 Members are therefore asked to indicate which option, if any, they wish the Council to support.
- 3.7 It should be noted that because the intended implementation date of any amendments to the scheme will be April 2011, lobbying of DfT is continuing with the aim of securing change in the grant formula for 2010/11 which would reduce the impact on the Council's finances.

4.0 FINANCIAL IMPLICATIONS

- 4.1 As already indicated in 3.4 above the consultation document acknowledges the difficulties associated in transferring the funding from District Councils instead to County Councils. In the consultation document itself it states that 'This is why this consultation focuses on the principle of who should administer concessionary travel rather than the funding implications of any change.' Nevertheless the consultation document does discuss the possible mechanisms by which funding could be transferred.
- 4.2 The transfer of the Special Grant funding from districts would be relatively simple because the amount payable to each authority is easily identified and this amount would simply no longer be paid. However the formula grant of districts also includes an element of funding for concessionary travel and it is this amount that is difficult to identify individually. In the consultation document CLG discuss two possible options for the transfer of this funding. The first option which is the one favoured by CLG, suggests that the transfer of funding is linked to the actual level of spend. The second option in the consultation paper simply talks about 'some other distribution' means is used. The first option is preferable because by being based upon actual levels of spend it should be both fairer and more transparent, although any changes to the formula grant element will need to be properly consulted on.
- 4.3 Scrutiny Economy considered the government's consultation proposals on the administration of the concessionary fares scheme at its meeting on 11 June. The Committee felt that it was preferable to pass the function to transportation authorities, but that, as this was a strategic issue, Executive's views should be sought on the Department for Transport's proposals.

5.0 RECOMMENDATION

- 5.1 That Members note the contents of this report.
- 5.2 That Members decide how they wish officers to respond to the government's consultation on the future administration of concessionary travel.

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ECONOMY & DEVELOPMENT DIRECTORATE

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

None