

REPORT TO EXECUTIVE



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PORTFOLIO	Resources
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Concessionary Transport 2008/09

PURPOSE

1. To confirm the Council's involvement in the county-wide for pooling the costs of concessionary travel for three years commencing on 1st April 2008.

RECOMMENDATION

2. That the Executive resolves:
 - 1) To confirm its commitment to participate in the county-wide arrangement for pooling costs for 2008/09. .
 - 2) That the existing concessions for travel after 11pm be ended with effect from 31st August 2008.

REASONS FOR RECOMMENDATION

3. To enable a consistent county-wide concessionary travel scheme to be offered to local residents.

SUMMARY OF KEY POINTS

4. At the meeting of the Executive held on 1st April 2008 the following resolution was adopted (Minute no. 207):
 - (1) That the Lancashire, Blackburn with Darwen and Blackpool Concessionary Travel Scheme (April 2008) be adopted; and
 - (2) That Officers be authorised to continue negotiations with the County Council to establish an equitable system for pooling costs in 2008/09.

This report addresses the second part of this resolution and sets out proposals for an equitable arrangement for pooling costs between the Travel Concession Authorities in the county.

5. The statutory scheme for concessionary travel changed once again in April of this year. The free fare scheme was extended to all off-peak local bus travel throughout the country. Costs must still be calculated and borne at District Council level. To pay for this, the Government has allocated a sum of £212M nationally that has been distributed according to a formula not on the basis of actual costs incurred. Local Government generally will therefore be expected to carry two risks. First, that the overall level of funding of £212M is insufficient to meet all the extra costs and, secondly, that the use of a formula basis creates unintended winners and losers. Burnley's share of the national total is £333,000.
6. It is inevitable that costs will go up once more from 1st April. A detailed analysis of potential outcomes was contained in my report to the December meeting of the Executive. In order to limit the Council's exposure it was decided to support a move to end the discretions that then applied for peak-time travel (ie before 9.30am). This approach was subsequently adopted by all the other Councils in Lancashire apart from West Lancashire District Council.
7. There has been some confusion about the fares to be charged for travel after 11pm. The national scheme ends at that time so Councils are under no statutory duty to offer concessions for such travel. A recent meeting of Lancashire leaders confirmed this approach. In reality, the number of journeys that are undertaken by NoW cardholders at such times is very small.
8. A further change that will take place is a different recharging principle will be used. Previously charges to individual Councils has been based on residency; in other words Burnley met the cost of its residents concessionary travel wherever the journey occurred. Now, recharges will be based on the "boarding principle". This means that the cost is met by the Council where each journey starts. Councils that have a net outward migration of daily visitors will benefit. The reverse will be true if there is a net inward migration.
9. It seems likely that destination venues like Preston or Blackpool will be adversely affected by this change. Similarly, smaller towns with little tourism capacity are likely to benefit. It is difficult to be certain into which category Burnley will fall. However, the presence of the hospital will generate costs from return journeys for non-Burnley residents which this Council will have to pay for.
10. As I have reported previously, there has been considerable pressure on the Council to agree to a pooling of resources across the County. This would operate on the basis that Councils would make contributions to the pool based on an agreed formula. A year-end assessment would then be carried out to determine whether the pool is in surplus or deficit overall, and whether each Council's contribution to the pool was more or less than actual costs calculated in line with the statutory scheme. Such an arrangement would help manage the risk of any Council being exposed to large increase in cost because of changes in incidence and usage. However it introduces a new risk, namely that the Council would be forced to bear more costs than would otherwise be the case simply to reduce the impact for other Councils.
11. Lancashire County Council is now making it a condition of their continuing involvement as administrators of the scheme that costs should be pooled. Any Council that decided that it could not support the principle of pooling would have to make alternative arrangements for administering the scheme in their area and meet the cost involved.

12. Council Leaders delegated responsibility for devising a scheme of pooling to the Lancashire Chief Finance Officers Association. The Association's proposals were considered at a Leaders meeting on 6th May. A summary of the features of the proposed arrangement is attached at [Appendix A](#). The Leaders endorsed the proposals.

Risk Assessment

13. Before agreeing to participate in the scheme the Executive need to be satisfied that the potential rewards outweigh any possible downside. Put simply there are four possible outcomes in 2008/09:

1) The pool has a deficit and Burnley's actual costs are more than its pooling contribution.

In these circumstances, the agreement will require the Council to make further payments, but these will be less than if pooling did not take place. Pooling is therefore beneficial for the Council.

2) The pool has a deficit and Burnley's actual costs are less than its pooling contribution

In these circumstances the agreement will not require the Council to make any further payments to the pool but there will be no refund either. Pooling is therefore detrimental for the Council.

3) The pool has a surplus and Burnley's actual costs are more than its pooling contribution

In these circumstances the agreement will not require the Council to make any further payments to the pool. Pooling is therefore beneficial for the Council.

4) The pool has a surplus and Burnley's actual costs are less than its pooling contribution

In these circumstances the agreement will provide for some refunds to be made to the Council but not to the extent that it would reduce the net payment for the year down to the actual costs figure. Pooling is therefore detrimental for the Council but the impact is reduced because at least some savings will be delivered against the approved budget.

14. It is then necessary to assess the likelihood of each of these outcomes occurring. Inevitably this can only be based on judgement rather than scientific evidence. To do so, it is relevant to take the following into account:

- The number of cards being issued has risen steadily over the past two years and continues to do so
- The average usage that is made of each card in circulation has risen steadily over the past two years
- There has been considerable publicity about the national scheme which is likely to encourage ridership
- There is a general consensus that the amount of money that the Government has set aside to pay for the enhancements to the national scheme is likely to be insufficient
- The switch of the basis of recharging to individual Councils from the residency principle to the boarding principle is unlikely to reduce the Council's costs

15. Taking these factors into consideration outcome 1. set out above seems much the most likely to occur. Given that the Council would have to set up a separate system of scheme administration at additional cost if it decided not to enter into the pooling arrangement there is a clear justification for agreeing to do so.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

16. The budget for the current year has been set at £1,676,694. This budget is demand-led and it is therefore impossible to determine whether the budget is sufficient, whether or not costs are pooled. However, it is likely that the budget will be sufficient to meet the Council's contribution to the pool together with the costs of community transport that must also be met from this budget.

POLICY IMPLICATIONS

17. None arise directly

DETAILS OF CONSULTATION

18. The Leadership & Community Scrutiny Committee was consulted prior to the meeting of the Executive in December.

BACKGROUND PAPERS

19. All contained in the Director of Resources file on Concessionary Transport.

FURTHER INFORMATION

PLEASE CONTACT:

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