

Body:	CABINET
Date:	31st October 2005
Subject:	FINANCIAL STRATEGY: 2006/2007 BUDGET
Report of:	Corporate Management Team
Ward(s):	All
Purpose:	To provide an update on the financial strategy for 2006/2007 with specific regard to the Concessionary Fares scheme and to new proposals from the Department for Works and Pensions for changes to the distribution of benefit and fraud administration subsidy.
Decision Type:	Key Decision
Contact:	Bruce Bird, Acting Director of Financial Services telephone 01323 415146 or internally on extension 5146.
Recommendations:	Cabinet is asked to:
	(1) Agree that the Council continues as a member of the Sussex Countywide Concessionary Travel Scheme in 2006/2007.
	(2) Agree that concessionary fares be subject to an efficiency and options review in 2006/2007

	(3) Agree that in the event of full funding of the Council's costs not being provided by Government, East Sussex County Council be asked for an ongoing contribution from 2007/2008 from any surplus proceeds from decriminalisation of parking in Eastbourne in the event that a scheme is introduced.
	(4) Note the changes proposed by the Department for Works and Pensions to the distribution methodology for benefit and fraud administration subsidy

1.0	<u>Introduction</u>	
1.1	Cabinet on 21 st September received an update report on the Financial Strategy regarding the 2006/07 budget position. That report identified a number of areas for further work including the costs of Concessionary Fares and the options available to the Council.	
	In addition to the matters raised in that report, Government has since announced a change to the way it proposes to distribute specific grant towards the costs of administering Housing and Council Tax Benefits, compliance with the Verification Framework, and the rewards available for the prevention and detection of Benefit Fraud. This is brought to Cabinet for information at this stage as the details will not be known until December.	
2.0	Concessionary Fares	

2.1	<p>The Council belongs to the Sussex Countywide Concessionary Travel Scheme (SCCTS) scheme and has done so for a good number of years. This provides for half-fare bus travel to virtually anywhere in Sussex (only Crawley and Hastings are not full members of the scheme although Hastings is considering joining in full next April). The scheme is an exemplar of partnership and joint procurement working.</p> <p>The statutory minimum scheme requires that half fare travel be provided within Eastbourne for those eligible – mainly pensioners. Statistical evidence from electronic ticketing machines and surveys records that 93% of journeys start and end within Eastbourne. Therefore, only 7% of journeys go beyond the statutory minimum.</p>
2.2	<p>This year's estimated cost is £461,000. Next year's predicted cost of the half fare scheme is £491,000. But the coming of free travel will push the cost of the current scheme into a range between £1.45m to £1.5m – a final estimate for budgeting purposes will be available from the scheme consultants, MCL, in time for the SCCTS annual general meeting in November.</p>
2.3	<p>Grant from Government is fully funding the national move to free travel to the tune of £350 million. However, the 'quirks' of the Office of the Deputy Prime Minister's formula grant distribution methodology means that we will receive just £632,000. So increase costs falling onto Eastbourne taxpayers will be £1.5 million less £461,000 (current budget) less £632,000 (extra grant not subject to floor damping) = £407,000 (subject to final cost estimate from MCL). The Council has written to Government to indicate its concern over the mis-match of grant allocation as compared with the expected increase in cost, but at the time of writing this report no reply had been received.</p> <p>An article in Local Government Chronicle on Thursday 6th October stated that Government will look again at funding options having recognised from feedback the inconsistency of 'winners and losers' that the current grant distribution methodology produces. According to the article, the Local Government Minister, Phil Woolas, has pledged to find a solution by the end of this month.</p> <p>Four options appear to be available for him:</p> <ul style="list-style-type: none"> · delayed introduction · directly funding the bus companies · specific grant to LA's

2.4	<p>One of the questions we need to understand the answer to is “why are Eastbourne’s costs so high?” Scheme costs are a function of passes in issue and journeys made. We have the second highest cost in the scheme behind Brighton & Hove. We have the third highest number of passes in issue (12,800) behind Brighton & Hove and Arun. We have the second highest number of journeys made, again behind Brighton & Hove.</p> <p>These figures show that activity levels are high in Eastbourne with eligible pass holders, largely pensioners, making good use of the half-fare scheme for travel within the town. In transport terms this is a success, but it is demand led and that forces our costs.</p>
2.5	<p>It is worth rehearsing again what the statutory minimum scheme currently requires compared with what the SCCTS provides:</p> <ul style="list-style-type: none"> · half-fare travel within the Borough for those eligible (the scheme allows Countywide travel) · journeys to start at 9:30am Monday to Friday (the scheme allows from 9am) · journeys to finish by 11pm (the scheme is the same), · no time limit on Saturdays, Sundays and Bank Holidays (the scheme is the same). <p>In addition, the SCCTS provides extra benefits over and above the statutory minimum for students, and for companions travelling with disabled travellers.</p>

2.6	<p>If Council were to elect to move to the statutory minimum we would have to withdraw from the scheme. This would mean that we would have to administer the scheme ourselves including negotiating with the bus companies direct, and undertaking surveys to validate travel and cost estimates.</p> <p>MCL has calculated that any savings at the margin from operating at statutory minimum would be offset by the additional costs of administration. Current figures suggest a net additional cost of £7,000 to run a statutory minimum scheme as compared with the current SCCTS. In addition, there would be unbudgeted, and at this stage uncostered, set up costs this year to prepare for a 1st April 2006 start.</p>
2.7	<p>Given this costing, given that we need to publish a scheme notice by 1st December, given the challenge, additional cost, and deflection that setting up our own administration within this very short timescale would cause, and given that additional funding may be provided by Government, CMT recommends that the Council stays within the SCCTS.</p>
2.8	<p>However, CMT also recommends that concessionary fares be the subject of efficiency review next year so that we can take some proper time to examine in more depth the costs and options that may be available to the Council. This will allow, amongst other things, an examination of a hybrid scheme to provide free travel within the Borough but to make a charge for free travel beyond the Borough boundary.</p> <p>In this respect Members may wish to be aware that, at a meeting of its Cabinet on 19th October, Lewes District Council determined to make a charge of up to £25 for passes that provide for free bus travel beyond its district boundaries. Lewes has been forced to consider this option because 30% of its concessionary travel is beyond its own boundaries – mostly into Brighton and Eastbourne – and with the advent of free travel this is predicted to grow leading to a funding gap of £133,000.</p> <p>For Eastbourne, given that only 7% of concessionary bus travel ends outside of the borough, a similar scheme may generate income net of additional administration costs of (say) £30,000, depending upon the level of charge made for the pass. This is necessarily a very broad estimate at present because we need to understand better who and how many people will be making these journeys, where they will be going, and how often they are likely to travel. The scheme consultants will be researching this for us, as they have done for Lewes, so that costs and income may be firmed up and reported orally at the meeting.</p>

2.9	In addition to the recommendations and options set out within the preceding paragraphs, CMT recommends that, in the event of full funding of our costs not being provided by Government, we press East Sussex County Council for an ongoing contribution from 2007/2008 from any surplus proceeds from decriminalisation of parking in Eastbourne in the event that a scheme is introduced.	
3.0	<u>Department for Work and Pensions administration subsidy review</u>	
3.1	The Department for Work and Pensions (DWP) is in the process of reviewing the way in which it distributes administration subsidy to those local authorities, like Eastbourne, that have responsibility for housing benefit and council tax benefit.	
3.2	<p>Currently, DWP pays one specific grant in respect of the processing and administration of claims, another specific grant in respect of the verification framework (that is, intervention work around the maintenance of cases including home visits and postal reviews), and a third specific grant for uncovering fraud and error in the system. This third specific grant is wholly incentive based.</p> <p>The amounts of money attached to each element of specific grant within the 2005/2006 budget is as follows:</p>	
		£'000
	Processing and administration	764
	Verification framework	160
	Fraud and error incentives	100

	Total	1,024
3.3	The emerging option from DWP is to consolidate these into one amount for 2006/2007 and beyond. DWP expects to reach a decision within the next month or so, with an announcement of the allocations for next year coming in December. DWP has identified that the change is likely to produce 'winners and losers', and will be considering how best to deal with the impact of that.	
3.4	We will not know whether we are a 'winner or a loser' until we receive details in December of our consolidated subsidy amount for 2006/2007. It is unclear also whether DWP is abandoning in total the current fraud incentive scheme in favour of fixed allocations, or whether some element of performance related incentive will remain. If the detailed information is received in time it will be factored into the next Financial Strategy report for the Cabinet meeting in December.	
4.0	<u>Implications</u> None	
5.0	<u>Summary</u>	
5.1	This report provides an update on the Council's Financial Strategy for 2006/2007 and beyond, specifically as regards the concessionary fares scheme and the changes proposed by the Department for Works and Pensions for the distribution of benefit and fraud administration subsidy.	
Bruce Bird		
Acting Director of Financial Services		

<p>Background Papers:</p> <p>The Background Papers used in compiling this report were as follows:</p> <p>Financial Strategy: 2006/2007 Budget – Cabinet 21st September 2005</p> <p>To inspect or obtain copies of background papers please refer to the contact officer listed above.</p>	
Cabinet Financial Strategy 2006-07 budget 20051031	