

Concessionary Fares**Summary**

This paper gives an overview of the LGA's work on concessionary fares. It provides an update on progress and proposed next steps on lobbying for adequate and equitable funding for the English National Travel Concession. It also examines Government's proposals for a review of Concessionary Fares Policy. Government are expected to consult before the end of the year on options for changes to the scheme from 2011.

Recommendations

Members are asked to comment on / approve the following actions and recommendations for lobbying on funding for concessionary fares.

- (i) David Sparks has written to Paul Clark MP, Minister for Buses, to request a meeting at the earliest opportunity to discuss Concessionary Fares.*
- (ii) LGA representatives to the Bus Partnership Forum have written to Paul Clark MP to request a date for the next meeting of the Forum, which is now overdue. This will provide a further opportunity to present evidence on shortfalls.*
- (iii) The Chair of the Regeneration and Transport Board to write to all councils requesting further and better information on the financial impact of concessionary fares.*
- (iv) The LGA convene a meeting open to all councils who are facing funding shortfalls, with a view to agreeing a collective position and lobbying strategy.*
- (v) The Board should continue to support individual councils in presenting their case to Ministers. David Sparks has already written to Paul Clark MP on behalf of Oxford City Council to request a meeting to discuss the impact in their area.*

The Board is asked to comment on and agree that the LGA's response to the review on concessionary fares should be underpinned by the following key points:

- Regardless of the level at which concessionary fares is administered, the quantum of funding for concessionary fares needs to be sufficient to ensure equitable distribution at local level. This requires a proper understanding of the true costs of*

the scheme both currently and in future years. Long term sustainability of the scheme remains an issue.

- *Any proposal for change to the administration of services needs to be based on a clear evidence base. Government need to undertake modelling of their proposed options to understand the impacts at local level. This work needs to take place as a matter of urgency to inform the forthcoming consultation and enable councils to understand the implications of Government's proposals.*
- *The review of Concessionary Travel provides an opportunity to examine options for extension to the scheme. DfT have already announced plans to provide free travel to Veterans which it estimates will cost £80million at current fare levels. There is significant support for concessions for children and young people. There are also strong arguments for a UK wide scheme which would extend the concession to allow concessionary travel across borders with Scotland and Wales. The review of concessionary travel should properly examine the case for each of these options to avoid fragmented and destabilising evolution of the policy in the future.*

Recommendations

Members are asked to comment on / approve the following actions and recommendations for lobbying on funding for concessionary fares.

- i) *LGA will continue to engage in development of the review through Government Working Groups. LGA officers have met with officials from Department for Transport and the Department for Communities and Local Government to highlight the importance of full modelling and analysis of options for change and will continue to press this point.*
- ii) *The Chair of the Board and representatives of the Bus Partnership Forum will use forthcoming meetings with Paul Clark MP to highlight the LGA's key messages in relation to the Review.*
- iii) *LGA to scope a piece of work to inform our input into the forthcoming review to ensure that locally determined services do not suffer from central government funding decisions. This study would involve making costing projections year by year up to 2013/14 for the English National Travel Concession for the whole of England, taking into account:*
 - *Underlying cost drivers in the bus industry and their likely impact on commercial fare levels*
 - *Demographic trends among the over 60s*
 - *Expected increase in take-up of the free benefit as travel costs rise, including likely changes in motoring costs and disposable incomes in the over 60s group.*
 - *Any changes likely to take place in trip levels relating to changes in bus*

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service levels and quality

- iv) *LGA to host another roundtable discussion, following on from the one held in September, once the consultation paper is published to ensure our response is informed by those with experience of administering the scheme on the ground or who might be affected by the proposed changes*

Action

LGA officers and advisors to take forward proposed work programme subject to comments from Board members.

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Background

1. *This paper gives an overview of the LGA's work on concessionary fares. It provides an update on progress and proposed next steps on lobbying for adequate and equitable funding for the English National Travel Concession. It also examines Government's proposals for a review of Concessionary Fares Policy. Government are expected to consult before the end of the year on options for changes to the scheme from 2011.*

Impact of English National Travel Concession

2. *Before the introduction of the English National Travel Concession in April 2008, the LGA lobbied on behalf of councils to ensure that the scheme was fully funded at local level. We argued that because it was not possible to predict how the costs of the scheme would fall, distributing the grant via a formula was likely to result in some areas facing significant shortfalls in funding. As result of councils' lobbying, the £212 million funding was distributed via Special Grant rather than through Revenue Support Grant (RSG). The two main advantages of this are that it ensures transparency about how the grant is allocated at local level and provides more flexibility to revisit the grant allocation within the three year funding period.*
3. *The LGA committed to support councils in lobbying for a redistribution of the Special Grant if evidence showed that allocation of the grant did not match the costs of the scheme at local level. However, our ability to present a case for re-distribution of the grant will depend on accurate data from councils on the costs of the scheme at local level early enough to influence grant allocation in 2009/10 and 2010/11. This is problematic because:*
 - *Many areas do not yet have accurate data about the costs of the scheme in the first quarter of operation (April – July).*
 - *It is proving difficult to get undisputed data about costs in areas that are not experiencing shortfalls.*
 - *Early patterns of costs may not be an accurate reflection in the longer term. In some areas, usage may have been higher initially due to publicity around the scheme. Past experience suggests that take-up continues to fluctuate during the first years after a change to the concession. Seasonal variations will also need to be taken into account.*
 - *A number of areas have negotiated three-year deals with operators based on the amount allocated by special grant. Redistribution of the grant will not therefore be to their advantage.*

5. *Despite these challenges, the LA has been working with councils to collate evidence about the impact of the scheme as it emerges. The outcomes of this work so far are summarised below.*

LGA budget survey

6. *The LGA conducted a survey of concessionary fares budgets in all Local Authorities over the summer. The survey asked Travel Concession Authorities (TCAs) for actual expenditure on concessionary travel in 2007/08 and predicted expenditure on the scheme in 2008/09. The predicted increase in expenditure was then compared to the amount allocated by special grant to each TCA to cover the costs of the national concession in 2008/09. 49 district councils (one-sixth of the total) responded in sufficient detail to be included in this analysis.*
7. *The headline results of this analysis showed that:*
- *in 43% of responding TCAs the budgeted increase in costs of the scheme exceeded the amount of special grant received*
 - *53% of responding TCAs were predicting an increase in costs of concessionary fares that is less than the amount they received in special grant.*
8. *This confirms that the allocation of the special grant is not well-matched to the distribution of the costs of concessionary fares and that some councils will have to find other resources to fund their new statutory obligations.*

Case study A - impact of the national concession on distribution of costs¹

The main city within the county is a tourist and retail destination with other significant facilities such as hospitals which attract travel from the surrounding districts. The city's role as a hub of the surrounding area has led to it experiencing a disproportionate increase in concessionary travel in comparison to surrounding districts. As the table below illustrates, this change in journey patterns is not reflected in the distribution of the special grant.

Concessionary journeys and special grant distribution

	<i>Concessionary journeys 2007</i>	<i>Concessionary journeys 2008</i>	<i>Change in journeys</i>	<i>Special Grant 2008/9</i>
<i>All of area</i>	<i>1,195,117</i>	<i>1,439,501</i>	<i>+20%</i>	
<i>Main city within area</i>	<i>728,981</i>	<i>1,037,065</i>	<i>+42%</i>	<i>£821,000</i>
<i>Other districts</i>	<i>466,136</i>	<i>402,436</i>	<i>-14%</i>	<i>£1,259,000</i>

¹ *This case study is taken from a real data supplied by the City council. The evidence has not been agreed by the other districts within the Countywide scheme.*

TAS partnership survey

9. *The LGA supported a survey on concessionary fares carried out by the TAS Partnership during August and September. An online survey was sent to all TCAs, county councils and London Boroughs and asked a number of detailed questions about funding, administration and reimbursement arrangements for concessionary fares. The survey was followed up phone calls to verify information received and extract further data.*
10. *The survey aimed to capture data about the costs of the scheme in the first quarter since the introduction of the national concession in April. However, very few areas were able to provide this information. Many areas are still waiting for data from bus operators and consultants appointed to manage their schemes. Most areas indicated that they would not have financial information available until December. TAS are continuing with the survey work and expect to be able to share a draft of their report with the LGA in December.*
11. *The work done so far by TAS has produced some headline information about the impact of the national concession so far, including:*
 - **Increase in passholders** - *There has been significant growth in the number of pass-holders since the introduction of the new scheme. The average increase in take up of passes is 10%. In some areas take up has been much higher, for example, Cambridge reported a 35% increase. Typically, between 65 and 80% of eligible people now have a pass. There is considerable variation – in some areas take up is over 90%, in others it remains below 40%.*
 - **Increase in journeys** - *Councils are projecting significant growth in the number of concessionary trips. The average projected increase is 14%, however there is considerable variation and some areas are projecting much higher rises. For example, latest projections for Cambridge are for 55% growth. In Fareham, the number of concessionary journeys taken from April - July 2008 is 22% higher than during the same period last year.*
 - **Reimbursement** - *Rates at which councils reimburse operators for carrying concessionary passengers vary considerably between areas. Reimbursement rates range from 43% - 74% of the average full fare, though there may also be additional costs to be factored in. On average, reimbursement rates are lower than in previous years. There are 48 outstanding appeals by operators against reimbursement arrangements.*

Examples of areas facing shortfalls in funding

12. In addition to survey work, the LGA has made a number of requests for information from councils about the impact of the national concession at conferences, meetings and through discussions with individual authorities. A number of councils have been able to supply updated estimates of the shortfalls they face based on the experience of the first six months of the national scheme. These are listed in the table below:

Council	Predicted shortfall *	Total council revenue expenditure budget
Brighton & Hove	£2m shortfall, £1m of which is a result of the national scheme	£215m
Oxford	£0.4m shortfall - appeal outstanding	£29m
Cambridge	£ 1.3m	£27m
Nottingham	£1.6m	£263m
Teignbridge	£0.5m	£18m
Worcester	£0.5m	£14m
Bournemouth	£4.5 m	£124m
Harrogate	£1.25 - £1.6m	£26m
Isle of Wight	£4.2m	£133m
Blackpool	£1.2m	£134m

Increase in costs of concessionary fares– Cambridge case study

The city is a major travel destination and acts as a hub serving a large rural area. It attracts around 4 million visitors a year. In addition, Addenbrookes hospital is a major regional destination. The high frequency bus network encourages residents to travel around the city.

The county council administers the scheme on behalf of all the districts and charges costs back according to passenger numbers. Current estimates of the costs of the scheme based on experience since April 2008 are in the region of £2.5million against total funding from Government at £1.2 million. This leaves the city council with a total shortfall of £1.3 million. This is equivalent to 21% of the city council's total council tax income.

Cambridge – increase in costs of new scheme

	2006/07 Actual	2007/08 Actual	2008/09 Original Budget	2008/09 Latest Projection
<i>Cost of Concessionary Fares Scheme</i>	£870,000	£913,000	£1,847,000	£2,467,000

* Except where otherwise indicated these figures are for total shortfall in funding, rather than solely as a result of the introduction of national scheme.

All figures are estimates and councils have given their consent for the figures to be used.

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Funded by :				
- Government Grant	£516,829	£530,783	£1,181,091	£1,181,091
	59%	58%	64%	48%
- City Council	£353,171	£382,217	£665,909	£1,285,909
	41%	42%	36%	52%

Recommendations:

13. Members are asked to comment on / approve the following actions and recommendations for lobbying on funding for concessionary fares.

- (vi) *David Sparks has written to Paul Clark MP, Minister for Buses, to request a meeting at the earliest opportunity to discuss Concessionary Fares.*
- (vii) *LGA representatives to the Bus Partnership Forum have written to Paul Clark MP to request a date for the next meeting of the Forum, which is now overdue. This will provide a further opportunity to present evidence on shortfalls.*
- (viii) *The Chair of the Regeneration and Transport Board to write to all councils requesting further and better information on the financial impact of concessionary fares.*
- (ix) *The LGA convene a meeting open to all councils who are facing funding shortfalls, with a view to agreeing a collective position and lobbying strategy.*
- (x) *The Board should continue to support individual councils in presenting their case to Ministers. David Sparks has already written to Paul Clark MP on behalf of Oxford City Council to request a meeting to discuss the impact in their area.*

Future Review of English national Concessionary Fares Scheme

Summary

14. *The Department for Transport has begun work on a review of the way concessionary travel in England is funded and administered, with a view to implementing changes from 2011. A consultation is expected before the end of the year on options for:*
- *the level at which the scheme is funded;*
 - *ways in which reimbursement could be simplified to reduce burden of local negotiations and scope for dispute.*

15. *The LGA is seeking to ensure early engagement of local government in the review. We held a roundtable in September bringing together senior practitioners from local government and DfT officials to help shape the proposals. We will be seeking further opportunities to engage with both officers and members in ensuring that our work continues to be well informed by those with experience of administering the scheme on the ground or who might be affected by the proposed changes.*

Geographical level of funding and administering the scheme

16. *DfT have indicated that the review will consider a number of options for the most appropriate level at which to operate the scheme, including at national, regional level and at upper tier of local government. Each of these options is discussed briefly below.*

National level

17. *Administering the scheme at national level, as currently happens in Scotland and Wales would mean that the financial risk for concessionary fares would be transferred to central government. However, there are significant problems with this approach. National administration would not provide flexibility to adapt to local variations in bus markets or local transport policies. Experience from Scotland, where the costs of concessionary travel are soaring, suggests a universal reimbursement rate does not deliver good value for money. It is likely that councils will wish to maintain the discretion to offer additional concessions over and above the statutory minimum. This would mean that there would still be a need for negotiations at local level.*

Regional level

18. *The issues that apply to a nationally administered scheme also apply at regional level. In addition, there is no structure at regional level to take on administration of the scheme.*

Local – transferring administration to County level

19. *The current option preferred by DfT officials is to move responsibility for administering and reimbursing concessionary fares from District to County level. Their main arguments in support of this are that:*
- *grant distribution anomalies would be smoothed out at county level, resolving the issue of shortfalls at local level.*
 - *concessionary fares would become responsibility of Local Transport Authorities, allowing better integration with other transport policies*
 - *it would result in a smaller number of schemes, therefore fewer negotiations and fewer appeals from operators against schemes.*

20. *There are a number of issues that Government need to address in considering this option:*
- *Regardless of the level at which concessionary fares is administered, the quantum of funding for concessionary fares needs to be sufficient to ensure equitable distribution at local level. This requires a proper understanding of the true costs of the scheme both currently and in future years. Long term sustainability of the scheme remains an issue. Bus fares increases and the costs of the scheme are rising faster than the 2.3% increase in funding per year.*
 - *The problem of equitable distribution of funding via formula would remain even if concessionary travel was administered at County level. Government would need to demonstrate that the formula accurately matched funding to costs. Frequent changes to the policy framework over a number of years have made it difficult to understand trends and establish patterns of concessionary travel. Fair allocation will depend on sufficient evidence of stable trends to emerge in time to inform a revised formula.*
 - *Extracting concessionary travel funding from Districts and redistributing at another level is likely to result in further “winners and losers” with potentially serious impacts on local services. This is because:*
 - a) *Funding for concessionary fares has been distributed in incremental fragmented chunks over the years, making it difficult to see the exact distribution of the funding;*
 - b) *Government’s preferred approach would normally be to extract funding according to relative needs formulae (RNF) for the service. However this is complicated by the fact that concessionary fares is one service in a larger RNF (Environmental, Protective and Cultural Services - District block) and by the damping system (floors and scaling). It will be difficult to determine how much has been given to each area, and therefore difficult to extract the funding fairly;*
 - c) *The usual alternative would be to extract according to actual expenditure. However, this would create winners and losers, because in some areas expenditure is greater than funding received;*
 - d) *It is further complicated by the fact that most TCAs do not differentiate between the costs of statutory and discretionary expenditure;*
 - e) *If the service were moved to the EPCS County Block Relative Needs Formula there would be a question of how to weight the block;*
 - f) *Redistributing the grant to Counties won't solve the problem for unitary areas, many of which are suffering shortfalls and maybe negatively affected by a new distribution;*

- g) *Some areas may have been receiving more funding than they need and spending it on local extensions to the statutory concessionary fares scheme, or on improving services elsewhere that are highly valued by local people. If funding is withdrawn according to formula, people will experience a drop in services / increase in council tax to support them.*

County Councils Network and District Councils Network position

21. *The County Councils Network and the District Sounding Board of the LGA have been working together on concessionary fares with the encouragement of LGA officers. In October, the joint Chairs of the County and District Councils Member Task Group wrote to Paul Clark MP in anticipation of any proposal that Government might make to move the responsibility for concessionary fares from Districts to Counties. The letter highlighted that whichever tier of government is made responsible for concessionary fares, the Government must ensure that the total amount of funding meets the costs of delivering the scheme, and that problems of adequate funding and equitable allocation at local level must be addressed. It also urged Government to engage with councils to ensure that the impact, implications and unintended consequences of any proposed changes are fully understood and dealt with in advance.*

Proposed LGA response

22. *As the issue of redistribution of funding for concessionary travel is a financial matter, the LGA position in response to government proposals on that will ultimately be a matter for LGA Office Holders to decide. However, the Regeneration and Transport Board has an important role in making recommendations to LGA leadership on this issue and addressing the policy implications of the review.*
23. **The Board is asked to comment on and agree that the LGA's response to the review should be underpinned by the following key points:**
- *Regardless of the level at which concessionary fares is administered, the quantum of funding for concessionary fares needs to be sufficient to ensure equitable distribution at local level. This requires a proper understanding of the true costs of the scheme both currently and in future years. Long term sustainability of the scheme remains an issue.*
 - *Any proposal for change to the administration of services needs to be based on a clear evidence base. Government need to undertake modelling of their proposed options to understand the impacts at local level. This work needs to take place as a matter of urgency to inform the forthcoming consultation and enable councils to understand the implications of Government's proposals.*

- *The review of Concessionary Travel provides an opportunity to examine options for extension to the scheme. DfT have already announced plans to provide free travel to Veterans which it estimates will cost £80million at current fare levels. There is significant support for concessions for children and young people. There are also strong arguments for a UK wide scheme which would extend the concession to allow concessionary travel across borders with Scotland and Wales. The review of concessionary travel should properly examine the case for each of these options to avoid fragmented and destabilising evolution of the policy in the future.*

Recommendations

24. Members are asked to comment on / approve the following actions and recommendations for lobbying on funding for concessionary fares.

- i) *LGA will continue to engage in development of the review through Government Working Groups. LGA officers have met with officials from Department for Transport and the Department for Communities and Local Government to highlight the importance of full modelling and analysis of options for change and will continue to press this point.*
- ii) *The Chair of the Board and representatives of the Bus Partnership Forum will use forthcoming meetings with Paul Clark MP to highlight the LGA's key messages in relation to the Review.*
- iii) *LGA to scope a piece of work to inform our input into the forthcoming review to ensure that locally determined services do not suffer from central government funding decisions. This study would involve making costing projections year by year up to 2013/14 for the English National Travel Concession for the whole of England, taking into account:*
 - *Underlying cost drivers in the bus industry and their likely impact on commercial fare levels*
 - *Demographic trends among the over 60s*
 - *Expected increase in take-up of the free benefit as travel costs rise, including likely changes in motoring costs and disposable incomes in the over 60s group.*
 - *Any changes likely to take place in trip levels relating to changes in bus service levels and quality*
- iv) *LGA to host another roundtable discussion, following on from the one held in September, once the consultation paper is published to ensure our response is informed by those with experience of administering the scheme on the ground or who might be affected by the proposed changes*

Financial Implications

25. *Study to inform LGA input to future central government funding decisions would involve commissioning work from external consultant. This would be resourced from Regeneration and Transport budget.*

Implications for Wales

26. *The English National Travel Concession applies in England only. There is a separate scheme in operation in Wales. We wish to see issues of cross border travel addressed in the review of concessionary fares. LGA officers will work with WLGA colleagues on this issue.*

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