

20 May 2009

Concessionary Fares

Summary

This paper provides an update on the LGA's work on concessionary fares issues since the last meeting of the board. Specifically it covers two recent developments:

- i) Discussions with DfT regarding shortfalls relating to special grant funding for the national scheme
- ii) Government consultation on *possible changes to the administration of concessionary travel* which was published on 28th April.

The consultation paper is available on DfT website at:
<http://www.dft.gov.uk/consultations/open/concessionarytravel/>

Recommendations

Members are asked to comment on government's proposals for possible changes to the administration of concessionary travel to inform the LGA's submission to the consultation.

Action

To draft Officers' response to the consultation subject to comments from the Board and report progress at future Board meetings.

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Concessionary Fares

Funding shortfalls in relation to special grant funding for the English National Concession – progress

1. As reported to the Board in March, LGA officers have been working with councils experiencing shortfalls in the special grant funding for the national concessionary fares scheme. The Chair of the Board and representatives from the group of affected authorities met with Paul Clark MP on 7th May to present evidence of the shortfalls and to seek a solution to the funding inequities prior to changes proposed from 2011.
2. The Minister acknowledged that the distribution of funding has resulted in shortfalls in some areas and said he was committed to doing something to help those areas as soon as practically possible. The Minister confirmed that there is no additional funding available, but agreed to explore the possibility of revisiting the special grant with a view to revising the allocation of the funding in 2010/11. The LGA suggested that once the costs of the scheme are known, a proportion of the 2010/11 funding could be used to address shortfalls experienced in the current financial year retrospectively. The Minister agreed to look at the possibility of doing this.
3. A re-distribution of the special grant in 2010/11 will require accurate information about the costs of the scheme in 2008/09. This will be based on council's financial returns which need to be submitted to CLG by end of June 2009. LGA officers are working with DfT officials on the practicalities of modelling a revised formula to ensure that any revised distribution are consulted on and decisions made at the earliest opportunity to inform councils' budget setting processes.

Department for Transport consultation on possible changes to the administration of concessionary travel

4. The consultation paper identifies a number of problems with current arrangements for administering concessionary bus travel. The document restates Government opinion that there is enough funding in the system as a whole, but acknowledges that distribution of the funding does not accurately reflect the costs for individual local authorities. The paper proposes three options for the level at which the scheme should be administered in future: by current Travel Concession Authorities (districts and unitary councils); by county and unitary authorities, or by central government.
5. The consultation paper does not address funding implications of any change. Neither does it consider changes to the methodology used to reimburse operators for concessionary travel. Both of these will be subject to separate consultation in 2010.
6. DfT's stated preference is for transferring responsibility for administration to county level in two-tier areas. The main argument presented in favour of this option is that accurate funding by formula would be made easier because of the smaller number of TCAs and because it would represent a smaller proportion of Counties total spending (implying that their council tax payers will be less concerned at meeting any shortfalls

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in funding). Other arguments include smaller number of negotiations with operators, efficiency savings due to economies of scale, alignment with local transport authority responsibility, and faster adoption of smart ticketing.

Outline of proposed LGA response

7. Because the consultation paper does not address funding implications, nor possible changes to reimbursement mechanisms, it is not possible to determine the financial risk attached to any of the proposed changes. This makes it pretty much impossible for councils to respond to the proposed options in an informed way.
8. The tier of government at which the policy is funded and administered is a secondary issue. The more important issue is ensuring that at whichever level it is administered the policy is equitably funded and can be implemented effectively and efficiently. This will require:
 - Distribution of funding via a formula that accurately reflects the ways costs fall at the individual authority level;
 - Simplifying and standardising the methodology for calculating reimbursement which would remove much of the scope for dispute and challenge and allow councils and operators to negotiate deals that they can both agree to.
 - Accurate and robust data about the costs of the scheme. This would allow more accurate reimbursement of operators and reduce disputes over data sets. It would also resolve once and for all, the question of whether or not the quantum of funding is sufficient. Government should commit to ensuring that smart card technology is installed by all bus operators as soon as possible and, in any event by 2011;
 - An understanding of the future costs of the scheme to ensure that the quantum of funding increases in line with the costs of the scheme.
9. If the move to counties goes ahead, Government must make sure that no district is left out of pocket as a result of having funding taken away – i.e. more is taken away than has been received in grant.
10. Board members are invited to comment on the key elements of the LGA response proposed above and in particular whether the LGA response should express a preference for any of the options set out in the consultation paper.

Financial Implications

17. Staffing and other resource implications of the report can be met within current resources.

Implications for Wales

18. The English National Concessionary Fares Scheme does not apply to Wales.

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