

21 January 2010

Transport Update

Summary

This paper provides an update on the LGA's work and recent announcements on transport issues since the last meeting of the board.

Recommendations

Members are asked to note the report.

Action

Subject to members' comments, officers to take forward suggested actions.

Contact Officer: Caroline Green
Phone No: 020 7664 3359
Email: caroline.green@lga.gov.uk

Transport Update

Concessionary Fares

1. The Government's consultation on a proposed reallocation of Special Grant funding for the national concessionary fares scheme closed on 30th December 2009. Over 60 Members and officers from Travel Concession Authorities attended a meeting held by the LGA on 10th December to discuss the consultation. In responding to the consultation, the LGA made the following key points:
 - The LGA recognises that progress has been made in dealing with the major problems with funding for concessionary fares that many councils face.
 - We are pleased that government has acknowledged that a number of authorities have received insufficient funding to cover the costs of the English National Concession.
 - Our longstanding position has been:
 - (i) that the government's commitment to fully fund the statutory scheme has meaning only if the scheme is fully funded at the level of each individual council;
 - (ii) the funding deficits currently experienced by some councils must therefore be resolved, but this must not result in other councils receiving less than they require to meet the costs of the scheme.
 - We believe that the best way of ensuring fair and equitable funding for 2010/11 is for Government to provide a top up grant of approximately £30 million to those authorities who can demonstrate funding deficits.

The LGA's full response is attached at **annex A**.

2. At the time of writing, government has not yet responded to the consultation. We expect Ministers' to take a decision on a revised allocation in the near future. The revised allocation will then be subject to a debate in Parliament. The LGA continues to press for an early decision to enable councils to set their budgets for 2010 / 11.
3. The financing of the concessionary travel scheme is of on-going importance to local authority budgets. As such, **officers intend to produce a piece of work that explores how the scheme might best be financed in the future**, with a view to influencing any future debate in the wake of the General Election.

Pre-budget report and changes to the administration of Concessionary Fares from 2011

4. The Pre-Budget Report (9 December 2009) confirmed that responsibility for concessionary fares will transfer from District to County level in two-tier areas from April 2011.
5. The PBR also predicted savings of £180m per year from the national concessionary fares scheme from 2013/14. These savings will result from
 - shifting responsibility to counties in two tier areas;

23 4

- rolling-out of smartcard systems across the country;
 - streamlining arrangements for reimbursing bus operators (subject to consultation), and;
 - changes to eligibility in line with state pension age changes – this means that eligibility for the national concession will increase gradually to 65 by 2020.
6. In responding to the PBR, the LGA questioned the calculations behind these estimated savings, particularly since no decisions have been made about revised reimbursement arrangements, and given current funding shortfalls. We will also continue to work closely with our members to influence new arrangements for funding and reimbursement in the lead up to these changes coming into force. In particular, we will work to:
- ensure that no council is left out of pocket as a result of transfer of functions from districts to counties;
 - agree a transparent and simplified methodology for reimbursing bus operators, and;
 - ensure that future funding arrangements fully reflect the costs of the scheme at individual authority level.

Cross border travel

7. As reported at the last meeting, the LGA wrote to Transport Minister, Sadiq Khan, to raise the issue of concessionary travel across English, Scottish and Welsh borders. The Minister's response is attached at **Annex B**.

Bus Subsidies

8. In December, DfT announced changes to the Bus Services Operators' Grant, following the consultation in Spring 2009. These include changes to incentivise fuel efficiency from April 2010 and in the longer term, a move to an Incentive Per Passenger System. (attach DfT letter to Paul R) The LGA argued that the grant should be devolved to local authorities to incentivise improvements and commission services according to local priorities. We will continue to make this case to Ministers.

Competition Commission Inquiry

9. On 7 January the OFT referred referred UK local bus services, excluding London and Northern Ireland, to the Competition Commission (CC). The decision followed consultation on the results of an OFT market study into the industry that found evidence that limited competition between bus operators tended to result in higher prices and lower quality for bus users.
10. The LGA and local councils have welcomed this move, and have been leading the call for a more efficient and locally-led approach to commissioning bus services. In August 2009 the LGA published a report into bus subsidies which found that subsidy has risen by half in ten years to £2 ½ billion in 2007/08, amounting to over half the turnover of the industry. The LGA has argued that better value for money could be achieved through directing investment through to local bus services that target local

congestion, pollution and social priorities, and that it is the operators rather than passengers that are benefitting from the current system.

Bus Partnership Forum

11. Members of the Board will meet with Sadiq Khan MP (Minister of State for Transport) at the Bus Partnership Forum on 20 January 2010 to discuss, amongst other things, the issues set out above relating to Bus Policy and Concessionary Fares. Officers will give an oral update to the Board at its meeting on 21 January.

LTA conference

12. On 12 January 2010 the LGHA successfully held a one day conference to mark one year on from the passing of the Local Transport Act. The conference was held in partnership with DfT, PTEG and the Confederation of Passenger Transport. The successful conference attracted over 90 delegates and was chaired by Cllr David Sparks, with a key note address from Sadiq Khan MP. Presentation from the day can be accessed at <http://www.lga.gov.uk/lga/core/page.do?pageld=7334032>

Financial Implications

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

Implications for Wales

18. Cross border travel concessions are of specific interest to Welsh authorities. Other issues of interest will be explored with the WLGA as appropriate.

Contact Officer: Caroline Green
Phone No: 020 7664 3359
Email: caroline.green@lga.gov.uk

23 4

Annex A

LGA response to:
Local Authority special grant funding in 2010/11 for the national bus concession in England
Consultation paper

December 2009



1. Introduction

- 1.1 The Local Government Association (LGA) represents over 423 member authorities in England and Wales. Together they represent over 50 million people and spend around £113 billion a year on local services. They include county councils, metropolitan district councils, English unitary authorities, London boroughs, shire district councils and Welsh unitary authorities, along with fire authorities, police authorities, national park authorities and integrated transport authorities.
- 1.2 This response has been developed in consultation with our member authorities.

2. Key points

- 2.1 The LGA recognises that progress has been made in dealing with the major problems with funding for concessionary fares that many councils face. We are pleased that government has acknowledged that a number of authorities have received insufficient funding to cover the costs of the English National Concession. Our longstanding position has been:
- (i) that the government's commitment to fully fund the statutory scheme has meaning if the scheme must be fully funded at the level of each individual council;
 - (ii) the funding deficits currently experienced by some councils must therefore be resolved, but this must not result in other councils receiving less than they require to meet the costs of the scheme
- 2.2 We believe that the best way of ensuring fair and equitable funding for 2010/11 is for Government to provide a top up grant of approximately £30 million to those authorities who can demonstrate funding deficits.
- 2.3 In the last 6 months, the DfT and CLG together have announced well over £200m for projects and programmes which were not part of the departmental budget plans announced at the start of the year (see annex A). We are not persuaded therefore that it is not possible for Government to find the additional £30m funding for a highly valued, flagship scheme such as concessionary fares.
- 2.4 In considering its response to the current consultation, the

020 7664 3131
DX 119450 Clerkenwell 3 Email info@lga.gov.uk
Tel 020 7664 3000 Fax 020 7664 3030
Information centre 020 7664 3131 www.lga.gov.uk submission

Department for Transport must take on board evidence supplied by all councils and act to ensure that all deficits are addressed.

3 Factors in support of additional grant funding

3.1 There are a number of reasons why additional funding is the most appropriate solution for funding problems:

- (i) Current funding arrangements have resulted in a significant number of authorities facing substantial shortfalls in funding which are have serious implications on council tax, and threatening jobs and services.
- (ii) The proposed redistribution of the special grant does not take into account shortfalls that exist as a result of problems related to funding for the statutory scheme which existed prior to April 2008. A number of authorities from across the country, including London, have told us that when combined with the amount they receive through Formula Grant, the proposed reallocation of the Special Grant would result in an overall shortfall in funding for concessionary fares in their areas.
- (iii) The consultation is taking place at a time when councils are already taking decisions about their budgets for 2010. Even if a revised allocation is decided and agreed by Parliament in early January, councils will have little ability to plan for the impact of the changes which will have implications for local services.
- (iv) The redistribution is based on increase in costs between 2007/08 and 2008/09. However, a number of authorities have reported a further increase in costs during the second year of the scheme (2009/10), which means a redistribution based on the first year of the scheme will not adequately address their shortfalls.

4 Feedback from Councils on shortfalls and impact of redistribution of the special grant

4.1 A number of councils have shared their response to the consultation with the LGA. Our analysis of these responses finds that:

- (i) For some councils the proposed redistribution would largely resolve funding shortfalls in 2010/11. Any changes that are made to the proposed reallocation following the consultation period should not result in these areas receiving less than is proposed in the consultation paper.
- (ii) For other councils, the proposed redistribution partially addresses the funding shortfalls, but the revised distribution leaves them with significantly less than the additional costs that result from the national scheme.

- (iii) Some areas will see no change in grant despite experiencing funding deficits as a result of the introduction of the national scheme.
- (iv) As stated above, a number of councils were underfunded for the free-local scheme which existed prior to April 2008. In some cases the special grant has served to reduce these funding gaps. Reductions in the special grant for these areas will result in an overall shortfall in funding for concessionary fares in their areas.

4.2 These findings support the LGA's position that the only equitable way to resolve current shortfalls whilst ensuring that no other council receives less than they require to meet the costs of the scheme is to provide additional funding.

5 Statutory Data Requirements

5.1 A lack of clarity and the time lags on information have contributed to the funding difficulties for a number of years. We therefore support the principle of securing more accurate and timely data to provide clarity and transparency on costs and reimbursement.

5.2 However, it is not clear from the consultation what the department intends to do with the information it is requesting from councils. The need for clarity and transparency works both ways and Government should clarify for what purpose data provided by councils will be used. It would certainly be unacceptable for any further adjustments to the 2010/11 Special Grant, or to mid-year changes to grants from 2011/12 onwards.

5.3 We recognise improved data will be especially helpful in preparing for the transfer of responsibility and funding for Concessionary Fares from district to county level from April 2011. It will also assist in the work currently underway on reforming reimbursement arrangements for concessionary travel. However, if it is to be used to inform changes to take effect from 2011, it is not clear why councils should be required to submit this information on a quarterly basis in perpetuity. The requirement for quarterly returns should be limited to a one year period.

5.4 A reasonable time period would be required to allow councils to submit the data. Initial responses suggest that submission quarterly in arrears would be possible.

5.5 DfT should also take account of additional relevant information on the costs of concessionary fares that is relevant to local schemes. For example, in some areas, the costs of the statutory scheme are displaced by local discretions – concessionary travel on trams or light rail. Without these local discretions, the costs of the statutory scheme would be significantly increased. Where this can be evidenced by local authorities, it should be taken into account in future funding and reimbursement arrangements.

5.6 Councils have also highlighted that their ability to collect accurate data on concessionary patronage depends on information provided by operators. Roll out of smartcards systems across the country would improve access to reliable data on concessionary fares. We do not believe that the recent reforms to BSOG will provide a sufficient incentive for the roll out of smartcards. We will continue to pursue this with DfT through their smart card strategy.

23 4

ANNEX A

CLG funding for projects and programmes not part of the departmental budget plans

June – December 2009

Date	Initiative	Funding £m
15/12/2009	Debt advice	4
08/12/2009	Prevent funding	5
04/12/2009	Empty shops	2.6
01/12/2009	Eco-towns preparation	5
30/11/2009	Tackling tenancy fraud	4
24/11/2009	Research into design Efficiency	3.2
20/11/2009	Tackling anti-social behaviour	10
13/11/2009	Jobs and skills drive	40
04/11/2009	Horticultural apprenticeships	0.7
14/10/2009	Connecting Communities	12
28/08/2009	Tackling extremism	7.5
19/08/2009	Tackling impact of empty shops	3
22/07/2009	Tackling Race inequality	9
22/06/2009	Tackling repossession	1.2
	Total	107.2

DfT funding for projects and programmes not part of the departmental budget plans

June – December 2009

Date	Initiative	Funding £m
19/11/2009	Electric car charging points	30
17/11/2009	Stations make-over	50
09/11/2009	cycling investment	10
28/11/2009	Cycling facilities at stations	10
03/07/2009	Green buses fund	30
	Total	130



From the Minister of State

Councillor David Sparks
Chairman, LGA Regeneration and Transport Board
Local Government House
Smith Square
LONDON
SW1P 3HZ

Department for Transport

Great Minster House
76 Marsham Street
London SW1P 4DR

Tel: 020 7944 3082
Fax: 020 7944 4492
E-Mail: sadiq.khan@dft.gsi.gov.uk

Web site: www.dft.gov.uk

Our Ref: SK/026392/09

16 NOV 2009

Dear Cllr Sparks,

Thank you for your letter of 22 October regarding cross-border concessionary bus travel.

Concessionary travel is a devolved policy area so the arrangements in Scotland, Wales and Northern Ireland differ from those in England. Consequently, at present the England-wide pass is not valid for travel in Wales, Scotland, or Northern Ireland and passes from those schemes are not valid on journeys which start in England.

Integrating the separate concessionary travel schemes is not a straightforward matter. For example, different administrative arrangements apply in each of the countries – the Welsh national scheme involves a single central reimbursement rate, whereas reimbursement rates for the English national scheme are subject to local negotiation. There are also differences in the level of concession available, with Wales and Scotland offering companion passes and free-travel at anytime rather than just off-peak as in England.

Local authorities neighbouring the Welsh or Scottish borders do however have powers to offer concessionary bus travel into England, Wales or Scotland as a local enhancement to the current statutory minimum.

As you note, the Concessionary Bus Travel Act 2007 includes a power to allow, through regulations in the future, for mutual recognition of concessionary bus passes across the UK. This was included so that, following the establishment of the England-wide concession, which has the largest number of eligible pass holders in the UK, the legislative framework was in place to provide for the possibility of mutual recognition if all parties wished to implement it and if they agreed the practical means to bring it about, such as interoperability of passes and funding.

Discussions are taking place at official level with the Devolved Administrations about how reciprocal arrangements for cross-border concessionary travel could work, however there are no immediate plans to introduce such an arrangement.

I hope this is helpful.

Best wishes
Sadiq Khan

SADIQ KHAN



From the Minister of State

Paul Raynes
Local Government Association
Local Government House
Smith Square
LONDON
SW1P 3HZ

Department for
Transport

Great Minster House
76 Marsham Street
London SW1P 4DR

Tel: 020 7944 3082
Fax: 020 7944 4492
E-Mail: sadiq.khan@dft.gsi.gov.uk

Web site: www.dft.gov.uk

15 DEC 2009

You will be aware that the Secretary of State announced on 15 December details of two further changes that were first announced in last December's statement which will come into effect in April 2010, along with an announcement on more fundamental reform of BSOG to be introduced in the next two to three years.

From April 2010, operators will receive an 8% increase in their BSOG rate if they have operational ITSO smartcard systems and, separately, a 2% increase if they have fitted their buses with GPS equipment. We will also be bringing forward new arrangements for support on the basis of passenger numbers confirmed through ITSO smartcard systems.

I attach a copy of the Secretary of State's announcement.

In relation to the smartcard incentive you may also be interested in the Department's Smart and Integrated Ticketing Strategy which has been launched today. A copy is available on the DfT website.

I would like to thank you for the LGA's involvement so far in BSAG. Your input has been invaluable to our decision making process.

I appreciate that your organisation was in favour of devolving BSOG. The points you made in BSAG meetings were carefully noted and considered. As you know, the Department had concerns about devolution of BSOG, principally in relation to legal risk.

The Government believes that a move to an IPP-based system will provide strong incentives for operators to further improve their fuel efficiency, give operators real incentives to attract more passengers to their services, exploit the potential of GPS systems and underpin the Ticketing Strategy, thus paving the way for widespread smart ticketing.

We will discuss the detailed implementation of our proposals at future BSAG meetings. I look forward to the LGA's continued involvement.

SADIQ KHAN