

Transport Update

Summary

This paper provides an update on LGA activities relating to the Board's priorities on transport since the last meeting of the Board in July.

Recommendation(s)

- Members are asked to note the report and provide comments on the issues raised by the consultation on distribution of funding for concessionary fares to inform the LGA's response.

Action

- Officers to progress agreed work programme in the light of comments from the Board.

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Transport update

Summary

1. This paper provides an update on LGA activities relating to the Board's priorities on transport since the last meeting of the Board in July. Members are asked to note the report and invited to input views on the issues raised by the consultation on distribution of funding for concessionary fares to inform the LGA's response.

Concessionary Fares

Funding

2. As part of the consultation on Formula Grant Distribution, the Department for Communities and Local Government are consulting on options for transferring funding for concessionary fares from districts to counties in two tier areas, and on formulae for allocation of funding to Travel Concession Authorities from April 2011. The consultation does not cover the quantum of funding, which is a matter for the Spending Review. The LGA is seeking views from member authorities to inform our response to the consultation which closes on 6th October 2010. In particular we are inviting views on are:
 - the robustness of the exemplifications as they affect individual authorities;
 - the scope to achieve efficiency savings as a result of the transfer and spending pressures that need to be taken into account;
 - challenges councils have encountered with estimating the local impact of the options;
 - Formula grant versus special grant. There is a further option not covered by the consultation: distributing all concessionary fares funding via special grant. The LGA Executive will be asked whether the LGA should formally take a position on this during September;
 - Alternative suggestions to achieve a fair and equitable transfer of funding.
3. The LGA will be submitting evidence on the cost pressures from concessionary fares as part of our submission to the Spending Review. An outline of this submission is attached at **annex A**.

Reimbursement

4. DfT officials have been developing revised guidance to councils on methodology for reimbursing operators for concessionary fares. LGA officers

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have been working with technical advisors over the summer to influence the guidance which is intended to come into use in April 2011. We expect draft revised guidance to be published for consultation in September. Our objective in inputting to the guidance has been to ensure that the new guidance results in a simpler and less contentious methodology for reimbursement that can help deliver savings from the scheme and does not leave councils exposed to a high number of appeals from operators.

Buses

5. Following Cllrs Harker and Knowles meeting with Transport Ministers in July, LGA officers have been working with DFT officials to pursue our proposals for devolution of bus subsidies. As part of this work, we have been working with advisers to collate evidence and examples of how councils would use subsidy to support local bus services. Our understanding is that Ministers will be considering proposals for the future of bus subsidy in advance of the Spending Review.

Infrastructure

6. The LGA publication *Funding and Planning for Infrastructure* will be published in September, making the case for investment in a range of physical infrastructure needs and argue that localising decision making and giving councils more flexibility to raise investment locally are crucial to meeting the countries infrastructure needs. The paper will also form part of our submission to Government on the Spending Review. An electronic copy of the paper will be circulated in advance of the Board meeting and hard copies will be available at the meeting.

Winter maintenance

7. The panel commissioned by DfT to conduct a review of resilience to winter weather published its interim report on 26th July. The report makes 17 recommendations covering highway authorities' winter maintenance, the road salt supply chain, public expectations, weather forecasting and self-help by the public. The report makes reference to the LGA's report *Weathering the Storm II* which was published at our annual conference. In particular, it supports our call for Government to provide clarity that the public can take practical steps to clear snow and ice without fear of litigation, and that there should be arrangements for strategic salt reserves.
8. In advance of the 2010/11 winter, the LGA is seeking feedback from councils on their preparations for winter maintenance, including monitoring whether suppliers are on course to meet orders for re-supply.

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Air Quality

9. In August, Cllr David Sparks and Cllr Gary Porter as Chairs of the Environment Board and the Regeneration and Transport Board wrote to Ministers at DfT and Defra to raise Local Government's concern at the risk that the UK will fail to meet EU requirements on air quality. The letters requested a meeting with Lord Henley and Norman Baker MP to request a meeting on this issue. A copy of the letter is attached at **annex B**.

Moving Traffic Enforcement

10. Norman Baker wrote to Cllr David Sparks in July requesting the LGA's views on the implementation of provisions within the Traffic Management Act 2004 to give councils powers to enforce contraventions against moving traffic. A copy of the letter and reply from Cllr Peter Box are attached at **Annexes C and D**.

Financial Implications

11. None



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Spending review submission for Environmental, Protective and Cultural Services (EPCS) – Concessionary Fares

Context

The ability of people aged 60¹ and over and eligible disabled people to travel for free on off peak local bus services is highly valued and literally a lifeline for many people, especially for those at risk of social exclusion and on low incomes who would otherwise not be able to afford to travel.

However, there have been longstanding problems with the allocation of central government funding for concessionary fares, which government estimates to be about £1.2 billion per year. At least 10 councils experienced a shortfall of more than £1 million in 2008/09 in relation to the special grant. In addition, the system has resulted in costly and time consuming appeals by bus operators. For example, the costs of the scheme in Oxford went up from £3.1 million to £3.8 million as a result of an appeal by a bus operator that was upheld by the Department for Transport.

Many of these problems arise because of the incredibly complicated way in which councils are required by government to reimburse local bus operators and difficulties with getting reliable local data upon which to base reimbursement calculations. These problems have been compounded by frequent changes to the policy framework which have failed to address the fundamental problems with the system.

LGA lobbying made sure that funding for the national concessionary fares scheme was channelled through Special Grant, providing the transparency councils needed to evidence shortfalls. Last year, the previous government recognised the problems with the scheme, re-allocated the special grant funding and pledged to undertake a proper review of the scheme.

We now face a new set of issues as councils prepare for the transfer of the scheme from districts to counties in April 2011 (covered separately in our submission on proposed changes to formula grant) and reduced funding for the scheme in future.

Pressures

Most, but not all, expenditure on concessionary travel by local authorities is associated with the delivery of mandatory travel concessions. With current legislation

¹ From April 2010 the age of eligibility for the concession will increase in line with women's pension eligibility to reach 65 by 2020.

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and administrative arrangements, the amount of money that local Travel Concession Authorities (TCAs) must spend on reimbursing bus operators is largely outside their control. In contrast, the funding that authorities receive from central government, currently in the form of formula-funding together with special grant, is fixed in cash terms. This gives rise to a potential mis-match of funding and costs, which leads to the shortfalls referred to earlier.

There is also an expectation, articulated in the 2009 Budget, that councils will be required to make £120m of efficiency savings by 2012/13 from changes to the administration of concessionary travel, including shifting responsibility to county councils, speeding up the rollout of smartcards across the bus network and streamlining arrangements for reimbursing bus operators. This is before any further funding reductions are announced following the Spending Review.

However, research commissioned by the LGA on projections of expenditure on concessionary travel in England from 2008-09 to 2013-14 suggests that reimbursement costs could increase by 20% in real terms over this period.²

This is mainly because:

- ◆ Bus operating costs have increased much faster than general inflation driven largely by labour and fuel costs. At the same time, fare-paying patronage has continued to decline in most parts of the country outside London. This has led to an increase in average bus fares in England by 23% in the last 5 years. Under “no better off, no worse off” principles, increases in fares lead to increases in reimbursement expenditure.
- ◆ The Office for National Statistics population projections are that the population in England aged 60 or over will grow by 8% from 2008- 09 to 2013-14. It is assumed that concessionary trips will grow at the same rate. More passes in circulation with higher usage and real terms fare increases will see costs increase considerably.

As a result, the LGA is very concerned about how the £120m efficiency saving will be delivered. Not only is there a very real possibility that costs will rise at the same time as funding is reduced, but also:

- ◆ The projected efficiency savings are largely reliant upon councils and bus operators agreeing an overall reduction in reimbursement rates for 2011/12 as a result of DfT streamlining the guidance and methodology. As yet a revised methodology has not been produced. This hinges upon DfT meeting an extremely tight timeframe this Autumn and issuing guidance and a methodology

² This is based upon demographic change plus a 3% increase per year in commercial fares and a 1.5% increase per in operating costs). This seems likely to be the most realistic of the scenarios that we have examined, given historic experience. (This assumes that there is no underlying trend in the volume of concessionary passenger journeys relative to the estimated 2008-9 level.)

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that is transparent, simple, robust and not vulnerable to legal challenge from bus operators.

- ◆ The level at which the scheme is operated does not solve all the problems. Some district councils already operate their concessionary fares scheme at the county level, leaving very little scope for administrative savings. Furthermore, there have been significant shortfalls at unitary and county level, not just districts.
- ◆ The rollout of smartcards is a 10-year strategy and will not deliver savings fast enough to reduce costs in the short to medium term.

Impact of budget cuts

If resources were reduced by 20/25% councils would be unable to meet their statutory duties under the Concessionary Bus Travel Act 2007. The withdrawal of concessionary fares and possibly even some bus routes in remoter areas, which are only commercially viable because of the proportionality high volume of concessionary travellers they carry, would have a major impact upon the quality of life of some of the most vulnerable people in our communities.

There will also be major pressure on councils to withdraw valued local discretionary concessions offered on top of the statutory minimum. These include other modes (e.g. train), different times and additional bus services, other people (e.g. children and young people) and alternatives to bus passes (e.g. taxi tokens). These decisions have been taken locally in response to local need and to further local accessible transport objectives.

What the government can do

In order to achieve a fairer, transparent and more cost efficient system:

- ◆ The immediate priority must be to issue timely reimbursement guidance and a methodology that is transparent, simple and robust. The LGA is already advising DfT on overcoming some significant technical concerns that risk jeopardising the already tight timeframe.
- ◆ The roll out of smart cards should be prioritised so that reimbursement is calculated on the basis of reliable local data, thus removing one of the major reasons why bus operators mount appeals.
- ◆ Our submission on the formula grant consultation also highlights the importance of achieving an equitable transfer of funding out of districts and into counties, so that no council is left out of pocket. If the quantum is sufficient, it would result in fewer areas experiencing significant shortfalls and would smooth out distribution anomalies.

However, in the longer term the LGA believes that radical reform is needed. We propose devolving all existing bus subsidy (currently £2.9 billion per year), including

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concessionary fares funding through a single funding stream to local transport authorities with greater powers to commission bus services locally.

Under such an arrangement, councils would be able to choose which services and routes to support and could specify coverage in order to support local economic, social and environmental objectives. Local authorities could integrate school, hospital and social care transport with mainstream public transport better and get more purchasing efficiencies. As part of the arrangement councils would be required to negotiate a fixed deal for the delivery of concessionary fares.

This model would allow government to limit the budget for bus subsidy at a level driven by policy decisions and considerations of affordability, rather than the current demand-driven model.

By cash-limiting the total budget for support to bus services at the rate of general inflation, our proposed reform would result in savings of £1.3 billion compared to continuing at the current rate of spending growth over the 5 years from 2011-12.

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Annex B

Norman Baker MP
Parliamentary Under-Secretary of State for Transport
Department for Transport
Great Minster House
76 Marsham Street
London
SW1P 4DR

25 August 2010

Dear Mr Baker,

As you know, councils play a key role in improving air quality in their local areas. This work is a legal and health necessity, and councils are leading the way with innovative local schemes focussing on this. Local government is also keen to help deliver the Coalition Government's commitment to comply with European air quality standards. The Local Government Group would like to discuss how we can work with you at the earliest opportunity.

We face significant challenges ahead. The UK is at severe risk of failing to meet EU requirements on air quality, which will result in fines running to hundreds of millions of pounds and cause major damage to people's health. The European Commission issued a final warning to the UK in June for failing to comply with the standard for particulate matter. Meeting nitrogen dioxide limit values poses an even greater challenge. Transport emissions are the major contributor to these problems and reducing these must be a priority.

Action is already being taken at the local level. For example, Oxford and Norwich have established low emission zones, and other councils have used planning-based low emission strategies to secure mitigation measures by developers. South Yorkshire's "ECO Stars" fleet recognition scheme works with local businesses, providing both fuel savings for operators and reductions in air pollutant emissions.

While excellent local work is taking place, many sources of pollution, such as motorways, are beyond local government's sphere of control as are some of the levers and resources required for action. For this reason, we believe there is a case for a joint national and local strategy to ensure European requirements are met and people's health is protected. The development and implementation of a strategy requires the full involvement of the Department for Transport (DfT) as well as Defra. The strategy should act on the Environmental Audit Committee's recommendation and commit to investigate, with local government, a framework for low emission zones that provides consistency for industry as well as local flexibility.

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A significant issue that needs to be overcome is that the air quality impacts of transport projects do not receive sufficient weight in current appraisal methodologies. Recent studies by the Cabinet Office demonstrate that the costs to society of poor air quality from transport are similar to the economic consequences of traffic congestion at £11 billion per year, but are given less weight in the DfT's New Approach to Transport Assessment (NATA). A better appraisal that accurately reflects the costs and benefits of infrastructure investment is essential to ensure that pollution and air quality are properly considered in investment decisions.

We also need to look at incentivising the development and uptake of new, cleaner technologies amongst businesses and the public. The Government's current review of waste policy gives a significant opportunity to support the use of biomethane from anaerobic digestion as a transport fuel. Several councils have already trialled this in their fleets.

However, beyond this there also needs to be a fundamental change in public attitudes to transport and pollution, and local government is ready to work alongside the Government in communicating the importance of this. Increasing the use of public transport, and cycling and walking needs to be a priority, and there must be a focus on ensuring public buy-in for local actions, such as low emission zones, especially in a time of financial austerity.

Clearly central and local government must now work together closely as a matter of urgency to deliver on the country's legal commitments and to improve the environment for all. The Local Government Group will be in touch with your office shortly so we can take this work forward together and demonstrate publicly the political leadership necessary to address this problem. In the meantime, if your officials have any questions or would like to discuss any of the issues raised in this letter, they can contact Nick Clack (nick.clack@local.gov.uk; 020 7665 3876) or Cassandra Harrison (cassandra.harrison@local.gov.uk; 020 7665 3878).

We are also sending a similar letter to Lord Henley at Defra.

Yours sincerely,



Councillor David Sparks OBE,
Chair of the Regeneration and Transport Board



Councillor Gary Porter,
Chair of the Environment Board

Cc. Rupert Furness, DfT
Cc. Iain Forbes, DfT



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cc. David Grocott, DfT