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24 January 2011

Dear Ministers

## **CONCESSIONARY TRAVEL**

You will be well aware of the longstanding difficulties over the funding of concessionary travel. Far from resolving the existing problems, the proposals set out in the provisional Local Government Finance Settlement will, if implemented, create further examples of significant underfunding. Many of our member authorities have expressed deep concern about this matter. The Local Government Group has submitted a full response to the consultation on the Local Government Finance Settlement reflecting those concerns and, given the importance of the issue, I make no apology for highlighting the need for a completely different approach.

This is an issue which concerns both your departments equally: turbulence in bus funding will result in unplanned and uncontrollable reductions in bus services; turbulence in council funding will affect the ability of authorities to set responsible budgets and protect other services. We are disappointed that in many recent conversations about this issue, each of your departments has suggested to us that the solution needs to be sought from the other: we respectfully suggest that you need to work together to tackle this shared problem.

The Settlement's proposals for concessionary fares will not result in the fair and equitable transfer in funding that we argued for; it will leave a large number of councils out of pocket in delivering a statutory duty, and it will have a serious impact on local bus services.

All types of council, Shire Counties and Districts, Unitary authorities and Integrated Transport Authorities, will be affected by these changes. With respect to transferring funding out of Districts, as a result of the methodology chosen by CLG, a large number face reductions in funding far greater than the costs they incurred in delivering the national scheme. For example, Cambridge faces a permanent deficit of almost £0.9 million. The methodology permanently removes from such authorities, not just the funding required for the national scheme, which had to be financed through those authorities' local council tax,

not central government grant, but also some money which reflected local choices on spending priorities. It is entirely inappropriate for the government to use the settlement to, in effect, confiscate local council tax revenue. That funding should remain with the authorities concerned and, if you are determined to incorporate concessionary fares funding within the Formula Grant, the only way to deal with this fairly is to make a top-up adjustment available to those Districts which are significantly adversely affected.

But the Settlement also fails to ensure that councils who will be responsible for concessionary travel from April 2011 (Counties, Unitaries and Integrated Transport Authorities) receive sufficient funding to meet the costs of the statutory scheme. Our analysis shows that all county councils are likely to receive less funding for concessionary fares than the sum spent in 2010/11 by Districts in their area, and in some areas significantly less. For example, North Yorkshire estimate they face a shortfall of £4.5 million. This equates to a 46% reduction in funding. It is particularly striking that unitary authorities, whose functions and responsibilities are unaffected by the funding transfers in two-tier areas, will also receive significant reductions in funding (around £2.4m in the case of Nottingham; that is the equivalent of 23% of the expected total cost of the scheme in their area in 2010-11).

In order to avoid financial turmoil for councils, and the consequent impact on local bus services, we urge you to return to the LGA's proposals for a single subsidy pot for all bus subsidies. This would provide a localist, simpler and cheaper way to administer the concessionary fares scheme and sustainably fund buses so that local people get the bus service they need. We recognise that it is now too late to make that change for 2011-12: so in the short-term, the only way to ensure that the scheme is fully funded at the level of individual councils is to fund the entire scheme by Special Grant and we urge you now to revise the proposed Settlement to make that possible.

We believe that the evidence of the recent consultation is clear: the proposals set out in the Local Government Finance Settlement are not supported. We hope you will agree that it is now time to adopt the alternative approach that we have advocated and also that you take action to address the funding difficulties facing Districts and Unitaries who have been adversely affected by adjustments to 2011/12 Formula Grant entitlement.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Peter Box', written in a cursive style.

Cllr Peter Box  
Chair LG Group Economy and Transport Programme Board