



From the Parliamentary  
Under Secretary of State

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Councillor Peter Box  
Chair LG Group  
Economy and Transport Programme Board  
Local Government House  
Smith Square  
London  
SW1P 3HZ

7 February 2011

Dear Cllr. Box,

Thank you for your letter of 24 January concerning the funding arrangements for concessionary travel.

As you will be aware, from April 2011 all Central Government funding for concessionary travel will be provided through the Department for Communities and Local Government's Formula Grant system. DCLG are therefore best placed to address any concerns with the Local Government Finance Settlement.

It may be helpful if I explain that Formula Grant is a non-ringfenced, unhypothecated block grant which gives local authorities freedom and flexibility in their use of funding. Formula Grant is allocated on the basis that the level provided overall is sufficient to enable local authorities to deliver effective local services, whilst ensuring that authorities do not set excessive council tax increases. It is not possible to say how much of this grant is provided for any particular service, including concessionary travel.

DCLG consulted on the formula grant allocation process in the autumn and this included a number of formula options for concessionary travel. This was an opportunity for local authorities to influence decisions on the final distribution method. The option being used is the one favoured by the majority of respondents to the DCLG consultation.

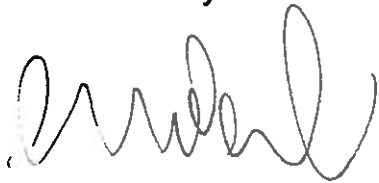
I accept that the funding settlement for local authorities from DCLG is challenging. You will be aware that in the light of representations from local authorities, DCLG have added an extra £10 million to formula grant for 2011/12 only, in order to mitigate the impact of the transfer of responsibility for concessionary travel on shire districts.

In respect of the impact of the funding settlement on bus services, it is worth being clear that nearly 80% of bus services outside London are commercially run and so don't rely on direct funding from councils. There has been no cut in the financial support we provide for these services this year. The Department for Transport has also made millions available for new green buses.

Finally, you will be aware that the Coalition Agreement set out plans to undertake a Local Government Resource Review to ensure fairness in the local government finance system and this will begin later this year.

I hope this reply is helpful.

Yours sincerely

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

**NORMAN BAKER**