

CONCESSIONARY FARES 2008/9 SPECIAL GRANT

Key points

- Around 11 million older and disabled people will have better access to vital services and leisure opportunities from 1 April 2008 when the statutory bus concession will be extended to off-peak local travel *anywhere* in England.
- Additional funding of £212m / £217m / £223m will be provided by special grant over the next three years. Government is confident this is sufficient to meet the total cost to local authorities.
- This total funding is based on generous assumptions about pass take-up, the number of generated journeys and the overall cost of the new concession.
- The proposed grant distribution reflects the likely burden of cost and is designed to direct funding towards 'hotspot' areas such as coastal towns, urban centres and other authorities likely to experience an increase in concessionary bus journeys as a result of the new concession.
- Over 200 local authorities responded to the Department for Transport's consultation on the formula options for distributing the special grant, which closed on 23 November. A summary of the consultation responses will be published shortly.
- The responses suggested a favoured option for distributing the grant (option four from the consultation paper).
- The proposed distribution is based on this option subject to two changes. The first is a change to the way bus patronage data is allocated at the district council level to take account of points raised in the consultation.
- The second change is to the weights applied to the data used to derive the distribution. This is to better reflect the likely split of costs between different classes of authority.

- The final distribution will be subject to a Parliamentary scrutiny before the Local Government Finance Settlement in late-January/early-February.

FAQs

Q1. How will the national bus concession be funded?

A1. The national bus concession will be funded through a special grant from the Department for Transport in line with the wishes of local government, for which £212m will be made available in 2008-09. In addition, DfT will be paying Travel Concession Authorities around £31m this year for the cost of issuing the new passes.

Q2. How was the £212m figure calculated?

A2. The £212m extra funding is based on generous assumptions around fares, pass take up rate, extra journeys, additional costs and the overall probable cost impact of the new concession. We are confident this funding will be sufficient in aggregate.

In addition, the Department for Transport has announced that we will be providing local authorities with approximately £31 million for the issuing of the national pass.

Q3. How were the options in the consultation formulated?

A3. The options are based on data that is likely to be closely related to the key drivers of the extra cost of the national bus concession and followed informal consultation with the Department for Transport's Concessionary Fares Working Group which includes representatives of all tiers of local authority as well as bus operators.

Q4. How were the weightings on the variables derived?

A4. The variables and weighting were calculated to derive a basic increase for all authorities against their budget whilst simultaneously directing funding to where the costs of the new concession are likely to fall. They were derived following informal consultation with the Department's Concessionary Fares Working Group.

Q5. Why are you going for a different option to those you consulted on?

A5. Our chosen formula is a variant of option 4 in the consultation paper. Adjustments were made to the weightings and to the way bus patronage was pro-rated from county to district level following responses to consultation which we judge will result in a funding distribution that better reflects where the extra costs of the national bus concession will fall.

Q6. What have you changed about bus patronage allocations?

A6. Bus patronage data is not available at district council level. Option four in the consultation paper allocated bus patronage at the sub-county level on the basis of population. This approach was criticised by a number of consultees as not accurately reflecting the likely pattern of cost. The proposed distribution is now based on allocating bus patronage to districts by a combination of population and bus stop density (split 50:50).

Q7. Why / what have you changed about the weightings of option four?

A7. The proposed distribution uses the same source data as option four (eligible population, bus patronage, overnight visitors and retail floor space) but now split in the following proportions: 5.1%, 41%, 15.4% and 38.5%. This change was to better reflect the likely burden of costs between different categories of authority. A few authorities, notably London, will receive less under the proposed distribution than under any in the consultation paper. Many authorities will receive more however.

Q8. Why aren't you funding local authorities on the actual costs incurred?

A8. Such an approach would mean that the central government would hold all the financial risks but have no commensurate control of how the risks are managed. It is fundamental that the control over scheme costs, the bearing of financial risk, and the incentive to reduce costs are within the same body - the Travel Concession Authority. Without this the overall costs of concessionary travel, and the total burden on the taxpayer, will increase significantly.

Q9. Why didn't you hold back a contingency fund?

A9. Holding back a contingency fund would require less than the full £212m to be distributed. This step would, of itself, increase the likelihood of an individual authority being under-funded. It would also create a new bureaucracy to administer 'claims' against the fund. There would also be significant difficulties in successfully identifying those local authority costs that were solely derived from the new concession. More fundamentally, the existence of a contingency fund would begin to move away from current arrangements where the control over scheme costs, the bearing of financial risk, and the incentive to reduce costs are within the same body - the Travel Concession Authority.

Q10. How is concessionary travel currently funded?

A10. Funding for the current statutory minimum is provided through the formula grant system (RSG). This is consistent with the wishes of local government to have freedom and flexibility in how they use their funding. Local authorities may offer local enhancements, subject to their assessment of local needs and circumstances, which they must fund. They will continue to have flexibility to do this from next April.

In April 2006 the minimum statutory entitlement was improved from half-fare to free off-peak bus travel within local authority areas. £350m in 2006-07, and £367.5m for 2007-08, was provided to fund the extra costs to local authorities. The Government is confident this was sufficient in total for the improvement to statutory concessionary fares.

Q11. Why are you leaving the existing funding in formula grant rather than administering all the funding for concessionary travel by special grant?

A11. There was no significant support amongst local government to extract existing funding from the formula grant system. Doing so would have created significant funding uncertainties for local authorities.

Q12. Will the extra funding for the national concession be distributed by special grant permanently?

A12. We anticipate transferring the new funding into standard formula grant (RSG) at the beginning of the next three year settlement period (2011/2012).

Q13. Why didn't the Government centralise the national scheme like in Scotland?

A13. For England there is no national 'scheme' as in Scotland but a national minimum standard that local authorities are free to enhance locally. We see no good reasons why the national bus concession should be centralised at present. However, the Concessionary Bus Travel Act includes powers to streamline the administration of concessionary fares in the future e.g. by moving responsibility from district to county councils, or to fully centralise.

Q14. Why didn't the Government streamline the local administration for April next year when the national bus concession comes in?

A14. It was not prudent to change the tier at which travel concessions are administered in time for the national bus concession in April 2008 as this may have jeopardised the successful delivery of the improved concession.

Q15. What is the current entitlement?

A15. People aged 60 and over and eligible disabled people are entitled to at least free *off-peak* bus travel in their local authority area. This will change to off-peak travel anywhere in England from 1 April 2008.

Q16. What about further extensions?

A16. Buses are the most commonly used form of public transport for older people. Local authorities have the discretion to fund local add-ons such as peak time bus travel, concessionary travel on other modes (including community transport), and concessions for other categories of people such as the young and accompanying carers of disabled people.

There are no immediate plans to further extend the coverage of statutory concessions. Any such changes would have to be fully funded and the impacts carefully considered in consultation with all the interested parties.

Q17. What is the legislative framework for the change next April?

A17. The Concessionary Bus Travel Act 2007 modifies existing legislation in the Transport Act 1985 and the Transport Act 2000 to improve the statutory minimum.

Q18. Why are Scotland and Wales getting a share of the funding when they already have national schemes?

A18. Any additions to public expenditure in England as part of Spending Settlements and Budget rounds are covered by the Barnett Formula in line with the Government's Statement of Funding Policy.

Q19. Which local authorities will receive the special grant?

A19. Following consultation the special grant will be paid direct to the Passenger Transport Executives and London. The grant will be paid direct to a single authority in a county area (a County Council or lead district) if there is agreement amongst its districts.

Q20. What about reimbursement to bus operators following appeals?

A20. Legislation requires that bus operators are reimbursed on a "no better/no worse off" basis for carrying concessionaires. DfT has produced guidance which is available on how to do this; revised guidance will be issued shortly.

Bus operators can appeal to the Secretary of State for Transport if they believe they are being unfairly reimbursed by a Travel Concession Authority. Just over 100 appeals have been submitted in 2007-08, although 20 have subsequently been withdrawn.

An independent adjudicator has been appointed to determine the appeals. It is imperative that every appeal is determined fairly and this can take time. Determinations will be issued in due course.

It is not appropriate to comment on individual appeals while they are under consideration or on local disputes about determinations made in 2006-07. There is no further role for the Secretary of State in settling disputed reimbursement payments after a determination has been made. Such disputes between bus operators and travel concession authorities may have to be settled by the Courts.

Q21. If a local authority loses an appeal and is required to pay more to the bus operators will they get further Government funding?

A21. No. The majority of the local schemes being appealed against offer more than the statutory minimum concession. Any local add-ons are not funded centrally. It is for local authorities to implement affordable schemes that meet their statutory obligations and take account of the costs of discretionary local enhancements.

Q22. Will all bus passes be smartcards?

A22. All national passes (outside London) will be smartcards issued to the national standard (ITSO). This does not mean a roll-out smart-ticketing on all buses at this stage, just that we are specifying a smartcard format for the pass.

In London, existing Freedom Passes will be "restickered" by 1 April to show that they are valid England-wide. Passes in London will be ITSO compliant by April 2010. By specifying smartcard technology for the new passes from the outset, and paying a generous grant for their procurement, DfT is providing a significant boost to smart

ticketing. The use of smartcards can speed up boarding, cut fraud and open up the possibility of using the same pass to access a range of other local services, and a fully smart system would also help calculate accurate reimbursement levels and provide useful data on the types of journeys made.